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

# FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2004

Or

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

For the transition period from _____ to _____.

# UNITED STATES STEEL CORPORATION

(Exact name of registrant as specified in its charter)

| Delaware | 1-16811 | 25-1897152 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| 600 Grant Street, Pittsburgh, PA | | 15219-2800 |
|---|---|---|
| (Address of principal executive offices) | | (Zip Code) |

(412) 433-1121

(Registrant's telephone number, including area code)

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

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

Common stock outstanding at October 27, 2004 – 113,691,845 shares

**UNITED STATES STEEL CORPORATION**
**FORM 10-Q**
**QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004**

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**PART I – FINANCIAL INFORMATION**
**Item 1 – Financial Statements**

**UNITED STATES STEEL CORPORATION**
**STATEMENT OF OPERATIONS**
**(Unaudited)**

| (Dollars in millions) | Third Quarter Ended September 30, 2004 | Third Quarter Ended September 30, 2003 | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2003 |
|---|---|---|---|---|
| **Revenues and other income:** | | | | |
| Revenues | **$ 3,460** | $ 2,267 | **$ 9,372** | $ 5,993 |
| Revenues from related parties | **247** | 239 | **707** | 722 |
| Income (loss) from investees | **18** | (2) | **37** | (10) |
| Net gains on disposal of assets *(Note 9)* | **2** | 4 | **46** | 27 |
| Other income *(Note 10)* | **2** | - | **14** | 45 |
| Total revenues and other income | **3,729** | 2,508 | **10,176** | 6,777 |
| **Costs and expenses:** | | | | |
| Cost of revenues (excludes items shown below) | **2,967** | 2,294 | **8,335** | 6,117 |
| Selling, general and administrative expenses | **172** | 150 | **521** | 421 |
| Depreciation, depletion and amortization *(Note 11)* | **96** | 94 | **287** | 271 |
| Restructuring charges *(Note 12)* | **-** | 664 | **-** | 664 |
| Total costs and expenses | **3,235** | 3,202 | **9,143** | 7,473 |
| **Income (loss) from operations** | **494** | (694) | **1,033** | (696) |
| Net interest and other financial costs *(Note 14)* | **4** | 26 | **142** | 106 |
| **Income (loss) before income taxes, minority interests, extraordinary loss, and cumulative effects of changes in accounting principles** | **490** | (720) | **891** | (802) |
| Income tax provision (benefit) *(Note 15)* | **126** | (366) | **263** | (418) |
| Minority interests | **10** | - | **19** | - |
| **Income (loss) before extraordinary loss and cumulative effects of changes in accounting principles** | **354** | (354) | **609** | (384) |
| Extraordinary loss, net of tax *(Note 3)* | **-** | - | **-** | (52) |
| Cumulative effects of changes in accounting principles, net of tax *(Note 6 and Note 19)* | **-** | - | **14** | (5) |
| **Net income (loss)** | **354** | (354) | **623** | (441) |
| Dividends on preferred stock | **(4)** | (4) | **(13)** | (11) |
| **Net income (loss) applicable to common stock** | **$ 350** | $ (358) | **$ 610** | $ (452) |

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

**UNITED STATES STEEL CORPORATION**
**STATEMENT OF OPERATIONS (Continued)**
**(Unaudited)**

| (Dollars in millions, except per share amounts) | Third Quarter Ended September 30, 2004 | Third Quarter Ended September 30, 2003 | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2003 |
|---|---|---|---|---|
| **Income per common share** *(Note 16):* | | | | |
| Income (loss) before extraordinary loss and cumulative effects of changes in accounting principles: | | | | |
| - Basic | **$ 3.08** | $ (3.47) | **$ 5.36** | $ (3.84) |
| - Diluted | **$ 2.72** | $ (3.47) | **$ 4.76** | $ (3.84) |
| Extraordinary loss, net of tax: | | | | |
| - Basic | **$ -** | $ - | **$ -** | $ (0.50) |
| - Diluted | **$ -** | $ - | **$ -** | $ (0.50) |
| Cumulative effects of changes in accounting principles, net of tax: | | | | |
| - Basic | **$ -** | $ - | **$ 0.13** | $ (0.05) |
| - Diluted | **$ -** | $ - | **$ 0.11** | $ (0.05) |
| Net income (loss): | | | | |
| - Basic | **$ 3.08** | $ (3.47) | **$ 5.49** | $ (4.39) |
| - Diluted | **$ 2.72** | $ (3.47) | **$ 4.87** | $ (4.39) |
| **Weighted average shares, in thousands:** | | | | |
| - Basic | **113,523** | 103,321 | **111,170** | 103,096 |
| - Diluted | **130,021** | 103,321 | **127,940** | 103,096 |
| **Dividends paid per share** | **$0.05** | $0.05 | **$0.15** | $0.15 |
| **Pro forma amounts assuming FIN 46R change in accounting principle was applied retroactively:** | | | | |
| Income (loss) before extraordinary loss and cumulative effects of changes in accounting principles, as reported | **$ 354** | $ (354) | **$ 609** | $ (384) |
| FIN 46R pro forma effect *(Note 19)* | **-** | 2 | **-** | 10 |
| Income (loss) before extraordinary loss and cumulative effects of changes in accounting principles, adjusted for FIN 46R | **$ 354** | $ (352) | **$ 609** | $ (374) |
| Per share adjusted: | | | | |
| - Basic | **3.08** | (3.45) | **5.36** | (3.75) |
| - Diluted | **2.72** | (3.45) | **4.76** | (3.75) |
| Net income (loss) adjusted for FIN 46R | **354** | (352) | **609** | (431) |
| Per share adjusted: | | | | |
| - Basic | **3.08** | (3.45) | **5.49** | (4.29) |
| - Diluted | **2.72** | (3.45) | **4.87** | (4.29) |

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

**UNITED STATES STEEL CORPORATION**
**BALANCE SHEET**

| (Dollars in millions) | (Unaudited) September 30, 2004 | December 31, 2003 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 1,062** | $ 316 |
| Receivables, less allowance of $130 and $129 ( *Note 19*) | **1,560** | 1,075 |
| Receivables from related parties ( *Note 22*) | **111** | 144 |
| Inventories ( *Note 17*) | **1,251** | 1,283 |
| Deferred income tax benefits ( *Note 15*) | **167** | 245 |
| Other current assets | **24** | 43 |
| Total current assets | **4,175** | 3,106 |
| Investments and long-term receivables, less allowance of $4 and $4 | **283** | 289 |
| Long-term receivable from related parties ( *Note 22*) | **10** | 6 |
| Property, plant and equipment, less accumulated depreciation and depletion of $7,190 and $ 6,957 | **3,514** | 3,414 |
| Intangible pension asset | **440** | 440 |
| Other intangible assets, less amortization of $9 and $ 4 ( *Note 2*) | **32** | 37 |
| Deferred income tax benefits ( *Note 15*) | **185** | 365 |
| Other noncurrent assets | **156** | 180 |
| Total assets | **$ 8,795** | $ 7,837 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | **$ 1,261** | $ 967 |
| Accounts payable to related parties ( *Note 22*) | **70** | 58 |
| Payroll and benefits payable | **670** | 649 |
| Accrued taxes ( *Note 15*) | **332** | 360 |
| Accrued interest | **43** | 50 |
| Long-term debt due within one year ( *Note 18*) | **73** | 43 |
| Total current liabilities | **2,449** | 2,127 |
| Long-term debt, less unamortized discount ( *Note 18*) | **1,569** | 1,890 |
| Deferred income tax liabilities ( *Note 15*) | **5** | 6 |
| Employee benefits | **2,384** | 2,382 |
| Deferred credits and other liabilities | **323** | 337 |
| Total liabilities | **6,730** | 6,742 |
| Contingencies and commitments ( *Note 23*) | **-** | - |
| Minority interests ( *Note 19*) | **25** | 2 |
| **Stockholders' Equity** | | |
| Preferred shares - 7% Series B Mandatory Convertible Preferred issued - 5,000,000 shares (no par value, liquidation preference $50 per share) ( *Note 20*) | **216** | 226 |
| Common stock issued - 113,606,240 shares and 103,663,467 shares ( *Note 20*) | **114** | 104 |
| Additional paid-in capital | **3,023** | 2,687 |
| Retained earnings (deficit) | **193** | (421) |
| Accumulated other comprehensive loss ( *Note 21*) | **(1,503)** | (1,501) |
| Deferred compensation | **(3)** | (2) |
| Total stockholders' equity | **2,040** | 1,093 |
| Total liabilities and stockholders' equity | **$ 8,795** | $ 7,837 |

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

**UNITED STATES STEEL CORPORATION**
**STATEMENT OF CASH FLOWS**
**(Unaudited)**

| (Dollars in millions) | Nine Months Ended September 30, 2004 | 2003 |
|---|---|---|
| **Increase (decrease) in cash and cash equivalents** | | |
| **Operating activities:** | | |
| Net income (loss) | **$ 623** | $ (441) |
| Adjustments to reconcile net cash provided by operating activities: | | |
| Extraordinary loss, net of tax | **-** | 52 |
| Cumulative effect of changes in accounting principles | **(14)** | 5 |
| Depreciation, depletion and amortization | **287** | 271 |
| Provision for doubtful accounts | **(4)** | 38 |
| Pensions and other postretirement benefits | **(19)** | 133 |
| Minority interests | **19** | - |
| Deferred income taxes | **264** | (408) |
| Net gains on disposal of assets | **(46)** | (27) |
| Restructuring charges | **-** | 633 |
| Income from sale of coal seam gas interests | **(7)** | (34) |
| Loss (income) from equity investees, and distributions received | **(9)** | 35 |
| Changes in: | | |
| Current receivables | | |
| - sold | **-** | 190 |
| - repurchased | **-** | (190) |
| - operating turnover | **(431)** | (112) |
| Inventories | **32** | 123 |
| Current accounts payable and accrued expenses | **328** | 184 |
| All other, net | **(8)** | (120) |
| Net cash provided by operating activities | **1,015** | 332 |
| **Investing activities:** | | |
| Capital expenditures | **(367)** | (205) |
| Disposal of assets | **87** | 76 |
| Sale of coal seam gas interests | **7** | 34 |
| Acquisitions | **-** | (916) |
| Restricted cash - withdrawals | **6** | 42 |
| - deposits | **(7)** | (93) |
| Investees - investments | **-** | (4) |
| - loans and advances | **(1)** | - |
| - repayments of loans and advances | **-** | 1 |
| Net cash used in investing activities | **(275)** | (1,065) |
| **Financing activities:** | | |
| Revolving credit facility - borrowings | **135** | - |
| - repayments | **(135)** | - |
| Issuance of long-term debt | **-** | 427 |
| Repayment of long-term debt | **(297)** | (3) |
| Preferred stock issued | **-** | 242 |
| Common stock issued | **348** | 11 |
| Distribution to minority interest owners | **(16)** | - |
| Dividends paid | **(29)** | (26) |
| Net cash provided by financing activities | **6** | 651 |
| **Effect of exchange rate changes on cash** | **-** | (1) |
| **Net increase (decrease) in cash and cash equivalents** | **746** | (83) |
| **Cash and cash equivalents at beginning of year** | **316** | 243 |
| **Cash and cash equivalents at end of period** | **$ 1,062** | $ 160 |
| **Cash provided by operating activities included:** | | |
| Interest and other financial costs paid (net of amount capitalized) | **$ (156)** | $ (107) |
| Income taxes paid to taxing authorities | **(29)** | (3) |

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

## 1. Basis of Presentation

United States Steel Corporation (U. S. Steel) through its domestic operations, is engaged in the production, sale and transportation of steel mill products, coke and iron-bearing taconite pellets; the management and development of real estate; and engineering and consulting services and, through its European operations, which include U. S. Steel Kosice (USSK) located in Slovakia and U. S. Steel Balkan (USSB), acquired on September 12, 2003 and located in Serbia, is engaged in the production and sale of steel mill products primarily for the central and western European markets. As reported in Note 3, until June 30, 2003, U. S. Steel was also engaged in the mining, processing and sale of coal.

The information in these financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair presentation of the results for the periods covered. All such adjustments are of a normal recurring nature unless disclosed otherwise. These financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. Certain reclassifications of prior year data have been made to conform to 2004 classifications. Additional information is contained in the United States Steel Corporation Annual Report on Form 10-K for the year ended December 31, 2003.

## 2. Business Combinations

***National***

On May 20, 2003, U. S. Steel acquired substantially all of the integrated steelmaking assets of National Steel Corporation (National). The facilities acquired include two integrated steel plants, Granite City Works in Granite City, Illinois and Great Lakes Works, in Ecorse and River Rouge, Michigan; the Midwest Plant in Portage, Indiana; ProCoil Company, LLC, a steel-processing facility in Canton, Michigan; a 50% equity interest in Double G Coatings, L.P. near Jackson, Mississippi; a taconite pellet operation near Keewatin, Minnesota; and the Delray Connecting Railroad in Michigan. U. S. Steel acquired National to strengthen its overall position in providing value-added products to the automotive, container and construction markets and to benefit from synergies and economies of scale. The Statement of Operations includes the operations of National from May 20, 2003.

The aggregate purchase price for National's assets was $1,255 million, consisting of $839 million in cash and the assumption or recognition of $416 million in liabilities. The $839 million in cash reflects $844 million paid to National at closing and transaction costs of $29 million, less a working capital adjustment in accordance with the terms of the Asset Purchase Agreement of $34 million. The working capital adjustment was collected in October 2003. The opening balance sheet reflects certain direct obligations of National assumed by U. S. Steel and certain employee benefit liabilities for employees hired from National resulting from the new labor agreement with the United Steelworkers of America (USWA). The new labor agreement and these liabilities are discussed in more detail below.

In connection with the acquisition of National's assets, U. S. Steel reached a new labor agreement with the USWA that covers employees at the U. S. Steel facilities and the acquired National facilities. The agreement was ratified by the USWA membership in May 2003, expires in 2008 and provided for a workforce restructuring through a Transition Assistance Program (TAP). U. S. Steel calculated the estimated fair value of the obligations recorded for benefits granted under the labor agreement to former active National employees represented by the USWA and hired by U. S. Steel. The liabilities included $145 million for future retiree medical and retiree life insurance

costs, $17 million related to future payments for employees who participate in the TAP, and $24 million for accrued vacation benefits. U. S. Steel also recognized a $17 million liability related to two cash contributions to be made to the Steelworkers Pension Trust (SPT) in 2004 based on the number of National's represented employees as of the date of the acquisition, less the number of these employees estimated to participate in the TAP. As of September 30, 2004, $15 million of the $17 million liability had been paid to the SPT. The SPT is a multiemployer pension plan to which U. S. Steel will make defined contributions for all former National represented employees who joined U. S. Steel and, after July 1, 2003, for all new U. S. Steel employees represented by the USWA.

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed or recognized based on their fair values. Management determined that the fair value of the net assets acquired was in excess of the purchase price, resulting in negative goodwill. In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," the negative goodwill was allocated as a pro rata reduction to the amounts that would have otherwise been assigned to the acquired noncurrent assets, based on their relative fair values.

| (In millions) | Allocated Purchase Price |
|---|---|
| Acquired assets: | |
| Accounts receivable, less allowance of $39 | $ 222 |
| Inventory | 501 |
| Other current assets | 18 |
| Property, plant and equipment | 469 |
| Intangible assets | 41 |
| Other noncurrent assets | 4 |
| Total assets | 1,255 |
| Acquired liabilities: | |
| Accounts payable | 152 |
| Payroll and benefits payable | 57 |
| Other current liabilities | 22 |
| Employee benefits | 150 |
| Other noncurrent liabilities | 35 |
| Total liabilities | 416 |
| Cash purchase price | $ 839 |

The $41 million of intangible assets is primarily comprised of proprietary software with a weighted average useful life of approximately 6 years. Accumulated amortization at September 30, 2004 and December 31, 2003 related to these intangible assets was $9 million and $4 million, respectively.

The following unaudited pro forma data for U. S. Steel includes the results of operations of National as if the acquisition had been consummated at the beginning of the period presented, including the effects of the new labor agreement as it pertains to the former National facilities and the financings incurred to fund the acquisition. The 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, except per share data) | Pro Forma Nine Months Ended September 30, 2003 |
|---|---|
| Revenues and other income | $ 7,783 |
| Loss before extraordinary loss and cumulative effect of changes in accounting principles | (378) |
| Per share - basic | (3.79) |
| Per share - diluted | (3.79) |
| Net loss applicable to common stock | (450) |
| Per share - basic | (4.37) |
| Per share - diluted | (4.37) |

***Sartid***

On September 12, 2003, a wholly-owned subsidiary of U. S. Steel acquired Sartid a.d. (In Bankruptcy), an integrated steel company majority-owned by the Government of the Union of Serbia and Montenegro, and certain of its subsidiaries (collectively “Sartid”) out of bankruptcy. U. S. Steel is operating these facilities as U. S. Steel Balkan (USSB). USSB, with facilities in Serbia, primarily manufactures hot-rolled, cold-rolled, and tin-coated flat-rolled steel products, and complements the operations of USSK. The completion of this purchase resulted in the termination of a toll conversion agreement, a facility management agreement and a commercial and technical support agreement between USSK and Sartid.

The aggregate purchase price was $33 million consisting of $23 million in cash, transaction costs of $6 million and the recognition of $4 million in pension and other employee related liabilities. The transaction required USSB to commit to: (i) spending during the first five years for working capital, the repair, rehabilitation, improvement, modification and upgrade of facilities and community support and economic development of up to $157 million, subject to certain conditions; (ii) a stable employment policy for three years assuring employment of the approximately 9,000 employees, excluding natural attrition and terminations for cause; and (iii) an agreement not to sell, transfer or assign a controlling interest in the former Sartid assets to any third party without government consent for a period of five years. USSB did not assume or acquire any pre-acquisition liabilities including environmental, tax, social insurance liabilities, product liabilities and employee claims, other than the previously mentioned $4 million in pension and other employee related liabilities.

The statement of operations includes the results of USSB beginning September 12, 2003. Prior to the acquisition, the operating results of activities under facility management and support agreements with Sartid were included in the results of USSK.

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed or recognized based on their fair market values. Management determined that the fair value of the net assets acquired was in excess of the purchase price, resulting in negative goodwill. In accordance with SFAS No. 141, the negative goodwill was allocated as a pro rata reduction to the amounts that would have otherwise been assigned to the acquired noncurrent assets based on their relative fair values.

| (In millions) | Allocated Purchase Price |
|---|---|
| Acquired assets: | |
| Accounts receivable | $ 1 |
| Inventory | 6 |
| Property, plant and equipment | 26 |
| Total assets | 33 |
| Acquired liabilities: | |
| Employee benefits | 4 |
| Total liabilities | 4 |
| Cash purchase price | $ 29 |

From 1992 to 1995 and again from 1999 to October 2000, political and economic sanctions were enforced against Serbia by the United Nations. As a result of operating under the sanctions and government control, these facilities were operating at levels well below capacity and are in disrepair. The limited financial data available for Sartid is not reliable nor is it believed that reliable historical financial statements could be prepared from the data that exists. In addition, any historical information provided would not reflect a market-based operation. Therefore, U. S. Steel management believes that historical financial information for Sartid is irrelevant to investors and consequently, no historical information for Sartid is presented nor will it be provided in future filings. In addition, pro forma financial data is not presented for the current or prior year because there is no reliable historical information on which to base pro forma amounts.

## 3. Divestiture

On June 30, 2003, U. S. Steel completed the sale of the coal mines and related assets of U. S. Steel Mining Company, LLC (Mining Sale) to PinnOak Resources, LLC (PinnOak), which is not affiliated with U. S. Steel. PinnOak acquired the Pinnacle No. 50 mine complex located near Pineville, West Virginia and the Oak Grove mine complex located near Birmingham, Alabama. In conjunction with the sale, U. S. Steel and PinnOak entered into a long-term coal supply agreement, which runs through December 31, 2006.

The gross proceeds from the sale were $55 million and resulted in a pretax gain of $13 million on the sale in the second quarter of 2003. In addition, EITF 92-13, “Accounting for Estimated Payments in Connection with the Coal Industry Retiree Health Benefit Act of 1992” (Act) requires that enterprises no longer having operations in the coal industry must account for their entire obligation related to the multiemployer health care benefit plans created by the Act as a loss in accordance with SFAS No. 5, “Accounting for Contingencies.” Accordingly, U. S. Steel recognized the present value of these obligations in the amount of $85 million, resulting in the recognition of an extraordinary loss of $52 million, net of tax of $33 million.

## 4. Stock Based Compensation

U. S. Steel has various stock-based employee compensation plans. 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 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 granted 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 SFAS No. 123, "Accounting for Stock-Based Compensation."

| | Third Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) | **$ 354** | $ (354) | **$ 623** | $ (441) |
| Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects | **4** | - | **16** | 3 |
| Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects | **(7)** | - | **(20)** | (4) |
| Pro forma net income (loss) | **$ 351** | $ (354) | **$ 619** | $ (442) |
| Net income (loss) per share: | | | | |
| - As reported - basic | **$3.08** | $(3.47) | **$5.49** | $(4.39) |
| - diluted | **2.72** | (3.47) | **4.87** | (4.39) |
| - Pro forma - basic | **3.05** | (3.47) | **5.45** | (4.39) |
| - diluted | **2.70** | (3.47) | **4.84** | (4.39) |

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2004 | 2003 |
| Weighted average grant date exercise price per share | **$ 29.54** | $ 15.45 |
| Expected annual dividends per share | **$ 0.20** | $ 0.20 |
| Expected life in years | **4** | 5 |
| Expected volatility | **43.7%** | 45.6% |
| Risk-free interest rate | **3.3%** | 2.3% |
| Weighted average grant date fair value of options granted during the period, as calculated from above | **$ 10.71** | $ 5.88 |

U. S. Steel had 1,110,525 and 6,956,060 outstanding stock appreciation rights (SARs) at September 30, 2004 and 2003, respectively. Related compensation expense of $4 million and $2 million was recorded during the third quarter ended September 30, 2004 and 2003, respectively, and $15 million and $3 million was recorded during the nine months ended September 30, 2004 and 2003, respectively.

## 5. New Accounting Standards

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46R), which 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. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and noncontrolling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity.

In accordance with FIN 46R, U. S. Steel was required to consolidate the Clairton 1314B Partnership, L.P. (1314B Partnership) as of January 1, 2004. See further discussion in Note 19.

In May 2004, FASB Staff Position No. FAS 106-2 (FSP FAS 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (Drug Act) was issued. FSP FAS 106-2 finalizes the accounting for the Drug Act and specifies that the effect of the Federal subsidy on a benefit plan's accumulated postretirement benefit obligation (APBO) shall be accounted for as an actuarial experience gain. U. S. Steel accounted for the estimated effects of the Drug Act on its APBO as of December 31, 2003. Estimated savings of $450 million were included as an actuarial gain primarily due to changes in participation assumptions caused by the impact of the Drug Act in combination with the cost cap negotiated with the United Steelworkers of America in May 2003 and due to savings from reduced costs for mineworker participants because it is anticipated that the mineworkers' union drug program will qualify for the Federal subsidy. It is estimated that the reduction in liabilities due to these factors will reduce 2004 net periodic postretirement benefit costs by $60 million. There may also be significant clarifications of the Drug Act in future years that could significantly alter some or all of U. S. Steel's assumptions. Furthermore, the participant withdrawal rates could occur at a different pace than has been assumed and the estimated savings could be greater or less than currently identified. No guidance has been issued regarding the effects of the Drug Act on U. S. Steel's liabilities under the Coal Act of 1992, which is currently being accounted for under SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

## 6. Asset Retirement Obligations

On January 1, 2003, the date of adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations," U. S. Steel recorded asset retirement obligations (AROs) of $14 million (in addition to $15 million already accrued), compared to the associated long-lived asset, net of accumulated depreciation, of $7 million that was recorded, resulting in a cumulative effect of adopting this Statement of $5 million, net of tax of $2 million. U. S. Steel's AROs primarily relate to mine and landfill closure and post-closure costs.

The following table reflects changes in the carrying values of AROs:

| (In millions) | Nine Months Ended September 30, 2004 |
|---|---|
| Balance at beginning of year | $ 20 |
| Additional obligations incurred | 1 |
| Foreign currency translation effects | 2 |
| Accretion expense | 2 |
| Balance at end of period | $ 25 |

Certain asset retirement obligations related to disposal costs of fixed assets at our steel facilities have not been recorded because they have an indeterminate settlement date. These asset retirement obligations will be initially recognized in the period in which sufficient information exists to estimate fair value.

## 7. Segment Information

U. S. Steel has four reportable segments: Flat-rolled Products (Flat-rolled), U. S. Steel Europe (USSE), Tubular Products (Tubular) and Real Estate. As of January 1, 2004, the residual results of Straightline are included in the Flat-rolled segment. Straightline's residual activities are managed and reviewed by the chief operating decision maker as part of the Flat-rolled segment and, except for collection of receivables, were essentially concluded in the second quarter. The results of the 1314B Partnership are included in the Flat-rolled segment and were previously accounted for under the equity method of accounting. In addition, the results of several operating segments that do not constitute reportable segments are combined and disclosed in the Other Businesses category.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being income from operations. Income from operations for reportable segments and Other Businesses does not include net interest and other financial costs, the income tax provision (benefit), benefit expenses for current retirees and certain other items that management believes are not indicative of future results. 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 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 calculated on an annual basis, 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 for the third quarter of 2004 and 2003 are:

| (In millions) | Flat-Rolled[a] | USSE[b] | Tubular | Real Estate | Straight-Line[c] | Total Reportable Segments |
|---|---|---|---|---|---|---|
| **Third Quarter 2004** | | | | | | |
| Revenues and other income: | | | | | | |
| Customer | **$ 2,595** | **$ 780** | **$ 246** | **$ 11** | | **$ 3,632** |
| Intersegment | **59** | **-** | **-** | **2** | | **61** |
| Equity income[d] | **17** | **1** | **-** | **-** | | **18** |
| Other | **-** | **-** | **-** | **3** | | **3** |
| Total | **$ 2,671** | **$ 781** | **$ 246** | **$ 16** | | **$ 3,714** |
| Income from operations | **$ 362** | **$ 146** | **$ 55** | **$ 5** | | **$ 568** |
| **Third Quarter 2003** | | | | | | |
| Revenues and other income: | | | | | | |
| Customer | $ 1,820 | $ 440 | $ 149 | $ 19 | $ 36 | $ 2,464 |
| Intersegment | 55 | 4 | - | 3 | - | 62 |
| Equity income[d] | 1 | - | - | - | - | 1 |
| Other | (1) | 1 | - | 3 | - | 3 |
| Total | $ 1,875 | $ 445 | $ 149 | $ 25 | $ 36 | $ 2,530 |
| Income (loss) from operations | $ (21) | $ 35 | $ (10) | $ 11 | $ (16) | $ (1) |

[a] Includes the results of National flat-rolled facilities from May 20, 2003, the residual results of Straightline from January 1, 2004 and the consolidated results of the 1314B Partnership that was accounted for under the equity method prior to January 1, 2004.

[b] Includes the results of USSB from September 12, 2003. Prior to September 12, 2003, included effects of activities under certain agreements with the former owner of the Serbian operations.

[c] As of January 1, 2004, residual results of Straightline are included in the Flat-rolled segment. Prior year results have not been restated as, prior to December 31, 2003, Straightline had a separate management structure and was a different entity than the residual Straightline.

[d] Represents equity in earnings (losses) of unconsolidated investees.

| (In millions) | Total Reportable Segments | Other Businesses[a] | Reconciling Items | Total Corp. |
|---|---|---|---|---|
| **Third Quarter 2004** | | | | |
| Revenues and other income: | | | | |
| Customer | **$ 3,632** | **$ 75** | **$ -** | **$3,707** |
| Intersegment | **61** | **218** | **(279)** | **-** |
| Equity income[b] | **18** | **-** | **-** | **18** |
| Other | **3** | **1** | **-** | **4** |
| Total | **$ 3,714** | **$ 294** | **$ (279)** | **$3,729** |
| Income (loss) from operations | **$ 568** | **$ 2** | **$ (76)** | **$ 494** |
| **Third Quarter 2003** | | | | |
| Revenues and other income: | | | | |
| Customer | $ 2,464 | $ 42 | $ - | $2,506 |
| Intersegment | 62 | 189 | (251) | - |
| Equity income (loss)[b] | 1 | (3) | - | (2) |
| Other | 3 | 1 | - | 4 |
| Total | $ 2,530 | $ 229 | $ (251) | $2,508 |
| Loss from operations | $ (1) | $ (8) | $ (685) | $ (694) |

[a] Includes the results of the coal mining business prior to its disposition on June 30, 2003 and the results of the taconite pellet operations in Keewatin from May 20, 2003, the date of acquisition.

[b] Represents equity in earnings (losses) of unconsolidated investees.

The following is a schedule of reconciling items for the third quarter of 2004 and 2003:

| (In millions) | Revenues and Other Income 2004 | Revenues and Other Income 2003 | Income (Loss) From Operations 2004 | Income (Loss) From Operations 2003 |
|---|---|---|---|---|
| Elimination of intersegment revenues | **$ (279)** | $ (251) | **(c)** | (c) |
| Items not allocated to segments: | | | | |
| Retiree benefit expenses[d] | **-** | - | **$ (72)** | $ (19) |
| Other items not allocated to segments: | | | | |
| Workforce reduction charges | **-** | - | **-** | (618) |
| Stock appreciation rights | **-** | - | **(4)** | (2) |
| Asset impairments | **-** | - | **-** | (46) |
| | **-** | - | **(76)** | (685) |
| Total reconciling items | **$ (279)** | $ (251) | **$ (76)** | $ (685) |

(c) Elimination of intersegment revenues is offset by the elimination of intersegment cost of revenues within income (loss) from operations at the corporate consolidation level.

(d) Includes certain profit-based expenses for U. S. Steel retirees and National retirees pursuant to provisions of the 2003 labor agreement with the United Steelworkers of America.

The results of segment operations for the nine months of 2004 and 2003 are:

| (In millions) | Flat-Rolled[a] | USSE[b] | Tubular | Real Estate | Straight-Line[c] | Total Reportable Segments |
|---|---|---|---|---|---|---|
| **Nine Months 2004** | | | | | | |
| Revenues and other income: | | | | | | |
| Customer | **$ 7,236** | **$ 1,948** | **$ 634** | **$ 36** | | **$ 9,854** |
| Intersegment | **172** | **-** | **-** | **8** | | **180** |
| Equity income[d] | **36** | **1** | **-** | **-** | | **37** |
| Other | **2** | **3** | **-** | **10** | | **15** |
| Total | **$ 7,446** | **$ 1,952** | **$ 634** | **$ 54** | | **$ 10,086** |
| Income from operations | **$ 810** | **$ 262** | **$ 83** | **$ 22** | | **$ 1,177** |
| **Nine Months 2003** | | | | | | |
| Revenues and other income: | | | | | | |
| Customer | $ 4,539 | $ 1,333 | $ 425 | $ 70 | $ 96 | $ 6,463 |
| Intersegment | 157 | 11 | - | 8 | - | 176 |
| Equity income[d] | 11 | 1 | - | - | - | 12 |
| Other | 7 | 3 | 5 | 7 | - | 22 |
| Total | $ 4,714 | $ 1,348 | $ 430 | $ 85 | $ 96 | $ 6,673 |
| Income (loss) from operations | $ (77) | $ 166 | $ (19) | $ 40 | $ (52) | $ 58 |

(a) Includes the results of National flat-rolled facilities from May 20, 2003, the residual results of Straightline from January 1, 2004 and the consolidated results of the 1314B Partnership that was accounted for under the equity method prior to January 1, 2004.

(b) Includes the results of USSB from September 12, 2003. Prior to September 12, 2003, included effects of activities under certain agreements with the former owner of the Serbian operations.

(c) As of January 1, 2004, residual results of Straightline are included in the Flat-rolled segment. Prior year results have not been restated as, prior to December 31, 2003, Straightline had a separate management structure and was a different entity than the residual Straightline.

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

| (In millions) | Total Reportable Segments | Other Businesses[a] | Reconciling Items | Total Corp. |
|---|---|---|---|---|
| **Nine Months 2004** | | | | |
| Revenues and other income: | | | | |
| Customer | **$ 9,854** | **$ 225** | **$ -** | **$10,079** |
| Intersegment | **180** | **550** | **(730)** | **-** |
| Equity income[b] | **37** | **-** | **-** | **37** |
| Other | **15** | **2** | **43** | **60** |
| Total | **$ 10,086** | **$ 777** | **$ (687)** | **$10,176** |
| Income (loss) from operations | **$ 1,177** | **$ 9** | **$ (153)** | **$ 1,033** |
| **Nine Months 2003** | | | | |
| Revenues and other income: | | | | |
| Customer | $ 6,463 | $ 252 | $ - | $ 6,715 |
| Intersegment | 176 | 453 | (629) | - |
| Equity income (loss)[b] | 12 | (11) | (11) | (10) |
| Other | 22 | 3 | 47 | 72 |
| Total | $ 6,673 | $ 697 | $ (593) | $ 6,777 |
| Income (loss) from operations | $ 58 | $ (38) | $ (716) | $ (696) |

[a] Includes the results of the coal mining business prior to its disposition on June 30, 2003 and the results of the taconite pellet operations in Keewatin from May 20, 2003, the date of acquisition.

[b] Represents equity in earnings (losses) of unconsolidated investees.

The following is a schedule of reconciling items for the nine months of 2004 and 2003:

| | Revenues and Other Income | | Income (Loss) From Operations | |
|---|---|---|---|---|
| (In millions) | 2004 | 2003 | 2004 | 2003 |
| Elimination of intersegment revenues | **$ (730)** | $ (629) | [c] | [c] |
| Items not allocated to segments: | | | | |
| Retiree benefit expenses[d] | **-** | - | **$ (181)** | $ (60) |
| Other items not allocated to segments: | | | | |
| Workforce reduction charges | **-** | - | **-** | (618) |
| Income from sale of real estate assets | **43** | - | **43** | - |
| Stock appreciation rights | **-** | - | **(15)** | (3) |
| Income from sale of coal seam gas interests | **-** | 34 | **-** | 34 |
| Gain on sale of coal mining assets | **-** | 13 | **-** | 13 |
| Litigation items | **-** | - | **-** | (25) |
| Asset impairments | **-** | (11) | **-** | (57) |
| | **43** | 36 | **(153)** | (716) |
| Total reconciling items | **$(687)** | $(593) | **$(153)** | $(716) |

[c] Elimination of intersegment revenues is offset by the elimination of intersegment cost of revenues within income (loss) from operations at the corporate consolidation level.

[d] Includes certain profit-based expenses for U. S. Steel retirees and National retirees pursuant to provisions of the 2003 labor agreement with the United Steelworkers of America.

## 8. Income (Loss) from Investees

Income (loss) from investees for the nine months of 2003 included an impairment charge of $11 million due to an other than temporary decline in value of a cost method investment.

## 9. Net Gains on Disposal of Assets

In the first quarter of 2004, U. S. Steel sold certain mineral interests, including coal seam gas interests, and certain real estate interests for net cash proceeds of $67 million. The sale resulted in a gain on disposal of assets of $36 million and in other income, related to the sale of coal seam gas interests, of $7 million.

## 10. Other Income

See Note 9 for a discussion of other income related to the sale of coal seam gas interests in the first quarter of 2004.

On April 25, 2003, U. S. Steel sold certain coal seam gas interests in Alabama for net cash proceeds of approximately $34 million, which was reflected in other income.

In the nine months of 2003, U. S. Steel received $7 million as a result of trade adjustment assistance legislation. No trade adjustment assistance was received in the third quarter of 2003 or at anytime during 2004.

## 11. Depreciation, Depletion and Amortization

U. S. Steel records depreciation on a modified straight-line method for domestic steel-related assets based upon raw steel production levels. Applying modification factors decreased expenses by $6 million and $4 million for the third quarter of 2004 and 2003, respectively, and by $14 million and $15 million for the nine months ended September 30, 2004 and 2003, respectively.

## 12. Restructuring Charges

During 2003, U. S. Steel implemented a restructuring program to reduce its cost structure primarily through workforce and administrative cost reductions, a new labor agreement with the USWA, industry consolidation and the divestiture of non-core assets. The domestic steel industry is restructuring after many years of low prices and worldwide oversupply. One factor facilitating the restructuring of the domestic steel industry has been the reduced cost structure through the elimination of unfunded pension, healthcare and other legacy costs for companies that went through the bankruptcy process.

During the quarter and nine months ended September 30, 2003, U. S. Steel incurred $664 million of restructuring related costs. These restructuring charges included employee severance and benefit charges of $618 million and fixed asset impairments of $46 million.

The employee severance and benefit charges included:

- Curtailment expenses of $310 million for pensions and $64 million for other postretirement benefits (OPEB) related to employee reductions under the Transition Assistance Program (TAP) for union employees, other retirements, layoffs and asset dispositions;
- Termination benefit charges of $34 million primarily for enhanced benefits provided to U. S. Steel employees retiring under the TAP;
- Early retirement cash incentives of $105 million related to the TAP;
- Salaried benefits under the layoff benefit program of $8 million; and
- Pension settlement losses of $97 million.

The fixed asset impairments resulted from a non-monetary exchange of U. S. Steel's plate mill at Gary Works for the assets of International Steel Group's No. 2 pickle line, which closed effective November 1, 2003.

The accrual for restructuring charges, recorded in payroll and benefits payable was $23 million at December 31, 2003, and was paid during 2004.

## 13. Pensions and Other Postretirement Costs

The following table reflects components of net periodic benefit cost for the third quarters ended September 30, 2004 and 2003:

| Third Quarter Ended September 30, (In millions) | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Service cost | **$ 23** | $ 27 | **$ 2** | $ 4 |
| Interest cost | **115** | 114 | **39** | 42 |
| Expected return on plan assets | **(142)** | (163) | **(9)** | (9) |
| Amortization of prior service cost | **24** | 24 | **(11)** | (12) |
| Amortization of net loss | **32** | 15 | **5** | 14 |
| Net periodic benefit cost, excluding below | **52** | 17 | **26** | 39 |
| Multiemployer plans | **7** | 5 | **-** | - |
| Settlement, termination and curtailment losses | **4** | 441 | **-** | 64 |
| Net periodic benefit cost | **$ 63** | $ 463 | **$ 26** | $103 |

The following table reflects components of net periodic benefit cost for the nine months ended September 30, 2004 and 2003:

| Nine Months Ended September 30, (In millions) | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Service cost | **$ 70** | $ 80 | **$ 8** | $ 13 |
| Interest cost | **344** | 341 | **115** | 135 |
| Expected return on plan assets | **(427)** | (489) | **(26)** | (30) |
| Amortization of prior service cost | **71** | 72 | **(33)** | (16) |
| Amortization of net loss | **97** | 46 | **15** | 33 |
| Net periodic benefit cost, excluding below | **155** | 50 | **79** | 135 |
| Multiemployer plans | **19** | 7 | **-** | 6 |
| Settlement, termination and curtailment losses | **5** | 441 | **-** | 58 |
| Net periodic benefit cost | **$ 179** | $ 498 | **$ 79** | $199 |

**Employer Contributions**
During the first nine months of 2004, U. S. Steel contributed $120 million to its main domestic defined benefit pension plan and $4 million to its other postretirement plans. During 2004, for benefit payments not funded by trusts, U. S. Steel has made cash payments of $136 million for other postretirement benefits and $4 million for a defined benefit pension plan. For benefits not funded by trusts, U. S. Steel expects to make cash payments of approximately $66 million for other postretirement benefits and $43 million for other smaller defined benefit pension plans during the fourth quarter of 2004.

U. S. Steel's Board of Directors has authorized additional contributions of up to $205 million to U. S. Steel's trusts for pension plans and other postretirement obligations by the end of 2005.

Company contributions to defined contribution plans totaled $13 million and $11 million for the nine months ended September 30, 2004 and 2003, respectively. Company contributions to a multiemployer pension plan totaled $41 million for the nine months ended September 30, 2004. There were no contributions to this plan in 2003.

## 14. Net Interest and Other Financial Costs

Net interest and other financial costs in the third quarter and nine months of 2004 and 2003 included favorable adjustments of $31 million and $13 million, respectively, related to interest accrued for prior years' income taxes. See Note 15.

Net interest and other financial costs include amounts related to the remeasurement of USSK's and USSB's net monetary assets into the U.S. dollar, which is the functional currency for both. During the third quarter and nine months of 2004, net gains of $4 million and net losses of $14 million, respectively, were recorded, compared with net gains of $8 million and $5 million in the third quarter and nine months of 2003, respectively.

In May 2003, U. S. Steel issued $450 million of Senior Notes due May 15, 2010, which have a coupon interest rate of 9 3/4% per annum. On April 19, 2004, the company redeemed $187 million principal amount of its 10 3/4% Senior Notes due August 1, 2008, at a premium of 10 3/4% and $72 million principal amount of its 9 3/4% Senior Notes due May 15, 2010, at a premium of 9 3/4%, using the proceeds from the March 9, 2004 common stock offering. See Note 20. Remaining proceeds from the common stock offering were used for general corporate purposes. The redemption resulted in a charge of $33 million to interest and other financial costs in the second quarter of 2004 for the redemption premiums and unamortized issuance and discount costs.

## 15. Income Taxes

The income tax provision (benefit) in the first nine months of 2004 and 2003 reflects an estimated annual effective tax rate of 27% and (49)%, respectively, excluding the effects of accruals for discrete items. The income tax provision for the first nine months of 2004 includes a charge of $32 million related to the settlement of a dispute regarding tax benefits for USSK under Slovakia's foreign investors' tax credit and a $7 million unfavorable effect relating to an adjustment of prior years' taxes, while a $14 million favorable effect relating to an adjustment of prior years' taxes and a $4 million deferred tax benefit relating to the reversal of a state valuation allowance was included in the first nine months of 2003. The estimated annual effective rate requires management to make its best estimate of annual forecast pretax income (loss) for the year. During the year, management regularly updates forecast estimates based on changes in various factors such as prices, shipments, product mix, plant operating performance and cost estimates, including labor, raw materials, energy and pension and other postretirement benefits. To the extent that actual pretax results for domestic and foreign income in 2004 vary from forecast estimates applied at the end of the most recent interim period, the actual tax provision recognized in 2004 could be materially different from the forecast annual tax provision as of the end of the third quarter.

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 percent 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 percent of USSK's tax liability for years 2000 through 2004 and 50 percent for the years 2005 through 2009. Management believes

that USSK fulfilled all of the necessary conditions for claiming the tax credit for the years for which it was claimed and anticipates meeting such requirements in 2004. As a result of claiming these tax credits and management's intent to reinvest earnings in foreign operations, virtually no income tax provision, except for the $32 million settlement discussed below, is recorded for USSK income.

In connection with Slovakia joining the European Union (EU), the total tax credit granted to USSK for the period 2000 through 2009 was limited to $430 million, and USSK agreed to make tax payments of $16 million in 2004 and 2005, the first of which was paid in June 2004. Also, additional conditions for claiming the tax credit were established. These new conditions limit USSK's annual production of flat-rolled products and its sales of all products into the 15 countries that were members of the EU prior to Slovakia and nine other nations joining the EU in May 2004. Management believes the future impact of these changes will be minimal because the $32 million for 2004 and 2005 tax payments was recorded in the first quarter of 2004; Slovak tax laws have been modified and tax rates have been reduced since the acquisition of USSK; and the production and sales limits, which provide for annual increases through 2009, are not materially burdensome.

While U. S. Steel is currently studying the impact of the one-time favorable foreign dividend provisions recently enacted as part of the American Jobs Creation Act of 2004, as of September 30, 2004 and based on the tax laws in effect at that time, it was U. S. Steel's intention to continue to indefinitely reinvest undistributed foreign earnings and, accordingly, no deferred tax liability has been recorded in connection therewith. Undistributed foreign earnings at September 30, 2004 amounted to approximately $770 million. If such earnings were not permanently reinvested, a U.S. deferred tax liability of approximately $270 million would be required.

As of September 30, 2004, U. S. Steel had net federal, state and foreign deferred tax assets of $352 million compared to $610 million at December 31, 2003. The net deferred tax assets include a valuation allowance of $209 million for domestic taxes and $30 million for foreign taxes, for which realization is uncertain. Although U. S. Steel experienced domestic losses in prior years, management believes that it is more likely than not that tax planning strategies generating future taxable income can be utilized to realize the net deferred tax assets recorded at September 30, 2004. Tax planning strategies include actions that are prudent and feasible, and that management ordinarily might not take, but would take if necessary to realize a deferred tax asset, unless the need to do so is eliminated in future periods. These tax planning strategies include the continued implementation of the previously announced plan to dispose of non-strategic assets, the sale of non-integral domestic and foreign operating assets as well as the ability to elect alternative tax accounting methods. The amount of the realizable deferred tax assets could be adversely affected by any future losses, changes in assumptions underlying the tax planning strategies, or further charges resulting from an increase in the additional minimum pension liability.

In the fourth quarter of 2003, U. S. Steel merged its two major defined benefit pension plans. Based on the 2003 year-end measurement of this merged plan and another smaller plan, U. S. Steel was required to increase the additional minimum liability, which resulted in an increase to deferred tax assets. The corresponding fourth quarter 2003 non-cash charge to equity of $534 million reflected a full valuation allowance of $209 million ($177 million Federal and $32 million State). The total cumulative net charge against equity at September 30, 2004, of $1.5 billion could increase or be partially or totally reversed at a future measurement date depending on the funded status of the plans and/or changes in the discount rate used to measure the accumulated benefit obligations. Should the cumulative net charge against equity be totally reversed, the corresponding reduction in the valuation allowance would be recorded through equity. Should the deferred tax assets, other than those related to additional minimum pension liabilities, change or if changes in assumptions underlying the tax planning strategies occur, the corresponding change to the valuation allowance would be recorded as a provision or benefit in continuing operations.

While U. S. Steel has reported significant domestic income in the first nine months of 2004, it has experienced cumulative domestic losses since the Separation from Marathon Oil Corporation (Marathon) on December 31, 2001. Considering the history of cumulative losses, management believes it is prudent to maintain the $209 million domestic valuation allowance as of September 30, 2004. Management will continue to monitor and assess taxable income, deferred tax assets and tax planning strategies to determine the need for, and the appropriate amount of, any valuation allowance.

Due to a clarification in the Slovak tax law in the first quarter of 2004, USSK recorded a deferred tax benefit of $6 million related to net foreign exchange losses on long-term receivables. The tax law was clarified to allow cumulative foreign exchange losses to be deducted at such time as the related receivables are satisfied in cash. The net deferred tax benefit will fluctuate as the value of the U.S. dollar changes with respect to the Slovak koruna.

U. S. Steel is generally liable for taxes incurred by Marathon, formerly USX Corporation (USX), attributable to the former U. S. Steel Group for periods prior to the Separation from Marathon. The audit of Marathon's consolidated federal income tax returns for the years 1995 through 1997 has been completed and was reviewed and approved by the Congressional Joint Committee on Taxation in September 2004. As a consequence of this settlement and the favorable adjustments to accrued interest for prior years' taxes, additional tax expense of $7 million was recorded in the third quarter.

Also in September 2004, as part of its audit of the 1998 through 2001 years, the Internal Revenue Service substantially completed its review of a Research and Development Tax Credit claim, which is expected to generate tax benefits for U. S. Steel of approximately $14 million. This benefit will be recorded after conclusion of the examination phase of the audit for 1998 through 2001, which is anticipated to occur in the fourth quarter. Marathon's consolidated federal income tax returns for the years 1998 through 2001 are currently under audit. U. S. Steel believes it has made adequate provision for income taxes and interest which may become payable for the years not yet settled. Unfavorable settlement of any particular issue would require use of U. S Steel's cash and would increase the effective tax rate to the extent an issue was settled for more than the amount of the provision. Favorable resolution, including resolution of claims that have been made for additional tax deductions and credits, would increase U. S. Steel's cash and be recognized as a reduction to U. S. Steel's effective tax rate in the year of resolution.

## 16. Income Per Common Share

Basic net income (loss) per common share was calculated by adjusting net income (loss) for dividend requirements of preferred stock and is based on the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per common share assumes the exercise of stock options and restricted stock and the conversion of preferred stock, provided in each case the effect is dilutive. For the third quarter and nine months ended September 30, 2004, 533,915 shares and 806,094 shares, respectively, of common stock related to employee options and restricted stock and 15,964,000 shares applicable to the conversion of preferred stock have been included in the computation of diluted net income because their effects were dilutive. Net income has not been adjusted for preferred stock dividend requirements in 2004 since their conversion is assumed.

For the third quarter and nine months ended September 30, 2003, a total of 8,311,523 shares of common stock related to employee options and restricted stock and 15,964,000 shares applicable to the conversion of preferred stock have been excluded from the computation of diluted net income (loss) because their effects were anti-dilutive. Net income has been adjusted for preferred stock dividend requirements in 2003 because their conversion was not assumed.

## 17. Inventories

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

| (In millions) | September 30, 2004 | December 31, 2003 |
|---|---|---|
| Raw materials | **$ 273** | $ 212 |
| Semi-finished products | **537** | 575 |
| Finished products | **362** | 427 |
| Supplies and sundry items | **79** | 69 |
| Total | **$ 1,251** | $ 1,283 |

Current acquisition costs were estimated to exceed the above inventory values by $640 million at September 30, 2004 and by $270 million at December 31, 2003. Cost of revenues was reduced by $2 million and $12 million in the third quarter of 2004 and 2003, and was reduced by $11 million in the first nine months of 2004 and 2003 as a result of liquidations of LIFO inventories.

In addition to cost of revenues effects, USSK LIFO liquidations also produced foreign currency exchange gains of $2 million and $1 million in the third quarter of 2004 and 2003, respectively, and gains of $3 million in the first nine months of 2004 and 2003. These foreign currency gains are reflected in net interest and other financial costs. See Note 14 for further discussion.

Supplies and sundry items inventory in the table above includes $44 million and $42 million of land held for residential/commercial development by U. S. Steel's Real Estate segment as of September 30, 2004, and December 31, 2003, respectively.

## 18. Long-Term Debt

| (In millions) | Interest Rates % | Maturity | Sept. 30, 2004 | Dec. 31, 2003 |
|---|---|---|---|---|
| Senior Notes | 9 3/4 | 2010 | **$ 378** | $ 450 |
| Senior Notes | 10 3/4 | 2008 | **348** | 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 | **472** | 471 |
| Inventory Facility | | 2009 | **-** | - |
| Fairfield Caster Lease | | 2004 - 2012 | **71** | 76 |
| Other capital leases and all other obligations | | 2004 - 2014 | **54** | 74 |
| USSK loan | 8 1/2 | 2004 - 2010 | **272** | 281 |
| USSK credit facility | | 2006 | **-** | - |
| Total | | | **1,644** | 1,936 |
| Less unamortized discount | | | **2** | 3 |
| Less long-term debt due within one year | | | **73** | 43 |
| Long-term debt, less unamortized discount | | | **$ 1,569** | $ 1,890 |

In the event of a change in control of U. S. Steel, debt obligations totaling $1,047 million, as of September 30, 2004, may be declared immediately due and payable. In such event, U. S. Steel

may also be required to either repurchase the leased Fairfield slab caster for $88 million or provide a letter of credit to secure the remaining obligation.

U. S. Steel was in compliance with all of its debt covenants at September 30, 2004.

See Note 14 for discussion of debt redemption in April 2004.

## 19. Variable Interest Entities

***1314B Partnership***
In accordance with FIN 46R, U. S. Steel was required to consolidate the 1314B Partnership as of January 1, 2004. The 1314B Partnership was previously accounted for under the equity method. U. S. Steel is the sole general partner and there are two unaffiliated limited partners. U. S. Steel is responsible for purchasing, operations and sales of coke and coke by-products. U. S. Steel has a commitment to fund operating cash shortfalls of the 1314B 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 credits under Section 29 of the Internal Revenue Code. Furthermore, U. S. Steel, under certain circumstances, has indemnified the 1314B Partnership for environmental obligations. See Note 23 for further discussion of commitments related to the 1314B Partnership.

Upon the initial consolidation of the 1314B Partnership, $28 million of current assets, $8 million of net property, plant and equipment, no liabilities and a minority interest of $22 million were included on the Balance Sheet. A $14 million cumulative effect of change in accounting principle benefit, net of tax, was recorded in the first quarter of 2004.

***Blackbird Acquisition Inc.***
In accordance with FIN 46R, U S. Steel consolidated Blackbird Acquisition Inc., an entity established during the third quarter of 2004 to facilitate the purchase and sale of certain fixed assets. U. S. Steel has no ownership interest in Blackbird Acquisition Inc. During the third quarter of 2004, $13 million of property, plant and equipment was purchased by this entity and reflected on U. S. Steel's consolidated balance sheet. All other financial impacts were insignificant.

***Sale of accounts receivable***
During the nine months ended September 30, 2004, no revolving interest in accounts receivable were sold to or repurchased from conduits. During the nine months ended September 30, 2003, U. S. Steel Receivables, LLC sold to conduits and subsequently repurchased a total of $190 million in accounts receivable under the Receivables Purchase Agreement. As of September 30, 2004, $500 million was available under this facility.

U. S. Steel's net interest and other financial costs for the nine months ended September 30, 2004 and 2003, included costs related to the sale of receivables of $1 million. Net interest and other financial costs for the third quarter of 2004 and 2003 included costs related to the sale of receivables of less than $1 million.

## 20. Common Stock and Preferred Share Issuance

In March 2004, U. S. Steel sold 8 million shares of its common stock in a public offering for net proceeds of $294 million.

In February 2003, U. S. Steel sold 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (no par value, liquidation preference $50 per share) (Series B Preferred) for net

proceeds of $242 million. Preferred stock dividends of $4 million accrued during the third quarter of 2004 reduced retained earnings by $3 million and the paid-in capital of the Series B Preferred by $1 million. Preferred stock dividends of $4 million accrued during the third quarter of 2003 reduced the paid-in capital of the Series B Preferred. Preferred stock dividends of $13 million accrued during the first nine months of 2004 reduced the paid-in capital of the Series B Preferred by $10 million and retained earnings by $3 million. Preferred stock dividends of $11 million accrued during the first nine months of 2003 reduced the paid-in capital of the Series B Preferred. Preferred stock dividends reduced paid-in capital of the Series B Preferred in times that U. S. Steel had a retained deficit.

## 21. Comprehensive Income (Loss)

| | Third Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) | **$ 354** | $ (354) | **$ 623** | $ (441) |
| Other comprehensive income (loss): | | | | |
| Changes in (net of tax): | | | | |
| Minimum pension liability | **-** | (167) | **-** | (160) |
| Foreign currency translation adjustments | **-** | - | **(2)** | 1 |
| State tax valuation allowance | **-** | - | **-** | (6) |
| Comprehensive income (loss) | **$ 354** | $ (521) | **$ 621** | $ (606) |

The change in the minimum pension liability recorded in the third quarter of 2003 reflects $(169) million for the union pension plan and $2 million for the non-union excess-supplemental pension plan. These plans were remeasured in the third quarter 2003. See Note 12.

## 22. Related Party Transactions

Receivables from related parties include sales of steel products to equity investees and $3 million at September 30, 2004 and $4 million at December 31, 2003 due from Marathon Oil Corporation (Marathon) for tax settlements in accordance with the tax sharing agreement entered into when Marathon and U. S. Steel separated on December 31, 2001.

Long-term receivables from related parties at September 30, 2004 and December 31, 2003 reflect amounts due from Marathon related to contractual reimbursements for the retirement of participants in the non-qualified employee benefit plans and to tax settlements in accordance with the tax sharing agreement. The amounts related to employee benefits will be paid by Marathon as participants retire and the amounts related to taxes will be settled after conclusion of the audit of Marathon's consolidated federal income tax returns for the years 1998 through 2001, as agreed to when Marathon and U. S. Steel separated on December 31, 2001.

Accounts payable to related parties reflect balances due to PRO-TEC Coating Company (PRO-TEC) under an agreement whereby U. S. Steel provides marketing, selling and customer service functions, including invoicing and receivables collection, for PRO-TEC. U. S. Steel, as PRO-TEC's exclusive sales agent, is responsible for credit risk associated with the receivables. Payables to PRO-TEC under the agreement were $68 million and $48 million at September 30, 2004 and December 31, 2003, respectively.

Accounts payable to related parties at September 30, 2004 and December 31, 2003, also include amounts related to the purchase of outside processing services from equity investees.

## 23. 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.

U. S. Steel accrues for estimated costs related to existing lawsuits, claims and proceedings when it is probable that it will incur these costs in the future.

***Asbestos matters -*** U. S. Steel is a defendant in approximately 1,000 active cases, involving approximately 12,200 plaintiffs. Almost all of these cases involve multiple defendants (typically from fifty to more than one hundred defendants). More than 11,000, or approximately 90 percent, of these claims are pending in jurisdictions which permit filings with massive numbers of plaintiffs. Based upon U. S. Steel's experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs.

These claims against U. S. Steel fall into three major groups: (1) claims made under certain federal and general maritime laws by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who allegedly were exposed to asbestos at U. S. Steel facilities (referred to as "premises claims"); and (3) claims made by industrial workers allegedly exposed to products formerly manufactured by U. S. Steel. While U. S. Steel has excess casualty insurance, these policies have multi-million dollar self-insured retentions. To date, U. S. Steel has not received any payments under these policies relating to asbestos claims. In most cases, this excess casualty insurance is the only insurance applicable to asbestos claims.

These asbestos cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos. U. S. Steel is currently a defendant in cases in which a total of approximately 215 plaintiffs allege that they are suffering from mesothelioma. The potential for damages against defendants may be greater in cases in which the plaintiffs can prove mesothelioma. In many such cases in which claims have been asserted against U. S. Steel, the plaintiffs have been unable to establish any causal relationship to U. S. Steel or its products or premises. In addition, in many asbestos cases, the plaintiffs have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all; that any injuries that they have incurred did in fact result from alleged exposure to asbestos; or that such alleged exposure was in any way related to U. S. Steel or its products or premises.

As discussed in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2003, management views the verdict and resulting settlement in the March 28, 2003 Madison County case as aberrational, and believes that the likelihood of similar results in other cases is remote, although not impossible. Through September 30, 2004, U. S. Steel has not experienced any material adverse change in its ability to resolve pending claims as a result of the Madison County settlement.

The amount U. S. Steel has accrued for pending asbestos claims is not material to U. S. Steel's financial position. U. S. Steel does not accrue for unasserted asbestos claims because it believes it is not possible to determine whether any loss is probable with respect to such claims or even to

estimate the amount or range of any possible losses. Among the reasons that U. S. Steel cannot reasonably estimate the number and nature of claims against it is that the vast majority of pending claims against it allege so-called “premises” liability based exposure on U. S. Steel’s current or former premises. These claims are made by an indeterminable number of people such as truck drivers, railroad workers, salespersons, contractors and their employees, government inspectors, customers, visitors and even trespassers.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, and although our results of operations and cash flows for a given period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company’s financial condition. Among the factors 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 past 12 years that have been administratively dismissed or are inactive due to the failure of the plaintiffs to present any medical evidence supporting their claims; (2) that over the last several years, the total number of pending claims has generally declined; (3) that it has been many years since U. S. Steel employed maritime workers or manufactured or sold asbestos containing products; and (4) U. S. Steel’s history of trial outcomes, settlements and dismissals, including such matters since the Madison County jury verdict and settlement in March 2003.

***Property taxes*** – 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 has aggressively addressed these issues through a variety of means including negotiation with local officials as well as judicial and administrative proceedings. There are currently pending refund claims of approximately $65 million and assessments of approximately $156 million in excess of amounts paid for the 2000 through 2002 tax years.

In March 2004, U. S. Steel, the City of Gary and Lake County announced that they had entered into an agreement that, subject to the satisfaction of certain conditions, would settle these tax disputes through and including 2002. Under this agreement, U. S. Steel would pay $44 million of the unpaid tax assessments, drop its pending refund claims, agree to $150 million of capital spending at its Lake County operations over a four-year period, or pay Lake County 7.5 percent of any shortfall from the $150 million spending commitment, and negotiate the transfer of approximately 200 acres of property to the City. The Calumet Township Assessor has declined to become a party to the agreement. Acting on a petition that was filed by Lake County, and joined in by U. S. Steel and the Indiana Department of Local Government Finance, the Indiana Tax Court dismissed, on July 26, 2004, the Calumet Township assessor as a party to the appeal of the 2000 tax year assessment, which is one of the years covered by the settlement agreement. The Tax Court refrained from approving or rejecting the specific terms of the agreement and called for the remaining parties to file a joint statement dismissing the action with the Tax Court. The Tax Court decision has been appealed by the Calumet Township Assessor to the Indiana Supreme Court. Because U. S. Steel does not know whether the court will accept the appeal, how it will rule if accepted, or whether the agreement will be confirmed on appeal, U. S. Steel has not recognized the impact of this agreement in its financial results. If the matters are resolved in accordance with the agreement, the $44 million payment, which has been fully accrued, would be included in cash flow for the period in which the payment is made. Any accrual adjustments would be made when the settlement is probable.

***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 $115 million at September 30, 2004, of which $30 million was classified as current, and $113 million at December 31, 2003, of which $31 million was classified as current. 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 the first nine months of 2004 and 2003, such capital expenditures totaled $68 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.

***Environmental and Other Indemnifications*** – 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 environmental 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 the environmental liabilities already recorded as a result of these transactions due to specific environmental remediation cases (included in the $115 million of accrued liabilities for remediation discussed above), there are no other known environmental liabilities related to these transactions.

***Guarantees*** – Guarantees of the liabilities of unconsolidated entities of U. S. Steel totaled $25 million at September 30, 2004 and $28 million at December 31, 2003. If 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 September 30, 2004, the largest guarantee for a single such entity was $14 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.

***Contingencies related to Separation from Marathon*** – U. S. Steel was contingently liable for debt and other obligations of Marathon in the amount of $48 million at September 30, 2004, compared to $62 million at December 31, 2003. 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. Furthermore, certain leases assumed by U. S. Steel can be declared immediately due and payable. The amount of such obligations as of September 30, 2004 was $195 million. If such event occurs, U. S. Steel may not be able to satisfy such obligations. No liability has been recorded for these contingencies because 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 September 30, 2004 and December 31, 2003, was estimated to be

approximately $150 million. No liability has been recorded for this indemnity obligation because 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 –*** Under certain operating lease agreements covering various equipment, U. S. Steel has the option to renew the lease or to purchase the equipment at the end of the lease term. If U. S. Steel does not exercise the purchase option by the end of the lease term, U. S. Steel guarantees a residual value of the equipment as determined at the lease inception date (totaling approximately $35 million at September 30, 2004 and $50 million at December 31, 2003). 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.

***Mining sale –*** U. S. Steel remains secondarily liable in the event that the purchaser triggers a withdrawal within five years of June 30, 2003, from the multiemployer pension plan that covers employees of the coal mining business. A withdrawal would be triggered when annual contributions to the plan are substantially less than contributions made in prior years. The maximum exposure for the fee that would be assessed upon a withdrawal is $79 million. U. S. Steel has recorded a liability equal to the estimated fair value of this potential exposure. U. S. Steel has agreed to indemnify the purchaser for certain environmental matters, which are included in the environmental matters discussion.

***Transtar reorganization –*** The 2001 reorganization of Transtar was intended to be tax-free for federal income tax purposes, with U. S. Steel and Transtar Holdings, L.P. (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 September 30, 2004 and December 31, 2003, was 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.

***1314B Partnership –*** U. S. Steel has a commitment to fund operating cash shortfalls of the 1314B Partnership of up to $150 million. Additionally, U. S. Steel, under certain circumstances, is required to indemnify the limited partners if the 1314B 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 September 30, 2004, including interest and tax gross-up, is approximately $620 million. Furthermore, U. S. Steel under certain circumstances has indemnified the 1314B Partnership for environmental obligations. See discussion of environmental and other indemnifications above. The maximum potential amount of this indemnity obligation is not estimable. Management believes that the $150 million deferred gain related to the 1314B 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 exposures including workers' compensation, auto liability and general liability, as well as property damage and business interruption, 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 was approximately $136 million as of September 30, 2004 and $139 million as of December 31, 2003, which reflects U. S. Steel's maximum exposure under these financial guarantees, but not its 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 September 30, 2004 and December 31, 2003, U. S. Steel's domestic contract commitments to acquire property, plant and equipment totaled $113 million and $23 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 September 30, 2004 and December 31, 2003, were $321 million and $433 million, respectively. USSK also committed not to sell, transfer or assign all or substantially all of its assets, and U. S. Steel agreed to keep USSK as a subsidiary, until November 24, 2004.

USSB has the following commitments with the Serbian government: (i) spending during the first five years for working capital, the repair, rehabilitation, improvement, modification and upgrade of facilities and community support and economic development of up to $157 million, subject to certain conditions; (ii) a stable employment policy for three years assuring employment of approximately 9,000 employees, excluding natural attrition and terminations for cause; and (iii) an agreement not to sell, transfer or assign a controlling interest in the former Sartid assets to any third party without government consent for a period of five years. USSB spent approximately $133 million (including working capital) through September 30, 2004. As of September 30, 2004 and December 31, 2003, the remaining commitments with the Serbian government were $24 million and $111 million, respectively.

In April 2004, U. S. Steel entered into an agreement that requires U. S. Steel to provide work to an unaffiliated third party over the next ten years that will (i) generate average annual revenues of at least $16 million to the third party, and (ii) result in a gross profit of $63 million to the third party. The agreement further requires U. S. Steel to make advance payments to the third party totaling $20 million, which are to be applied against the foregoing obligation. Advance payments of $10 million were made during 2004 and a pretax charge of $8 million was recorded in the first quarter of 2004.

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. If U. S. Steel elects to terminate the contract early, a maximum termination payment of $71 million as of September 30, 2004, may be required. The maximum termination payment declines over the duration of the agreement.

## 24. Subsequent Event

In October 2004, USSK gave irrevocable notice to repay its $272 million of long-term debt at face amount on November 24, 2004. Only $20 million of this debt was due in 2004. This repayment is expected to result in a deferred tax benefit of approximately $13 million. Annualized interest on this debt is approximately $23 million.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of United States Steel Corporation (U. S. Steel or the Company). These statements typically contain words such as "anticipates," "believes," "estimates," "expects," "intends" 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" in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2003.*

### SEGMENTS

Effective with the first quarter of 2004, U. S. Steel has four reportable segments: Flat-rolled Products (Flat-rolled), U. S. Steel Europe (USSE), Tubular Products (Tubular) and Real Estate. Straightline Source (Straightline) was a reportable segment until the end of 2003. As of January 1, 2004, the residual results of Straightline are included in the Flat-rolled segment. The application of Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," required U. S. Steel to consolidate the Clairton 1314B Partnership, L.P. (1314B Partnership) effective January 1, 2004. The results of the 1314B Partnership, which are included in the Flat-rolled segment, were previously accounted for under the equity method. For further information, see Notes 5 and 19 to Financial Statements.

### RESULTS OF OPERATIONS

**Revenues and other income** was $3,729 million in the third quarter of 2004, compared with $2,508 million in the same quarter last year. Revenues and other income for the first nine months of 2004 totaled $10,176 million, compared with $6,777 million in the first nine months of 2003. The increases primarily reflected higher average realized prices for Flat-rolled, Tubular and European operations, higher shipment volumes for domestic sheet, tin and tubular products, higher shipment volumes for USSE and higher revenues on commercial coke shipments due primarily to the consolidation of the 1314B Partnership effective January 1, 2004. These were partially offset by lower 2004 shipment volumes for plate products resulting from the disposal in November 2003 of U. S. Steel's only plate mill. The change in the year-to-date period also reflected the absence of revenues from coal sales in 2004 due to the sale of U. S. Steel's coal mining business in June 2003. Year-to-date shipment volumes for domestic sheet and tin products benefited from the inclusion of shipments from the acquired National Steel Corporation (National) facilities for the entire 2004 period. Revenues and other income in the first nine months of 2004 included a $43 million favorable effect resulting from the sale of certain assets, consisting of a gain on disposal of assets of $36 million and other income of $7 million. Revenues and other income in the first nine months of 2003 included a $47 million favorable effect resulting from the sale of certain assets, consisting of a gain on disposal of assets of $13 million and other income of $34 million.

**Income (loss) from operations** for U. S. Steel for the third quarter and first nine months of 2004 and 2003 is set forth in the following table:

| (Dollars in millions) | Third Quarter Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 |
| Flat-rolled (a) | **$ 362** | $ (21) | **$ 810** | $ (77) |
| USSE (b) | **146** | 35 | **262** | 166 |
| Tubular | **55** | (10) | **83** | (19) |
| Real Estate | **5** | 11 | **22** | 40 |
| Straightline (a) | | (16) | | (52) |
| Total income from reportable segments | **568** | (1) | **1,177** | 58 |
| Other Businesses (c) | **2** | (8) | **9** | (38) |
| Segment income from operations | **570** | (9) | **1,186** | 20 |
| Retiree benefit expenses (d) | **(72)** | (19) | **(181)** | (60) |
| Other items not allocated to segments: | | | | |
| Income from sale of certain assets | - | - | **43** | 47 |
| Workforce reduction charges | - | (618) | - | (618) |
| Stock appreciation rights | **(4)** | (2) | **(15)** | (3) |
| Asset impairments | - | (46) | - | (57) |
| Litigation items | - | - | - | (25) |
| Total income (loss) from operations | **$ 494** | $ (694) | **$ 1,033** | $ (696) |

(a) The Flat-rolled segment includes the results of National flat-rolled facilities from May 20, 2003, the date of acquisition; the residual results of Straightline as of January 1, 2004; and the consolidated results of the 1314B Partnership, which was accounted for under the equity method prior to January 1, 2004.
(b) Includes the results of U. S. Steel's Serbian operations from September 12, 2003, the date of acquisition. Prior to September 12, 2003, included the results of activities under certain agreements with the former owner of the Serbian operations.
(c) Includes the results of the coal mining business prior to June 30, 2003, the date of sale. Includes the results of the taconite pellet operations in Keewatin from May 20, 2003, the date of acquisition.
(d) Includes certain profit-based expenses for U. S. Steel retirees and National retirees pursuant to provisions of the 2003 labor agreement with the United Steelworkers of America.

***Pension and other postretirement benefits (OPEB) costs***

Defined benefit pension and multiemployer pension plan benefit costs totaled $63 million and $179 million in the third quarter and first nine months of 2004, respectively, compared to $463 million and $498 million in the corresponding periods of 2003. The third quarter and first nine months of 2004 included settlement, termination and curtailment losses of $4 million and $5 million, respectively, compared to $441 million in the third quarter and first nine months of 2003. The 2003 amount related to (1) curtailment expenses and termination benefits on pensions applicable to employee reductions under the Transition Assistance Program (TAP) for union employees (excluding former National employees retiring under the TAP), other retirements, layoffs and asset dispositions and (2) pension settlement losses related to retirements of personnel covered under the non-union qualified pension plan prior to its merger with the union qualified plan and under the non-union excess and supplemental pension plans. Excluding these one-time charges, the increases in both periods mainly reflected a lower return on assets and higher amortization of net actuarial losses due to recognition of prior years' net asset losses, revised retirement rate assumptions, curtailment liabilities from the prior year's TAP and a lower discount rate.

Costs related to defined contribution plans totaled $4 million in the third quarters of 2004 and 2003. Costs related to defined contribution plans totaled $13 million in the first nine months of 2004, compared to $11 million in last year's first nine months.

OPEB costs, including multiemployer plans, totaled $26 million and $79 million in the third quarter and first nine months of 2004, respectively, compared to $103 million and $199 million in the corresponding periods of 2003. The third quarter of 2003 included $64 million of one-time charges for curtailment expenses on benefits applicable to employee reductions under the TAP for union employees (excluding former National employees retiring under the TAP), other retirements, layoffs and asset dispositions. For the first nine months of 2003, settlement, termination and curtailment losses totaled $58 million. Excluding these one-time charges, the reduction in OPEB expense in both periods primarily reflected cost-sharing mechanisms negotiated with the United Steelworkers of America (USWA) in the third quarter of 2003 in conjunction with assumed changes to retiree participation in company-sponsored prescription drug programs based on future benefits under the Medicare Prescription Drug Improvement and Modernization Act of 2003. This decrease was partially offset by higher costs in 2004 related to the early retirements under the TAP recorded at the end of the third quarter of 2003. The change in the nine month period also reflected additional costs in 2004 due to the full-period inclusion of costs related to employees added with the National acquisition and to changes in assumed retirement ages.

***Selling, general and administrative expenses***

Selling, general and administrative expenses were $172 million in the third quarter of 2004, compared to $150 million in the third quarter of 2003. Selling, general and administrative expenses were $521 million in the first nine months of 2004, compared to $421 million in the same period of 2003. The increases in both periods were primarily due to higher pension costs and increased costs following the acquisition of the Serbian facilities, partially offset by lower OPEB costs. The increase in the nine-month period also reflected increased compensation expense related to stock appreciation rights.

***Segment results for Flat-rolled***

Segment income for Flat-rolled was $362 million in the third quarter of 2004, compared with a loss of $21 million in the same quarter of 2003. Flat-rolled had income of $810 million in the first nine months of 2004, compared with a loss of $77 million in the first nine months of 2003. The improvements in both periods were mainly due to higher average realized prices and cost savings due to workforce reductions and ongoing cost reduction efforts. These improvements were partially offset by higher raw materials and pension costs, and accruals for profit-based payments under the labor agreement with the USWA. Results in the first nine months of 2004 also benefited from the full-period realization of favorable effects resulting from the National acquisition.

***Segment results for USSE***

Segment income for USSE was $146 million in the third quarter of 2004, compared to $35 million in the comparable 2003 quarter. For the first nine months of 2004, USSE recorded income of $262 million, compared with income of $166 million in the corresponding period of 2003. These increases primarily resulted from higher average realized prices, partially offset by increased costs for raw materials. Results for the first nine months of 2004 also reflected increased costs at U. S. Steel Kosice (USSK) related to operational difficulties with a blast furnace during the first quarter.

***Segment results for Tubular***

Segment income for Tubular was $55 million and $83 million in the third quarter and first nine months of 2004, respectively. In 2003, Tubular recorded losses of $10 million in the third quarter and $19 million in the first nine months. The improvements in both periods resulted primarily from higher average realized prices. Margins in 2004 also benefited from stable costs for the significant portion of tube rounds supplied by the Flat-rolled segment, which are transferred at a cost-based annual price.

***Segment results for Real Estate***

Segment income for Real Estate was $5 million in the third quarter of 2004, compared with income of $11 million in 2003's third quarter. For the first nine months of 2004, Real Estate had income of $22 million, compared with income of $40 million in the same period last year. The decreases in both periods primarily reflected the loss of royalty income from the mineral interests that were sold in February 2004.

***Results for Other Businesses***

Income for Other Businesses in the third quarter of 2004 was $2 million, compared with a loss of $8 million in the third quarter of 2003. The improvement primarily reflected higher results for transportation services. Other Businesses recorded income of $9 million in the first nine months of 2004, compared with a loss of $38 million in the same period in 2003. The improvement was mainly due to higher results for taconite pellet operations and transportation services, partially offset by the absence of income from coal operations in 2004 due to the sale of U. S. Steel's coal mining business in June 2003.

***Profit-based union payments***

Results for the third quarter and first nine months of 2004 included costs of $80 million and $151 million, respectively, related to three profit-based payments pursuant to the provisions of the 2003 labor agreement negotiated with the USWA. Segment results for the third quarter and first nine months of 2004 included $45 million and $80 million, respectively, of these costs and the balance was included in retiree benefit expenses. All of these costs are included in cost of revenues. Payment amounts per the agreement are calculated as percentages of consolidated income from operations after special items (as defined in the agreement) and are: (1) paid as profit sharing to active union employees based on 7.5 percent of profit between $10 and $50 per ton and 10 percent of profit above $50 per ton; (2) to be used to offset a portion of future medical insurance premiums to be paid by U. S. Steel retirees based on 5 percent of profit above $15 per ton; and (3) to be contributed to a trust to assist National retirees with healthcare costs based on between 6 percent and 7.5 percent of profit. At the end of 2003, estimated amounts for the second calculation above were recognized as an increase to retiree medical liabilities, and 2004 costs for this item are calculated in the same manner as other retiree medical expenses.

***Items not allocated to segments:***

**Income from sale of certain assets** of $43 million in the first nine months of 2004 resulted from the sale in February 2004 of substantially all of Real Estate's remaining mineral interests and certain real estate interests. Income from sale of certain assets of $47 million in the first nine months of 2003 resulted from the sale in April 2003 of certain of Real Estate's coal seam gas interests and the sale in June 2003 of U. S. Steel's coal mines and related assets.

**Workforce reduction charges** of $618 million in the third quarter and first nine months of 2003 related to U. S. Steel's ongoing operating and administrative cost reduction programs and consisted of curtailment expenses of $310 million for pensions and $64 million for other postretirement benefits related to employee reductions under the TAP for union employees (excluding former National employees retiring under the TAP), other retirements, layoffs and asset dispositions; termination benefit charges of $34 million primarily for enhanced pension benefits provided to U. S. Steel employees retiring under the TAP; $105 million for early retirement cash incentives related to the TAP; $8 million for the cost of layoff unemployment benefits provided to non-represented employees; and pension settlement losses of $97 million due to a high level of retirements of salaried employees.

**Stock appreciation rights** resulted in charges to compensation expense of $4 million and $2 million in the third quarters of 2004 and 2003, respectively, and charges of $15 million and $3 million in the first nine months of 2004 and 2003, respectively. These stock appreciation rights were issued over the last ten years and allow the holders to receive cash and/or common stock equal to the excess of the fair market value of the common stock over the exercise price. No stock appreciation rights have been issued in 2004.

**Asset impairments** of $46 million in the third quarter of 2003 resulted from a then-pending non-monetary asset exchange with International Steel Group, which closed effective November 1, 2003 and resulted in the disposition of the plate mill assets at Gary Works. Asset impairments of $57 million in the first nine months of 2003 also included $11 million resulting from U. S. Steel's impairment of a cost method investment.

**Net interest and other financial costs** were $4 million in the third quarter of 2004, compared to $26 million during the same period in 2003. Net interest and other financial costs were $142 million in the first nine months of 2004, compared to $106 million in the first nine months of 2003. Net interest and other financial costs in the third quarter and first nine months of 2004 and 2003 included favorable adjustments of $31 million and $13 million, respectively, related to interest accrued for prior years' income taxes. The decrease in the third quarter primarily reflected lower interest on tax-related liabilities resulting from the more favorable adjustment in 2004 related to interest accrued for prior years' income taxes and lower interest on senior debt resulting from the early redemption of certain senior debt in April 2004. (For discussion, see "Liquidity.") These favorable items were partially offset by less favorable changes in foreign currency effects. The increase in the year-to-date period primarily reflected a $33 million charge resulting from the early redemption of certain senior debt in April 2004 and unfavorable changes in foreign currency effects, partially offset by lower interest on tax-related liabilities due to the more favorable adjustment in 2004 related to interest accrued for prior years' income taxes. The foreign currency effects were primarily due to remeasurement of USSK and U. S. Steel Balkan (USSB) net monetary assets into the U.S. dollar, which is the functional currency of both entities, and resulted in a net gain of $4 million in the third quarter of 2004 and a net loss of $14 million in the first nine months of 2004. These compared to net gains of $8 million and $5 million in the third quarter and first nine months of 2003, respectively.

The **provision for income taxes** in the third quarter and first nine months of 2004 was $126 million and $263 million, compared with benefits of $366 million and $418 million in the respective periods last year. The provision in the third quarter of 2004 included a $7 million unfavorable effect relating to an adjustment of prior years' taxes. The provision in the first nine months of 2004 included a charge of $32 million related to the settlement of a dispute regarding tax benefits for USSK under Slovakia's foreign investors' tax credit, which is discussed below. The benefit in the first nine months of 2003 included a $14 million favorable effect relating to an adjustment of prior years' taxes and a $4 million deferred tax benefit relating to the reversal of a state valuation allowance.

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 percent 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 percent of USSK's tax liability for years 2000 through 2004 and 50 percent for the years 2005 through 2009. Management believes that USSK fulfilled all of the necessary conditions for claiming the tax credit for the years for which it was claimed and anticipates meeting such requirements in 2004. As a result of claiming these tax credits and management's intent to reinvest earnings in foreign operations, virtually no income tax provision, except for the $32 million charge discussed below, is recorded for USSK income.

In connection with Slovakia joining the European Union (EU), the total tax credit granted to USSK for the period 2000 through 2009 was limited to $430 million, and USSK agreed to make tax payments of $16 million in 2004 and 2005, the first of which was paid in June 2004. Also, additional conditions for claiming the tax credit were established. These new conditions limit USSK's annual production of flat-rolled product and its sales of all products into the 15 countries that were members of the EU prior to Slovakia and 9 other nations joining the EU in May 2004. Management believes the future impact of these changes will be minimal because the $32 million for 2004 and 2005 tax payments was recorded in the first quarter of 2004; Slovak tax laws have been modified and tax rates have been reduced since the acquisition of USSK; and the production and sales limits, which provide for annual increases through 2009, are not materially burdensome.

While U. S. Steel is currently studying the impact of the one-time favorable foreign dividend provisions recently enacted as part of the American Jobs Creation Act of 2004, as of September 30, 2004 and based on the tax laws in effect at that time, it was U. S. Steel's intention to continue to indefinitely reinvest undistributed foreign earnings and, accordingly, no deferred tax liability has been recorded in connection therewith. Undistributed foreign earnings at September 31, 2004 amounted to approximately $770 million. If such earnings were not permanently reinvested, a U. S. deferred tax liability of approximately $270 million would be required.

As of September 30, 2004, U. S. Steel had net federal, state and foreign deferred tax assets of $269 million, $59 million and $24 million, respectively. The net deferred tax assets include a valuation allowance of $209 million for domestic taxes and $30 million for foreign taxes, for which realization is uncertain. The amount of net domestic deferred tax assets estimated to be realizable was determined based on both tax planning strategies and earnings history since the separation from Marathon Oil Corporation (Marathon). Tax planning strategies are actions that are prudent and feasible, and that management ordinarily might not take, but would take if necessary to realize a deferred tax asset, unless the need to do so is eliminated in future periods. These tax planning strategies include the continued implementation of the previously announced plan to dispose of non-strategic assets and the sale of non-integral domestic and foreign operating assets, as well as the ability to elect alternative accounting methods. The amount of the realizable deferred tax assets could be adversely affected by any future losses, changes in assumptions underlying the tax planning strategies or further charges resulting from an increase in the additional minimum pension liability.

While U. S. Steel has reported significant domestic income in the first nine months of 2004, it has experienced cumulative domestic losses since the separation from Marathon. Considering the history of cumulative losses, management believes it is prudent to maintain the $209 million domestic valuation allowance as of September 30, 2004. Management will continue to monitor and assess taxable income, deferred tax assets and tax planning strategies to determine the need for, and the appropriate amount of, any valuation allowance.

Due to a clarification in the Slovak tax law in the first quarter of 2004, USSK recorded a deferred tax benefit of $6 million related to net foreign exchange losses on long-term receivables. The tax law was clarified to allow cumulative foreign exchange losses to be deducted at such time as the related receivables are satisfied in cash. The net deferred tax benefit will fluctuate as the value of the U.S. dollar changes with respect to the Slovak koruna.

See Note 15 to Financial Statements.

The **extraordinary loss, net of tax** in the first nine months of 2003 resulted from the sale of U. S. Steel's coal mines and related assets, which ended U. S. Steel's production of coal and resulted in 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 totaled $85 million, resulted in an extraordinary loss of $52 million, net of tax benefits of $33 million.

The **cumulative effect of changes in accounting principles, net of tax,** was a credit of $14 million in the first nine months of 2004 and resulted from the adoption on January 1, 2004, of FASB Interpretation No. 46 (revised December 2003) "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." The charge of $5 million in the first nine months of 2003 resulted from the adoption on January 1, 2003, of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations."

U. S. Steel's **net income** was $354 million and $623 million in the third quarter and first nine months of 2004, compared with net losses of $354 million and $441 million in the respective periods of 2003. The improvements primarily reflected the factors discussed above.

**OPERATING STATISTICS**

Flat-rolled shipments of 3.7 million tons in the third quarter of 2004 decreased about 4 percent from the third quarter of 2003, and decreased about 6 percent from the second quarter of 2004, mainly due to planned blast furnace repair outages at Gary Works and Granite City Works. Flat-rolled shipments of 11.9 million tons in the first nine months of 2004 increased about 25 percent from the prior year period. Flat-rolled shipments in the first nine months of 2004 benefited from the full-period inclusion of shipments by the acquired National facilities, partially offset by reduced shipment volumes for plate products resulting from the disposal in November 2003 of U. S. Steel's only plate mill. Tubular shipments of 266,000 tons in the third quarter of 2004 increased about 15 percent from the same period in 2003, and decreased slightly from the second quarter of 2004. For the first nine months of 2004, Tubular shipments of 807,000 tons were up approximately 25 percent from the first nine months of 2003. At USSE, third quarter 2004 shipments of 1.3 million net tons increased about 7 percent from 2003's third quarter, and decreased slightly from the second quarter of 2004. USSE shipments for the first nine months of 2004 totaled 3.7 million net tons, an increase of about 4 percent from the same period last year.

Raw steel capability utilization for domestic and USSE facilities in the third quarter of 2004 averaged 87.8 percent and 75.0 percent, respectively, compared with 89.9 percent and 83.5 percent in the third quarter of 2003 and 87.5 percent and 79.5 percent in the second quarter of 2004. Domestic capability utilization in the third quarter of 2004 was negatively affected by scheduled blast furnace repair outages at Gary Works and Granite City Works. Raw steel capability utilization for domestic and USSE facilities in the first nine months of 2004 averaged 89.3 percent and 75.8 percent, respectively, compared with 88.6 percent and 92.1 percent in the first nine months of 2003. Domestic capability utilization in both year-to-date periods was negatively affected by scheduled blast furnace repair outages, which occurred in the second and third quarters of 2004 and in the second quarter of 2003. USSE's capability utilization in 2004 was negatively affected by the inclusion of USSB, as well as by operational difficulties with a blast furnace in Slovakia during the first quarter. USSE's capability utilization in the third quarter and first nine months of 2003 was negatively affected by a blast furnace outage at USSK and the partial period inclusion of USSB as only about a third of its annual production capability was operational at the time of its acquisition in September 2003. USSB's capability utilization averaged 47.6 percent during the third quarter of 2004 and 47.2% for the first nine months.

**BALANCE SHEET**

**Cash and cash equivalents** of $1,062 million at September 30, 2004 increased $746 million from year-end 2003. The increase resulted primarily from the results of operating activities, $294 million of net proceeds from an equity offering and proceeds from the disposal of assets, partially offset by the redemption of certain senior notes in April 2004 and by capital spending.

**Receivables, less allowances** increased $485 million from year-end 2003 primarily due to higher revenues in the third quarter of 2004, compared to last year's fourth quarter, resulting mainly from higher steel prices.

**Receivables from related parties** decreased by $33 million from December 31, 2003, mainly reflecting the consolidation of the 1314B Partnership effective January 1, 2004. Receivables from the 1314B Partnership at September 30, 2004 were eliminated in consolidation, whereas they were classified as related party receivables at December 31, 2003.

**Accounts payable** of $1,261 million at September 30, 2004, increased $294 million from year-end 2003, mainly due to higher raw materials costs and increased purchases of capital assets.

**Long-term debt** decreased $291 million from year-end 2003, primarily reflecting the early redemption of certain senior debt in April 2004. For discussion, see “Liquidity.”

**Additional paid-in capital** increased $336 million from December 31, 2003, due primarily to an equity offering of 8 million common shares that was completed in March 2004 for net proceeds of $294 million and the exercise of stock options, partially offset by dividends paid on common stock through August 31, 2004, when U. S. Steel had a retained deficit.

**CASH FLOW**

**Net cash provided from operating activities** was $1,015 million for the first nine months of 2004, compared with $332 million in the same period of 2003. Higher income after adjustments for noncash items was partially offset by increased working capital requirements. Cash from operating activities in the first nine months of 2004 was negatively affected by $136 million of OPEB payments, which were funded from trusts in 2003, as well as $120 million of voluntary contributions to the main defined benefit pension plan and $41 million of contributions to a multiemployer pension plan. U. S. Steel’s Board of Directors has authorized additional contributions of up to $205 million to U. S. Steel’s trusts for pensions and OPEB by the end of 2005.

**Capital expenditures** in the first nine months of 2004 were $367 million, compared with $205 million in the same period in 2003. Domestic expenditures of $231 million in 2004 were spread over several facilities. The most significant expenditures were for work on three blast furnaces at Gary Works and Granite City Works, for transportation equipment and for open pit mining equipment. European expenditures of $136 million included dedusting projects for USSK’s steelmaking facilities, work on construction of a new air separation plant and work on the third dynamo line, which commenced operation in June 2004.

U. S. Steel’s domestic contract commitments to acquire property, plant and equipment at September 30, 2004, totaled $113 million, compared with $23 million at December 31, 2003.

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 September 30, 2004, and December 31, 2003, were $321 million and $433 million, respectively. In addition, USSB has a commitment to the Serbian government that requires it to spend up to $157 million during the first five years for working capital; the repair, rehabilitation, improvement, modification and upgrade of facilities; and community support and economic development. USSB spent approximately $133 million (including working capital) through September 30, 2004, leaving a balance of $24 million under this commitment.

Capital expenditures for 2004 are expected to be approximately $570 million, and reflect the acceleration of certain infrastructure-related projects including spending to prepare for the reline of the Gary Works’ No. 13 blast furnace, scheduled for 2005, and spending in Serbia to return a second blast

furnace to production, also in 2005. Domestic spending will be approximately $360 million, and European spending will be approximately $210 million, but will fluctuate based upon exchange rates.

**Disposal of assets** in the first nine months of 2004 consisted mainly of proceeds from the sale of substantially all of the Real Estate segment's remaining mineral interests and certain real estate interests. The 2003 amount consisted mainly of proceeds from the sale of U. S. Steel's coal mines and related assets and from the sale of Delta Tubular Processing.

**Issuance of long-term debt** in the first nine months of 2003 resulted from the issuance of $450 million of 9 3/4% senior notes in May, net of deferred financing costs associated with the notes and the inventory facility. For discussion, see "Liquidity."

**Repayment of long-term debt** in the first nine months of 2004 primarily reflected the early redemption of certain senior debt in April. For discussion, see "Liquidity."

**Preferred shares issued** in the first nine months of 2003 reflected net proceeds from the offering of 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (Series B Preferred).

**Common stock issued** in the first nine months of 2004 primarily reflected $294 million of net proceeds from U. S. Steel's equity offering completed in March 2004. The remaining amount in the first nine months of 2004 mainly reflected proceeds from stock sales through the exercise of options. The 2003 amount primarily reflected sales through the Dividend Reinvestment and Stock Purchase Plan.

**Dividends paid** in the first nine months of 2004 were $29 million, compared with $26 million in the same period in 2003. Payments in both periods reflected the quarterly dividend rate of five cents per common share. Dividends paid in 2004 also reflected a quarterly dividend rate of $0.875 per share for the Series B Preferred. Dividends paid in 2003 also included an initial dividend of $1.206 per share for the Series B Preferred, which was paid on June 15, 2003, and a quarterly dividend of $0.875 per share, which was paid on September 15, 2003.

For discussion of restrictions on future dividend payments, see the discussion in the "Liquidity" section of U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2003.

**LIQUIDITY**

In November 2001, U. S. Steel entered into a five-year Receivables Purchase Agreement with financial institutions and in May 2003, entered into an amendment to the Receivables Purchase Agreement, which increased fundings under the facility to the lesser of eligible receivables or $500 million. For further information regarding the Receivables Purchase Agreement, see the discussion in the "Liquidity" section of U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2003. As of September 30, 2004, U. S. Steel had more than $500 million of eligible receivables, none of which were sold.

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 discussed below and other debt obligations; any failure of U. S. Steel Receivables LLC (USSR), a consolidated special purpose entity, 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 24, 2004. U. S. Steel has requested a renewal of the 364-day commitments of the liquidity providers and anticipates completing the renewals before the termination date.

In May 2003, U. S. Steel entered into a four-year revolving credit facility that provided for borrowings of up to $600 million secured by all domestic inventory and related assets (Inventory

Facility), including receivables other than those sold under the Receivables Purchase Agreement. The Inventory Facility contained a number of covenants that may have limited U. S. Steel's ability to incur debt, make capital expenditures, sell assets, incur liens and make dividend and other restricted payments. The Inventory Facility also included a fixed charge coverage ratio test, which had to be met if availability was less than $100 million. As of September 30, 2004, U. S. Steel had $459 million of eligible inventory under the Inventory Facility, and utilized $6 million for letters of credit, reducing availability to $453 million.

In October 2004, the Inventory Facility was amended and restated to extend its maturity until October 2009, increase advance rates on semi-finished and raw materials, reduce certain reserves, and modify pricing terms. In addition, many of the restrictive covenants apply now only when average availability under the facility is less than $100 million. Based on the terms of the amended facility, availability for borrowings at September 30, 2004 would have been $594 million.

At September 30, 2004, USSK had no borrowings against its $50 million credit facilities, and had $4 million of customs guarantees outstanding, reducing availability to $46 million. A $10 million facility is currently due to expire November 24, 2004. USSK is currently negotiating an extension of this committed facility for an additional one-year period.

In the third quarter of 2004, USSB entered into a new EUR 9.3 million committed working capital facility secured by its inventory of finished and semi-finished goods. Borrowing under this facility is subject to the satisfaction of certain conditions precedent. This facility has a term of one year, and can be extended by mutual agreement of the parties for up to two additional one-year periods.

In July 2001, U. S. Steel issued $385 million of 10 3/4% senior notes due August 1, 2008 (10 3/4% Senior Notes), and in September 2001, U. S. Steel issued an additional $150 million of 10 3/4% Senior Notes. In May 2003, U. S. Steel issued $450 million of senior notes due May 15, 2010 (9 3/4% Senior Notes).

On April 19, 2004, U. S. Steel redeemed $187 million principal amount of the 10 3/4% Senior Notes at a 10.75 percent premium, resulting in a reduction of the principal amount outstanding to $348 million, and redeemed $72 million principal amount of the 9 3/4% Senior Notes at a 9.75 percent premium, resulting in a reduction of the principal amount outstanding to $378 million. These were the aggregate principal amounts outstanding as of September 30, 2004. U. S. Steel redeemed these notes using most of the $294 million net proceeds from an equity offering, which was completed in March 2004. The remaining net proceeds were used for general corporate purposes.

The 10 3/4% Senior Notes and the 9 3/4% Senior Notes (together the Senior Notes) impose very similar limitations on U. S. Steel's ability to make restricted payments. For a discussion of restricted payments and the conditions that U. S. Steel must meet in order to make restricted payments, as well as other significant restrictions imposed on U. S. Steel by the Senior Notes, see the "Liquidity" section of U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2003. As of September 30, 2004, U. S. Steel met the requirements and had over $1 billion of availability to make restricted payments.

If the Senior Note covenants are breached or if U. S. Steel fails to make payments under its material debt obligations or the Receivables Purchase Agreement, certain 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. This may also cause a termination event 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 U. S. Steel's financial position and liquidity.

U. S. Steel was in compliance with all of its debt covenants at September 30, 2004.

On June 16, 2004, Moody's Investors Service (Moody's) revised the outlook on U. S. Steel's debt ratings to "positive" from "stable," citing factors including the Company's solid earnings growth this year. Moody's also affirmed U. S. Steel's senior implied rating of Ba3. On July 2, 2004, Fitch Ratings (Fitch) changed its outlook on U. S. Steel's debt ratings to "stable" from "negative," citing strong operating results. Fitch also affirmed the senior unsecured long-term debt rating of BB-.

U. S. Steel has used surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. U. S. Steel has replaced 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. U. S. Steel has committed $112 million of liquidity sources for financial assurance purposes as of September 30, 2004, a decrease of $10 million during the third quarter of 2004, and expects to commit up to $5 million more during the remainder of 2004.

U. S. Steel was contingently liable for debt and other obligations of Marathon as of September 30, 2004, in the amount of $48 million. 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 $472 million and certain lease obligations totaling $195 million that were assumed by U. S. Steel from Marathon, may be declared immediately due and payable.

The following table summarizes U. S. Steel's liquidity as of September 30, 2004:

(Dollars in millions)

| | |
|---|---|
| Cash and cash equivalents (a) | $ 1,042 |
| Amount available under Receivables Purchase Agreement | 500 |
| Amount available under Inventory Facility | 453 |
| Amounts available under USSK credit facilities | 46 |
| Total estimated liquidity | $ 2,041 |

(a) Excludes $20 million of cash, which resulted from the consolidation of the 1314B Partnership, because it is not available for U. S. Steel's use.

U. S. Steel's liquidity improved by over $800 million from December 31, 2003, primarily reflecting cash from operations.

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 acquisitions and capital expenditures, scheduled debt maturities, contributions to employee benefit plans, 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, refinancings and other external financing sources. However, there is no assurance that U. S. Steel's business will continue to generate sufficient operating cash flow or that external financing sources will be available in an amount sufficient to enable U. S. Steel to service or refinance its indebtedness or to fund other liquidity needs in the future. Increases in interest rates can increase the cost of future borrowings and make it more difficult to raise capital. During periods of weakness in 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. and international financial climate, and, in particular, with respect to borrowings, the level of U. S. Steel's outstanding debt, its ability to comply with debt covenants and its credit ratings by rating agencies.

**Contractual Obligations and Commercial Commitments**

Long-term debt and capital leases decreased from December 31, 2003 by $292 million. The decrease was primarily due to the redemption of certain of the Senior Notes, of which $187 million was due August 1, 2008, and $72 million was due May 15, 2010, as discussed above. The decrease also reflected the $14 million buy-out of the B Battery lease at U.S Steel's Granite City facility.

Unconditional purchase obligations increased from December 31, 2003 by approximately $200 million (including $22 million related to the off-balance sheet arrangement discussed below). The increase was primarily due to the rising costs of raw materials.

**Off-balance Sheet Arrangements**

In April 2004, U. S. Steel entered into a 10-year agreement for coal pulverization services at the Great Lakes facility, replacing a similar agreement that was entered into by National, which was not assumed as part of the acquisition. During the initial 5-year period, the Great Lakes facility is obligated to purchase minimum monthly pulverization services at fixed prices that are annually adjusted for inflation. During the second 5-year period, U. S. Steel has the right to purchase pulverization services on a requirements basis, subject to the capacity of the pulverized coal operations, at fixed prices that are annually adjusted for inflation. This agreement results in increases of approximately $53 million and $22 million in U. S. Steel's liabilities for operating leases and unconditional purchase obligations, respectively. U. S. Steel has no ownership interest in this facility.

**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, 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 Slovakia and the European Union (EU). The environmental requirements of Slovakia and the EU are comparable to domestic environmental standards. USSK also has entered into an agreement with the Slovak government to bring its facilities into environmental compliance, and expects to do so by 2006.

In April 2004, USSK submitted information to the Slovak government regarding emissions of carbon dioxide (CO2) from U. S. Steel's plant in Kosice. This information request related to requirements imposed by the European Commission (EC), which is establishing carbon dioxide emission limits for member countries in preparation for the commencement of CO2 emissions trading in January 2005. Slovakia was required to submit to the EC for approval a national allocation plan (NAP) specifying its total CO2 allowances in tons of emissions for the period 2005 to 2007. Slovakia submitted its proposed NAP to the EC in June 2004. Slovakia and the EC have agreed on a NAP that reduces Slovakia's original proposed CO2 allocation by approximately 12 percent and the EC approved the NAP as reduced on October 20, 2004. Depending upon the distribution within Slovakia of these allowances to individual CO2 emitters, the production levels and costs of USSK could be adversely affected either by production curtailments or by the requirement to purchase CO2 emission credits on the open market. The precise impacts on USSK may vary depending upon a number of factors and it is not possible at this time to predict the results.

USSB is subject to the laws of the Union of Serbia and Montenegro, which are currently more lenient than either the EU or U.S. standards, but this is expected to change over the next several years in anticipation of possible EU accession. An environmental baseline study has been conducted at USSB's facilities. Under the terms of the acquisition, USSB will be responsible for only those costs and liabilities associated with environmental events occurring subsequent to the completion of that study. A portion of the $157 million USSB committed to spend in connection with the acquisition of Sartid is expected to be used for environmental controls and upgrades.

In the 1987 sale of the Geneva Works property, U. S. Steel and Geneva Steel Company (Geneva) agreed to share responsibility for certain environmental projects and permits. These arrangements are reflected in permits issued to U. S. Steel and Geneva by the Utah Department of Environmental Quality. U. S. Steel is responsible, among other things, for three hazardous waste impoundments. Costs of remediation activities and post closure care relating to the impoundments are estimated to be approximately $4.4 million. In January 2002, Geneva sought bankruptcy protection for the second time. Geneva has announced that it does not contemplate reorganizing as an operating entity and is attempting to sell its assets. Geneva has informed U. S. Steel that a real estate developer is expressing interest in its real property. Geneva further indicates that the developer is interested in reaching a comprehensive resolution of all environmental issues. Other proposals for asset disposition have been presented to Geneva. It is possible that U. S. Steel may become involved in such discussions, but it is not possible to predict the outcome.

U. S. Steel has been notified that it is a potentially responsible party (PRP) at 23 waste sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as of September 30, 2004. In addition, there are 10 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 41 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 23 to Financial Statements.

There are three outfalls at Great Lakes Works that discharge to settling basins prior to discharging to the Detroit River. Oil sheens have been observed where the basins discharge into the river. It is

estimated that engineering and corrective measures to eliminate these oil sheens will cost U. S. Steel approximately $2.0 million.

In U. S. Steel's acquisition of the Granite City Works, U. S. Steel agreed to pay a certain share of the costs for closing the Section IV Landfill. Costs incurred by U. S. Steel for this work have amounted to $1.5 million with another $0.9 million projected. The Asset Purchase Agreement caps U. S. Steel's liability for these costs at $2.3 million; however, U. S. Steel anticipates spending an additional $100,000 for project administration and oversight. In addition, U. S. Steel agreed to assume a share of post closure care costs for the Section IV landfill. That share is now estimated to be $768,000.

The West Virginia Department of Environmental Protection has informed U. S. Steel Mining Company, LLC (USM) that mine methane degasification boreholes located at the former Pinnacle operations must be sealed and reclaimed in accordance with mine permit requirements. The Pinnacle property has been sold to PinnOak Resources, LLC under an Asset Purchase Agreement that assigns this liability to USM. USM has determined that a total of 109 methane wells must be sealed and reclaimed and that 46 well sites, which were previously sealed, will require reclamation. Costs estimated to complete the work are approximately $950,000. Work began in July 2004.

For discussion of other relevant environmental items, see "Part II. Other Information - Item 1. Legal Proceedings - Environmental Proceedings."

During the third quarter of 2004, U. S. Steel accrued $13 million for environmental remediation for domestic and foreign facilities. The total accrual for such liabilities at September 30, 2004, was $115 million. Environmental spending during the third quarter of 2004 totaled $6 million. These amounts exclude liabilities related to asset retirement obligations under SFAS No. 143.

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. 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**

In the Flat-rolled segment, total shipments should increase slightly in the fourth quarter compared to the third quarter, and margins should remain at high levels. Some markets are being affected by seasonal softness and efforts to control inventory. Seasonal patterns suggest that these markets will rebound in the first quarter of 2005. Average realized prices are expected to be comparable to or slightly below the third quarter, reflecting some differences in product mix as well as flattening in spot prices. Scrap and energy costs remain volatile and planned outage costs will remain comparable to third quarter levels. U. S. Steel currently expects coke costs to decline. For full-year 2004, Flat-rolled segment shipments are expected to be 15.8 million tons.

For U. S. Steel Europe (USSE), fourth quarter 2004 average realized prices are expected to increase from the third quarter reflecting the announced October 1 price increase for flat-rolled products, more than offsetting higher raw materials costs. Shipments for the quarter are expected to increase by about 150,000 tons compared to the third quarter and estimated full-year 2004 shipments remain at 5.1 million net tons.

For the Tubular segment, margins are expected to continue to increase, reflecting full-quarter realization of a series of third quarter price increases and additional fourth quarter price increases.

Margins will reflect stable costs for the significant portion of tube rounds supplied by the Flat-rolled segment, which are transferred at a cost-based annual price. Tubular segment shipments for the total year are expected to be about 1.1 million tons.

USSK has given irrevocable notice to repay its $272 million of long-term debt at face amount on November 24, 2004. Only $20 million of this debt was due in 2004. This repayment is expected to result in a deferred tax benefit of approximately $13 million. Annualized interest expense on this debt is approximately $23 million.

For benefits not funded by trusts, U. S. Steel expects to make cash payments of approximately $110 million for other postretirement benefits and for contributions to its smaller defined benefit pension plans during the fourth quarter of 2004.

In September, as part of its audit of the 1998-2001 years, the Internal Revenue Service substantially completed its review of a Research and Development Tax Credit claim, which is expected to generate tax benefits for U. S Steel of approximately $14 million. This benefit is anticipated to be recorded after conclusion of the examination phase of the audit for 1998-2001, which is currently expected to occur in the fourth quarter. Also in the fourth quarter, U. S. Steel expects a pension settlement charge of approximately $15 million related to its non-qualified plan.

At the end of 2004, pension accounting rules may require that U. S. Steel increase the additional minimum liability that was recorded at year-end 2003 for its main qualified pension plan. This increase, which is currently estimated to be between $300 million and $400 million, net of tax, would result in a non-cash net charge against equity. The actual amount of such charge will be determined based upon facts and circumstances on the measurement date. Therefore, the result could be materially different from the estimate above. Such differences could range from a reversal of the $1.5 billion net charge against equity that was recorded at year-end 2003 up to an additional charge substantially greater than the range estimated above. These entries will have no impact on income or cash flow.

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 has aggressively addressed these issues through a variety of means including negotiation with local officials as well as judicial and administrative proceedings. There are currently pending refund claims of approximately $65 million and assessments of approximately $156 million in excess of amounts paid for the 2000 through 2002 tax years.

In March 2004, U. S. Steel, the City of Gary and Lake County announced that they had entered into an agreement that, subject to the satisfaction of certain conditions, would settle these tax disputes through and including 2002. Under this agreement, U. S. Steel would pay $44 million of the unpaid tax assessments, drop its pending refund claims, agree to $150 million of capital spending at its Lake County operations over a four-year period, or pay Lake County 7.5 percent of any shortfall from the $150 million spending commitment, and negotiate the transfer of approximately 200 acres of property to the City. The Calumet Township assessor has declined to become a party to the agreement. Acting on a petition that was filed by Lake County, and joined in by U. S. Steel and the Indiana Department of Local Government Finance, the Indiana Tax Court, on July 26, 2004, dismissed the Calumet Township assessor as a party to the appeal of the 2000 tax year assessment, which is one of the years covered by the settlement agreement. The Tax Court refrained from approving or rejecting the specific terms of the agreement and called for the remaining parties to file a joint statement dismissing the action with the Tax Court. The Tax Court decision has been appealed by the Calumet Township assessor to the Indiana Supreme Court. Because U. S. Steel does not know whether the court will accept the appeal, how it will rule if accepted, or whether the agreement will be confirmed on appeal, U. S. Steel has not

recognized the impact of this agreement in its financial results. If the matters are resolved in accordance with the agreement, the $44 million payment, which has been fully accrued, would be included in cash flow for the period in which the payment is made. Any accrual adjustments would be made when the settlement is probable.

On April 19, 2004, the Company redeemed $187 million principal amount of its 10 3/4% Senior Notes due August 1, 2008 at a premium of 10.75 percent, and $72 million principal amount of its 9 3/4% Senior Notes due May 15, 2010 at a premium of 9.75 percent. Ongoing annual interest and amortization expense will be reduced by approximately $28 million as a result of the redemptions.

Steel imports to the United States accounted for an estimated 24 percent of the domestic steel market in the first eight months of 2004, 19 percent for the year 2003, and 26 percent for the year 2002. U. S. Steel intends to monitor imports closely and file anti-dumping and countervailing duty petitions if unfairly traded imports adversely impact, or threaten to adversely impact, financial results.

The U.S. Department of Commerce (DOC) and the U.S. International Trade Commission (ITC) are currently conducting five year “sunset” reviews to determine whether the 1997 anti-dumping orders and suspension agreements against hot-rolled steel from Brazil, Japan and Russia should remain in effect. These reviews are required by rules of the World Trade Organization and U.S. law. The DOC has found that dumping would be likely to continue or recur in the case of the Brazil dumping order and the suspension agreement covering Russian product. It has delayed its decision concerning the Japan dumping order and the Brazil countervailing duty suspension agreement. The ITC will hold a hearing in March 2005 and thereafter decide whether injury to the domestic industry would be likely to continue or recur if the orders and suspension agreements are revoked.

The Organization of Economic Cooperation and Development announced on June 29, 2004 that it was postponing until 2005 discussions aimed at the reduction of inefficient steel production capacity and the elimination and limitation of certain subsidies to the steel industry throughout the world.

This outlook contains forward-looking statements with respect to market conditions, operating costs, shipments, prices and pension issues. Some factors, among others, that could affect market conditions, costs, shipments and prices for both domestic operations and USSE include global product demand, prices and mix; global and company steel production levels; availability and prices of raw materials; plant operating performance; the timing and completion of outages and other projects; natural gas prices and usage; changes in environmental, tax and other laws; employee strikes; power outages; and U.S. and global 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. Political factors in Europe that may affect USSE’s results include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation, export quotas, tariffs, and other protectionist measures. Factors that may affect the amount of the additional minimum liability for pensions include among others, pension fund investment performance, liability changes and interest rates. In accordance with “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, cautionary statements identifying important factors, but not necessarily all factors, that could cause actual results to differ materially from those set forth in the forward-looking statements have been included in U. S. Steel’s Annual Report on Form 10-K for the year ended December 31, 2003, and in subsequent filings for U. S. Steel.

**ACCOUNTING STANDARDS**

In January 2003, the FASB issued Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities, an interpretation of ARB No. 51” (FIN 46R), which 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. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and noncontrolling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity.

In accordance with FIN 46R, U. S. Steel was required to consolidate the Clairton 1314B Partnership, L.P. as of January 1, 2004. See further discussion in Note 19 to Financial Statements.

In May 2004, FASB Staff Position No. FAS 106-2 (FSP FAS 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (Drug Act) was issued. FSP FAS 106-2 finalizes the accounting for the Drug Act and specifies that the effect of the Federal subsidy on a benefit plan's accumulated postretirement benefit obligation (APBO) shall be accounted for as an actuarial experience gain. U. S. Steel accounted for the estimated effects of the Drug Act on its APBO as of December 31, 2003. Estimated savings of $450 million were included as an actuarial gain primarily due to changes in participation assumptions caused by the impact of the Drug Act in combination with the cost cap negotiated with the United Steelworkers of America in May 2003 and due to savings from reduced costs for mineworker participants because it is anticipated that the mineworkers' union drug program will qualify for the Federal subsidy. It is estimated that the reduction in liabilities due to these factors will reduce 2004 net periodic postretirement benefit costs by $60 million. There may also be significant clarifications in the legislative detail of the Drug Act in future years that could significantly alter some or all of U. S. Steel's assumptions. Furthermore, the participant withdrawal rates could occur at a different pace than has been assumed and the estimated savings could be greater or less than currently identified. No guidance has been issued regarding the effects of the Drug Act on U. S. Steel's liabilities under the Coal Act of 1992, which is currently being accounted for under SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**COMMODITY PRICE RISK AND RELATED RISK**

Sensitivity analyses of the incremental effects on pretax income of hypothetical 10 percent and 25 percent decreases in commodity prices for open derivative commodity instruments as of September 30, 2004, are provided in the following table[(a)]:

| (Dollars in millions) | Incremental Decrease in Income Before Income Taxes Assuming a Hypothetical Price Decrease of: 10% | 25% |
|---|---|---|
| Commodity-Based Derivative Instruments | | |
| Zinc | $ 3.7 | $ 9.3 |

(a) The definition of a derivative instrument includes certain fixed price physical commodity contracts. Such instruments are included in the above table. Amounts reflect the estimated incremental effects on pretax income of hypothetical 10 percent and 25 percent decreases in closing commodity prices for each open contract position at September 30, 2004. 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 September 30, 2004, may cause future pretax income effects to differ from those presented in the table.

**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 percent increase/decrease in September 30, 2004, interest rates on the fair value of U. S. Steel's non-derivative financial assets/liabilities is provided in the following table:

(Dollars in millions)

| *As of September 30, 2004* | | |
|---|---|---|
| *Non-Derivative Financial Instruments (a)* | *Fair Value* | *Incremental Increase in Fair Value (b)* |
| Financial assets: | | |
| Investments and long-term receivables | $11 | $– |
| Financial liabilities: | | |
| Long-term debt [(c)(d)] | $1,689 | $88 |

(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) Reflects the estimated incremental effect of a hypothetical 10 percent increase/decrease in interest rates at September 30, 2004, on the fair value of U. S. Steel's non-derivative financial assets/liabilities. For financial liabilities, this assumes a 10 percent decrease in the weighted average yield to maturity of U. S. Steel's long-term debt at September 30, 2004.
(c) Includes amounts due within one year and excludes capital leases.
(d) Fair value was based on market prices where available, or estimated borrowing rates for financings with similar maturities.

At September 30, 2004, 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 $88 million increase in the fair value of long-term debt assuming a hypothetical 10 percent 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 U. S. Steel Europe, 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, the Slovak koruna and the Serbian dinar. 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 September 30, 2004, U. S. Steel had open euro forward sale contracts for both U.S. dollars (total notional value of approximately $17.4 million) and Slovak koruna (total notional value of approximately $44.4 million). A 10 percent increase in the September 30, 2004 euro forward rates would result in a $6.2 million charge to income.

**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, industry supply and demand for steel products and certain raw materials, and foreign exchange rates. 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 4. CONTROLS AND PROCEDURES**

**DISCLOSURE CONTROLS AND PROCEDURES**

U. S. Steel has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2004. 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 with 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, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2004, U. S. Steel's disclosure controls and procedures were effective.

**INTERNAL CONTROLS**

As of September 30, 2004, there have not been any changes in U. S. Steel's internal control over financial reporting that occurred during the fiscal quarter covered by this quarterly report, which have materially affected, or are reasonably likely to materially affect, U. S. Steel's internal control over financial reporting.

**UNITED STATES STEEL CORPORATION**
**SUPPLEMENTAL STATISTICS (Unaudited)**

| (Dollars in millions) | Quarter Ended September 30 **2004** | 2003 | Nine Months Ended September 30 **2004** | 2003 |
|---|---|---|---|---|
| **INCOME (LOSS) FROM OPERATIONS** | | | | |
| Flat-rolled Products (a) | **$ 362** | $ (21) | **$ 810** | $ (77) |
| U. S. Steel Europe (b) | **146** | 35 | **262** | 166 |
| Tubular | **55** | (10) | **83** | (19) |
| Real Estate | **5** | 11 | **22** | 40 |
| Straightline (a) | | (16) | | (52) |
| Other Businesses (c) | **2** | (8) | **9** | (38) |
| Segment Income from Operations | **570** | (9) | **1,186** | 20 |
| Retiree benefit expenses (d) | **(72)** | (19) | **(181)** | (60) |
| Other items not allocated to segments: | | | | |
| Income from sale of certain assets | - | | **43** | 47 |
| Workforce reduction charges | - | (618) | | (618) |
| Stock appreciation rights | **(4)** | (2) | **(15)** | (3) |
| Asset impairments | - | (46) | - | (57) |
| Litigation items | - | - | - | (25) |
| Total Income (Loss) from Operations | **$ 494** | $ (694) | **$ 1,033** | $ (696) |
| **CAPITAL EXPENDITURES** | | | | |
| Flat-rolled Products | **$ 109** | $ 23 | **$ 167** | $ 57 |
| U. S. Steel Europe | **57** | 30 | **136** | 72 |
| Tubular | **3** | 6 | **8** | 44 |
| Real Estate | - | 1 | - | 1 |
| Straightline | | 1 | | 2 |
| Other Businesses | **33** | 12 | **56** | 29 |
| Total | **$ 202** | $ 73 | **$ 367** | $ 205 |
| **OPERATING STATISTICS** | | | | |
| Average realized steel price: ($/net ton)(e) | | | | |
| Flat-rolled Products (a) | **$ 627** | $ 424 | **$ 561** | $ 422 |
| Tubular Products | **907** | 625 | **785** | 635 |
| U. S. Steel Europe (b) | **573** | 351 | **496** | 354 |
| Steel Shipments: (e)(f) | | | | |
| Flat-rolled Products (a) | **3,745** | 3,909 | **11,888** | 9,547 |
| Tubular Products | **266** | 231 | **807** | 648 |
| U. S. Steel Europe (b) | **1,257** | 1,170 | **3,693** | 3,561 |
| Raw Steel-Production: (f) | | | | |
| Domestic Facilities | **4,293** | 4,396 | **13,002** | 10,629 |
| U. S. Steel Europe (b) | **1,400** | 1,158 | **4,211** | 3,561 |
| Raw Steel-Capability Utilization: (g) | | | | |
| Domestic Facilities | **87.8%** | 89.9% | **89.3%** | 88.6% |
| U. S. Steel Europe (b) | **75.0%** | 83.5% | **75.8%** | 92.1% |
| Domestic iron ore production (f) | **5,546** | 4,567 | **17,169** | 13,327 |
| Domestic iron ore shipments (f)(h) | **6,930** | 5,786 | **17,688** | 12,852 |
| Domestic coke production (f)(j) | **1,659** | 1,780 | **4,974** | 5,121 |
| Domestic coke shipments (f)(i)(j) | **686** | 762 | **1,999** | 2,538 |

(a) The Flat-rolled segment includes the results of National flat-rolled facilities from May 20, 2003, the date of acquisition; the residual effects of Straightline from January 1, 2004; and the consolidated results of the Clairton 1314B Partnership, which was accounted for under the equity method prior to January 1, 2004.

(b) Includes U. S. Steel's Serbian operations from September 12, 2003, the date of acquisition. Prior to September 12, 2003, included effects of activities under certain agreements with the former owner of the Serbian operations.

(c) Includes the coal mining business prior to June 30, 2003, the date of sale. Includes the results of the taconite pellet operations in Keewatin from May 20, 2003, the date of acquisition.

(d) Includes certain profit-based expenses for U. S. Steel retirees and National retirees pursuant to provisions of the 2003 labor agreement with the United Steelworkers of America.

(e) Excludes intersegment transfers.

(f) Thousands of net tons.

(g) Based on annual raw steel production capability for domestic facilities of 12.8 million net tons prior to May 20, 2003, and 19.4 million net tons thereafter; and annual raw steel production capability for U. S. Steel Europe of 5.0 million net tons prior to September 12, 2003, and 7.4 million net tons thereafter.

(h) Includes trade shipments and intersegment transfers.

(i) Includes trade shipments only.

(j) Includes the Clairton 1314B Partnership.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

**ENVIRONMENTAL PROCEEDINGS**

U. S. Steel is in the study phase of Resource Conservation and Recovery Act (RCRA) corrective action programs at its Fairless Plant, Gary Works and Fairfield Works. At the Midwest Plant U. S. Steel assumed corrective action obligations of the former owner for two solid waste management units (SWMUs) that are being investigated. Until the studies are completed at these facilities, U. S. Steel is unable to estimate the total cost of remediation activities that might be required. At USS-POSCO Industries, a joint venture between U. S. Steel and Pohang Iron & Steel Co. Ltd., corrective measures have been implemented for the former SWMUs and a remedy for ground water has been installed.

In November 1989, the Utah Department of Environmental Quality issued a permit to U. S. Steel for the closure of three hazardous waste impoundments including facility-wide corrective action at U. S. Steel's former Geneva Works. The permit was administratively extended until May 14, 2004, when it was reissued to U. S. Steel and Geneva Steel Company (Geneva), the site owner. The permit allocates responsibility for corrective action between U. S. Steel and Geneva. U. S. Steel has commenced the development of work plans that are necessary to begin field investigations on some areas of the facility for which U. S. Steel has responsibility under the permit. The remaining costs to prepare these work plans, implement field investigations and continue post closure care on the three hazardous waste impoundments are estimated to be approximately $4.4 million. On June 2, 2004, Geneva filed a motion in U.S. Bankruptcy Court for the District of Utah to approve the amendment and assumption of the 1987 Asset Sales Agreement, the acceptance of the permit and the retention of a remediation contractor. On July 7, 2004, the motion was heard and granted providing for Geneva's continuing involvement and funding of the remediation required by the permit.

On October 23, 1998, a final Administrative Order on Consent was issued by the U.S. Environmental Protection Agency (EPA) addressing Corrective Action for SWMUs throughout Gary Works. This order requires U. S. Steel to perform a RCRA Facility Investigation (RFI) and a Corrective Measure Study at Gary Works. The Current Conditions Report, U. S. Steel's first deliverable, was submitted to EPA in January 1997 and was approved by EPA in 1998. All remaining Phase I work plans have been approved by EPA. Two Phase II RFI work plans and a self-implementing interim measure have been submitted to EPA for approval. Two other self-implementing interim measures have been completed. Through September 30, 2004, U. S. Steel has spent approximately $14.2 million for the studies, work plans, field investigations and self-implementing interim measures. The cost to implement the remaining field investigations and the submitted work plans is estimated to be $4.9 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, the Indiana Department of Environmental Management (IDEM) issued notices of violation 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. U. S. Steel has completed the sinter plant burner project, which concludes the supplemental environmental projects, and no further expenditures related to this Agreed Order are anticipated.

In December 1995, U. S. Steel reached an agreement in principle with 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, EPA and 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 paid a civil penalty of $1.0 million, implemented two Supplemental Environmental Projects costing a total of $1.75 million and implemented a RCRA corrective action at the facility. The Alabama Department of Environmental Management (ADEM) assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works, with the approval of 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 2004. The cost to complete this study is estimated to be $568,000. In addition, ADEM has approved a corrective measure implementation plan for remediation of a portion of Opossum Creek. The cost to U. S. Steel for implementing this plan is estimated to be $250,000. In January 1999, ADEM included the former Ensley facility site in Fairfield Corrective Action. Implementation of the Phase I fieldwork for Ensley commenced in June 2004. The cost to complete this study is approximately $630,000. Lower Opossum Creek is approximately 4.5 miles of the Opossum Creek Area of Concern. U. S. Steel is investigating Lower Opossum Creek under a joint agreement with Beazer, Inc. whereby U. S. Steel has agreed to pay 30 percent of the investigation costs. U. S. Steel estimates its share of the remaining costs of this investigation and costs to implement sediment remediation to be $836,000.

In October 1996, U. S. Steel was notified by 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 potentially responsible party (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 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. A Consent Decree memorializing this settlement has been executed by the parties and lodged with the United States District Court for the Northern District of Indiana on August 20, 2004. Concurrent with this lodging of the Consent Decree, the United States of America filed its complaint titled United States of America v. Atlantic Richfield, et. al. asserting liability for its claim against the settling parties.

On January 26, 1998, pursuant to an action filed by 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 EPA which resolved alleged violations of the Clean Water Act National Pollutant 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 ecological monitoring costs, and U. S. Steel was obligated to purchase and restore several parcels of property that have been conveyed to the trustees. During the negotiations leading up to the settlement with EPA, capital improvements were made to upgrade plant systems to comply with NPDES requirements. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works. As of October 15, 2004, project

costs have amounted to $51.3 million with another $0.2 million presently projected to complete work under the approved sediment remediation plan. A Dredge Completion Report was submitted to EPA on March 29, 2004. EPA responded with written comments on the report. In response, U. S. Steel conducted additional sampling of river sediments in a portion of the dredge project area. Based on the results of the additional sediment sampling, U. S. Steel is considering additional dredging that would include additional substantial bank stabilization measures. Negotiations to have this additional work considered as a final measure are proceeding. The additional dredging and bank stabilization is anticipated to cost approximately $9.0 million. At the conclusion of the dredge project, the Corrective Action Management Unit (CAMU) will remain available and could be used for containment of approved material from other corrective measures conducted at Gary Works pursuant to the Administrative Order on Consent for corrective action. Closure costs for the CAMU are estimated to be an additional $4.9 million. In addition to the sediment remediation project, U. S. Steel is obligated to perform, and has initiated, ecological restoration in this section of the Grand Calumet River, costs of which are estimated to be $2.5 million.

At the former Duluth Works in Minnesota, U. S. Steel spent a total of approximately $13.5 million for cleanup and agency oversight costs through September 30, 2004. 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. EPA has consolidated and included the Duluth Works site with the St. Louis River and Interlake sites on 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. Current study and oversight costs are estimated at $444,000. These costs include risk assessment, sampling, inspections and analytical work, and development of a work plan and cost estimate to implement EPA five year review recommendations.

In November 1996, U. S. Steel received a Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) 104(e) request from EPA requesting information on the former waste oil processing site named Breslube-Penn located in Coraopolis, PA. U. S. Steel joined a PRP defense group and entered into an Administrative Order on Consent along with seven other PRPs to conduct a Remedial Investigation (RI) and a Feasibility Study (FS). The RI has been completed and the FS, which was submitted to EPA, is currently being reviewed by EPA and the Pennsylvania Department of Environmental Protection (PADEP). The total cost to implement a remediation project based on the group's selection from the range of alternatives presented in the FS is estimated to be $6.4 million. Of that total, U. S. Steel's allocable share among the eight PRPs is approximately $1.0 million. In addition, U. S. Steel's share of PRP group costs is expected to be $24,000 in 2004.

In 1997, USS/Kobe Steel Company (USS/Kobe), a former joint venture between U. S. Steel and Kobe Steel, Ltd. (Kobe), was the subject of a multi-media audit by EPA that included an air, water and hazardous waste compliance review. USS/Kobe and EPA 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. The tubular operations at Lorain are now operated by U. S. Steel as Lorain Pipe Mills. U. S. Steel and EPA have agreed upon terms of settlement that include a cash penalty for U. S. Steel of $100,000 plus a supplemental environmental project to do PCB transformer replacement for a combined amount of approximately $395,000. Negotiations on the final terms and conditions of the consent decree are ongoing. Most of the matters raised by EPA relate to Republic's facilities; however, air discharges from U. S. Steel's No. 3 seamless pipe mill were also cited and U. S. Steel will be responsible for conducting a test of particulate emissions from its No. 3 Seamless Rotary Mill scrubber system to demonstrate compliance with its

permit limitations. U. S. Steel will be responsible only for matters relating to its facilities. Issues related to Republic have been resolved in its bankruptcy proceedings.

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 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 for Peters Creek Lagoon have amounted to $11.3 million with another $350,000 presently projected to be spent in 2004 on site closure. Closure of the site is subject to approval by PADEP after a period of monitoring and observation.

Prior to U. S. Steel's acquisition of the Granite City, Great Lakes and Midwest facilities, DOJ had filed against National Steel Corporation (National) proofs of claim asserting noncompliance allegations under various environmental statutes, including the Clean Air Act, RCRA, the Clean Water Act, the Emergency Planning and Community Right to Know Act, CERCLA and the Toxic Substances Control Act at these three facilities. EPA had conducted inspections of the facilities and entered into negotiations with National toward resolving these allegations with a consent decree. At Granite City Works, EPA had determined that ditches and dewatering beds currently in operation were allegedly not in compliance with applicable waste oil management standards. After a substantial evaluation of U. S. Steel's management of these facilities, DOJ has withdrawn from participation in these discussions and is no longer pursuing this matter with U. S. Steel. U. S. Steel has concluded discussions of this subject with EPA and the State of Illinois. U. S. Steel is implementing maintenance dredging of the ditches and dewatering beds. Costs for this work have amounted to $215,000 with another $885,000 projected to complete the work.

U. S. Steel received six Letters of Violation in 2004 from Michigan Department of Environmental Quality (MDEQ) for alleged violations at the Great Lakes BOP shop, B2 Blast Furnace, D4 Blast Furnace Slag Pit fugitive emissions and the Battery Quench Tower. A consent decree is currently being negotiated with MDEQ, which will include the installation of a new bag house for B2 Blast Furnace, the installation of baffles at the Quench Tower, installation of which is now completed, and projects to reduce emissions from the BOP. MDEQ has proposed a civil penalty of $1,492,000. U. S. Steel is discussing a counter-offer with MDEQ, which may include a Supplemental Environmental Project offered as a credit against the penalty. Great Lakes Works continues to identify and evaluate potential operating practices and facility improvements to reduce emissions.

Prior to U. S. Steel's acquisition of Great Lakes Works, it had operated under a permit for indirect discharge of wastewater to the Detroit Water and Sewerage Department (DWSD). National had reported to DWSD violations of effluent limitations, including mercury, contained in the facility's indirect discharge to the DWSD treatment plant and had entered into a consent order with DWSD that required improvements in plant equipment to remedy the violations. Great Lakes Works continues to operate under a DWSD permit for this discharge and has spent $1.3 million to improve operating equipment to come into compliance with discharge limits in the current DWSD permit. U. S. Steel has executed an administrative order with DWSD. Under that order DWSD has issued a new permit for this discharge that includes revised discharge limits in accordance with a pending ordinance for cyanide and mercury. U. S. Steel has filed an administrative appeal with DWSD to reconsider the limit in this permit for phenols. U. S. Steel is evaluating operating requirements and potential facility improvements to comply with the current and anticipated limits of the permit.

In 1988, U. S. Steel and two other PRPs (Bethlehem Steel Corporation and William Fiore) agreed to the issuance of an administrative order by 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. EPA indicated that further remediation of this site would be required. In October 1991, PADER placed the site on the Pennsylvania State Superfund list and began a RI, which was issued in 1997. After a FS by PADEP and submission of a conceptual remedial action 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 Order and Agreement on August 30, 2002, under which U. S. Steel is responsible for remediation of this site. On March 18, 2003, PADEP notified U. S. Steel that the public comment period was concluded and the Consent Order and Agreement is final. U. S. Steel estimates its future liability at the site to be $7.0 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 percent, U. S. Steel – 26 percent and LaRoche – 26 percent; 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 $3.1 million. U. S. Steel's estimated share of these costs is $801,000, based on an allocation factor of 26 percent.

**ASBESTOS LITIGATION**

U. S. Steel is a defendant in approximately 1,000 active cases, involving approximately 12,200 plaintiffs. Almost all of these cases involve multiple defendants (typically from fifty to more than one hundred defendants). More than 11,000, or approximately 90 percent, of these claims are pending in jurisdictions which permit filings with massive numbers of plaintiffs. Based upon U. S. Steel's experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs.

These claims against U. S. Steel fall into three major groups: (1) claims made under certain federal and general maritime laws by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who allegedly were exposed to asbestos at U. S. Steel facilities (referred to as "premises claims"); and (3) claims made by industrial workers allegedly exposed to products formerly manufactured by U. S. Steel. While U. S. Steel has excess casualty insurance, these policies have multi-million dollar self-insured retentions. To date, U. S. Steel has not received any payments under these policies relating to asbestos claims. In most cases, this excess casualty insurance is the only insurance applicable to asbestos claims.

These asbestos cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos. U. S. Steel is currently a defendant in cases in which a total of approximately 215 plaintiffs allege that they are suffering from mesothelioma. The potential for damages against defendants may be greater in cases in which the plaintiffs can prove mesothelioma. In many such cases in which claims have been asserted against U. S. Steel, the plaintiffs have been unable to establish any causal relationship to U. S. Steel or its products or premises. In addition, in many asbestos cases, the plaintiffs have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all; that any injuries that they have incurred did in fact result from alleged exposure to asbestos; or that such alleged exposure was in any way related to U. S. Steel or its products or premises.

In every asbestos case in which U. S. Steel is named as a party, the complaints are filed against numerous named defendants and generally do not contain allegations regarding specific monetary

damages sought. To the extent that any specific amount of damages is sought, the amount applies to claims against all named defendants and in no case is there any allegation of monetary damages against U. S. Steel. Approximately 89 percent of the cases against U. S. Steel state that the damages sought exceed the amount required to establish jurisdiction of the court in which the case was filed. (Jurisdictional amounts generally range from $25,000 to $75,000.) Approximately 4 percent do not specify any damages sought at all, approximately 6 percent allege damages of $1.0 million or less, another 0.6 percent allege damages between $2.0 million and $10.0 million, and 0.4 percent allege damages over $10 million. U. S. Steel does not consider the amount of damages alleged, if any, in a complaint to be relevant in assessing its potential exposure to asbestos liabilities. The ultimate outcome of any claim depends upon a myriad of legal and factual issues, including whether the plaintiff can prove actual disease, if any; actual exposure, if any, to U. S. Steel products; or the duration of exposure to asbestos, if any, on U. S. Steel's premises. U. S. Steel has noted over the years that the form of complaint including its allegations, if any, concerning damages often depends upon the form of complaint filed by particular law firms and attorneys. Often the same damage allegation will be in multiple complaints regardless of the number of plaintiffs, the number of defendants, or any specific diseases or conditions alleged.

U. S. Steel aggressively pursues grounds for the dismissal of U. S. Steel from pending cases and litigates cases to verdict where it believes litigation is appropriate. U. S. Steel also makes efforts to settle appropriate cases, especially mesothelioma cases, for reasonable, and frequently nominal, amounts. For example, in 2001, U. S. Steel settled 11,166 claims for a total of approximately $190,000, and had about 4,102 claims dismissed or otherwise resolved and 1,679 new claims filed. At December 31, 2001, U. S. Steel had a total of approximately 17,100 active claims outstanding. In 2002, U. S. Steel settled 1,135 claims for a total of approximately $700,000, and had a total of 2,662 claims dismissed or otherwise resolved and 842 new claims filed. At December 31, 2002, U. S. Steel had a total of approximately 14,100 active claims outstanding. In 2003, except for the aberrant result in the Madison County case referred to in the following paragraph, U. S. Steel settled 83 claims for a total of approximately $4.6 million, and had a total of 2,038 claims dismissed or otherwise resolved and added 514 new cases (or 2,856 new claims). At December 31, 2003, U. S. Steel had a total of approximately 14,800 active claims outstanding.

As discussed in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2003, management views the verdict and resulting settlement in the March 28, 2003 Madison County case as aberrational, and believes that the likelihood of similar results in other cases is remote, although not impossible. Through September 30, 2004, U. S. Steel has not experienced any material adverse change in its ability to resolve pending claims as a result of the Madison County settlement.

The amount U. S. Steel has accrued for pending asbestos claims is not material to U. S. Steel's financial position. U. S. Steel does not accrue for unasserted asbestos claims because it believes it is not possible to determine whether any loss is probable with respect to such claims or even to estimate the amount or range of any possible losses. Among the reasons that U. S. Steel cannot reasonably estimate the number and nature of claims against it is that the vast majority of pending claims against it allege so-called "premises" liability based exposure on U. S. Steel's current or former premises. These claims are made by an indeterminable number of people such as truck drivers, railroad workers, salespersons, contractors and their employees, government inspectors, customers, visitors and even trespassers.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, and although our results of operations and cash flows for a given period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition. Among the factors 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 past 12 years that have been administratively dismissed or are inactive due to the failure of the plaintiffs to present any medical evidence supporting their claims; (2) that over the last several years, the total number of pending claims has generally declined; (3) that it has been many years since U. S. Steel employed maritime workers or manufactured or sold asbestos containing products; and (4) U. S. Steel's history of trial outcomes, settlements and dismissals, including such matters since the Madison County jury verdict and settlement in March 2003.

The foregoing statements of belief are forward-looking statements. 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 these forward-looking statements.

**SERBIAN INVESTIGATION**

In April 2004, the Republic of Serbia's Interior Ministry initiated an investigation into the purchase of Sartid a.d. in Bankruptcy and six of its former subsidiaries, citing possible irregularities on the part of certain past and present Serbian government officials. U. S. Steel Balkan (USSB) has cooperated fully with this investigation. U. S. Steel personnel were informed by the investigators that U. S. Steel is not the target of the investigation, and that the investigators believe U. S. Steel complied with all relevant laws during the transaction. Since April 2004, there have been no further requests from the investigators. On or about July 15, 2004, the Anti Corruption Council presented a report on the Sartid bankruptcy to the Government of Serbia. U. S. Steel management is confident that there will be no impact on USSB as a result of this investigation.

**Item 6. EXHIBITS**

**EXHIBITS**

| | |
|---|---|
| 10.1 | Amended and Restated Credit Agreement dated as of May 20, 2003 and amended and restated as of October 22, 2004. |
| 10.2 | Amended and Restated Security Agreement dated as of May 20, 2003 and amended and restated as of October 22, 2004. |
| 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 |
| 12.3 | Computation of Pro Forma Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends |
| 12.4 | Computation of Pro Forma Ratio of Earnings to Fixed Charges |
| 31.1 | Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | 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 |
| 32.2 | 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 |

**SIGNATURE**

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

UNITED STATES STEEL CORPORATION

By /s/ Larry G. Schultz

Larry G. Schultz
Vice President and Controller

October 29, 2004

**WEB SITE POSTING**

This Form 10-Q will be posted on the U. S. Steel web site, www.ussteel.com, within a few days of its filing.

**Exhibit 10.1**

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of
May 20, 2003
and
amended and restated as of
October 22, 2004

among

UNITED STATES STEEL CORPORATION

THE LENDERS PARTY HERETO

THE LC ISSUING BANKS PARTY HERETO

JPMORGAN CHASE BANK,
as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender

and

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

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

and

GECC CAPITAL MARKETS GROUP, INC.,
as Co-Lead Arranger

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ARTICLE 7
EVENTS OF DEFAULT

ARTICLE 8
THE AGENTS



ARTICLE 9
MISCELLANEOUS

SCHEDULES:



EXHIBITS:

AMENDED AND RESTATED CREDIT AGREEMENT dated as of May 20, 2003 and amended and restated as of October 22, 2004 among UNITED STATES STEEL CORPORATION, the LENDERS party hereto, the LC ISSUING BANKS party hereto, JPMORGAN CHASE BANK, as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender, and GENERAL ELECTRIC CAPITAL CORPORATION, as Co-Collateral Agent and Co-Syndication Agent.

WHEREAS, the Borrower (as defined in Section 1.01 below), the lenders party thereto (the "**Existing Lenders**"), the letter of credit issuing banks party thereto, JPMorgan Chase Bank, as administrative agent, collateral agent, co-syndication agent and swingline lender, and General Electric Capital Corporation, as co-collateral agent and co-syndication agent, are parties to a Credit Agreement dated as of May 20, 2003 (as amended or otherwise modified prior to the date hereof, including pursuant to Amendment No. 1 dated as of August 19, 2003, Amendment No. 2 dated as of September 30, 2003 and Amendment No. 3 dated as of June 28, 2004, the "**Existing Credit Agreement**");

WHEREAS, the parties hereto desire to amend and restate the Existing Credit Agreement as provided in this Amended Agreement (as defined in Section 1.01 below), subject to the terms and conditions set forth in Section 4.01 hereof;

NOW, THEREFORE, the Existing Credit Agreement is amended and restated in its entirety as follows:

## ARTICLE 1
## DEFINITIONS

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

"**10.75% Senior Unsecured Notes**" means the 10.75% 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.

"**10.75% Senior Unsecured Note Documents**" means the indenture under which the 10.75% Senior Unsecured Notes are issued and all other instruments, agreements and other documents evidencing or governing the 10.75% Senior Unsecured Notes or providing for any Guarantee or other right in respect thereof.

"**2003 Workforce Reduction**" means the workforce reductions implemented pursuant to Borrower's 2003 workforce reduction program including a transitional assistance program and voluntary early retirement program associated with the National Steel Acquisition.

"**9.75% Senior Unsecured Notes**" means the 9.75% Senior Notes due May 15, 2010 issued by the Borrower before the Effective Date in the aggregate principal amount of $450,000,000 and the Debt represented thereby.

"**9.75% Senior Unsecured Note Documents**" means the indenture under which the 9.75% Senior Unsecured Notes are issued and all other instruments, agreements and other documents evidencing or governing the 9.75% Senior Unsecured Notes or providing for any Guarantee or other right in respect thereof.

"**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 Collateral Agent and the Co-Collateral Agent.

"**Agreement**", when used in reference to this Agreement, means the Amended Agreement, as further amended or amended and restated from time to time.

"**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.

"**Amended Agreement**" means this Amended and Restated Credit Agreement dated as of October 22, 2004.

"**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 Average Availability calculated as of the relevant determination date;*provided* that:

(i) 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

(ii) 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 5.01(a)(ii), such Applicable Rates will be those set forth in the Pricing Schedule and corresponding to Level IV Pricing during the period from the expiration of the time specified for such delivery until such financial statements are so delivered.

"**Approved Financing Model**" means, collectively, (x) a monthly computation of the Borrower's liquidity position (including cash, receivables, inventory and borrowings) for each fiscal month of Fiscal Year 2004 that ends at least 20 days prior to the Effective Date, and (y) a financing model/business plan (with appropriate assumptions) for Fiscal Year 2005 and Fiscal Year 2006, which financing model/business plan shall include, without limitation, projected financial forecasts on a quarterly basis for Fiscal Year 2004 and on an annual basis for each Fiscal Year thereafter, in each case satisfactory in all respects to, and approved in writing by, each of the Administrative Agent, the Collateral Agent and the Co-Collateral Agent.

"**Arrangers**" means J.P. Morgan Securities Inc. and GECC Capital Markets Group, Inc., in their respective capacities as co-lead arrangers 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 May 1, 2008, an amount equal to zero, and (ii) at all times from and after May 1, 2008, an amount equal to $100,000,000; *provided* that from and after the date on which the 10.75% Senior Unsecured Notes have has been fully repaid, refinanced or defeased, or payment in full of such 10.75% Senior Unsecured Notes has otherwise been provided for, in each case in a manner reasonably satisfactory to each of the Administrative Agent, the Collateral Agent and the Co-Collateral Agent), the Availability Block shall be zero.

"**Availability Reserves**" means, as of any date of determination, such reserves in amounts as the Collateral Agent and the Co-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 their respective customary credit policies: (i) to reflect events, conditions, contingencies or risks which, as reasonably determined by the Collateral Agent and the Co-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, the Co-Collateral Agent or any Lender in the Collateral (including the enforceability, perfection and priority thereof) or (ii) to reflect the Collateral Agent's and the Co-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 and the Co-Collateral Agent reasonably determine 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 and the Co-Collateral Agent), "Availability Reserves" shall include (a) a reserve in an amount equal to 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; and *provided further* that any adjustment or revision to the Availability Reserves shall be made in accordance with Section 8.09.

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

(a) the lesser of (i) up to 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) up to 65% 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) up to 65% of Eligible Raw Materials Inventory (other than Scrap 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 and the Co-Collateral Agent in their 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.

"**Average Facility Availability**" means, on any day, an amount equal to the quotient of (a) the sum of the end of the day Facility Availability for each day during the period of 30 consecutive days ending on (and including) such date, divided by (b) 30 (i.e., the number of days in such period).

"**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 Corporation, a Delaware corporation, and its successors.

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

"**Borrower's Latest Form 10-Q**" means the Borrower's quarterly report on Form 10-Q for the quarter ended June 30, 2004, as filed with the SEC pursuant to the Exchange Act.

"**Borrower's 2003 Form 10-K**" means the Borrower's annual report on Form 10-K for 2003, as filed with the SEC pursuant to the Exchange Act.

"**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(c), 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 Secured Derivative Obligations up to a maximum amount of $75,000,000 *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); *provided* that Available Inventory attributable to Raw Materials Inventory may not account for more than 60% of the Borrowing Base. 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 and the Co-Collateral Agent in their sole discretion (subject to Section 9.02(b)(viii) hereof); *provided* that any such revisions or adjustments shall be established in accordance with Section 8.09; and *provided further* that any such changes in such standards shall 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 or the Co-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 (if any), required by law or reasonably requested by the Collateral Agent and the Co-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; and

(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.

"**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 $600,000,000.

"**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 the 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 the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated EBITDAR**" 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 (including, without limitation, any net gain on the sale of assets) 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);

(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);

(v) any net loss on the sale of assets;

(vi) the one-time cash charges incurred as a result of the 2003 Workforce Reduction in an aggregate amount not to exceed $125,000,000; and

(vii) Consolidated Rental Expense for such period;

plus or minus (d) such adjustments as may be required in respect of amounts relating to pension and other post-retirement liabilities (including liabilities under the Coal Industry Retiree Health Benefit Act of 1992) that have been deducted or included in calculating Net Income, so that only the cash effect of such amounts is included in Consolidated EBITDAR for such period.

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 EBITDAR 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 in accordance with all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders (without taking into consideration any laws or regulations of The Slovak Republic to the extent that they would restrict the declaration of dividends more than once during a fiscal year).

"**Consolidated Fixed Charges**" means, for any period, the sum of (a) Consolidated Cash Interest Expense for such period, (b) the aggregate amount of scheduled principal payments required to be made during the succeeding period of 12 consecutive months in respect of Long-Term Debt of the Borrower and its Restricted Subsidiaries (except payments required to be made by the Borrower or any Restricted Subsidiary to the Borrower or any Restricted Subsidiary), (c) Consolidated Rental Expense paid in cash during such period, (d) income tax expense of the Borrower and the Restricted Subsidiaries paid in cash during such period, (e) any Capital Expenditure made in cash during such period for the purpose of maintaining or replacing an existing capital asset (excluding any such Capital Expenditure to the extent made with proceeds of insurance covering such existing capital asset) and (f) Restricted Payments made in cash during such period.

"**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; *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 (1) the date it becomes a Restricted Subsidiary, (2) the date it is merged into or consolidated with the Borrower or any Restricted Subsidiary or (3) the date its assets are acquired by the Borrower or any Restricted Subsidiary; and *provided further* that, for purposes of determining compliance with Section 6.13, Consolidated Net Income shall be calculated 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.

"**Consolidated Rental Expense**" means, for any period, the aggregate rental expense (including operating lease expense) of the Borrower and the Restricted Subsidiaries, determined on a consolidated basis, for such period.

"**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.

"**Credit Parties**" means the Borrower and the Subsidiary Guarantors (if any).

"**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 (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),

(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 unpaid obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty (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),

(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 (i) such indebtedness 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 and the Co-Collateral Agent in their sole discretion upon the completion of collateral review field work to be performed subsequent to the termination of the Effective Date Receivables Financing.

"**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 Qualified Inventory appropriate UCC financing statements have been filed 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.

"**Existing Credit Agreement**" has the meaning set forth in the first "Whereas" clause of this Agreement.

"**Existing Letters of Credit**" means the letters of credit issued prior to the Effective Date pursuant to the Existing Credit Agreement, as identified on Schedule 2.05.

"**Existing Senior Unsecured Debt Documents**" means (i) the 10.75% Senior Unsecured Note Documents and (ii) the 9.75% Senior Unsecured Note Documents.

"**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 dated as of December 31, 2001 by and between Marathon Oil Corporation and the Borrower (formerly known as United States Steel LLC).

"**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 Borrower 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.

"**Fixed Charge Coverage Ratio**" means, at the end of any Fiscal Quarter, the ratio of (a) Consolidated EBITDAR to (b) Consolidated Fixed Charges, in each case for the period of four consecutive Fiscal Quarters then ended; *provided* that, solely for purposes of calculating the Fixed Charge Coverage Ratio at any time, Consolidated EBITDAR and Consolidated Fixed Charges shall be calculated to exclude the accounts of any Material Domestic Subsidiary that is not a Subsidiary Guarantor at such time.

"**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 the Borrower 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 debt-like obligations 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 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 (which delivery may have occurred prior to the Effective Date pursuant to the Existing Credit Agreement) a Collateral Access Agreement (or, if applicable, a landlord waiver in form and substance satisfactory to the Collateral Agent and the Co-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 (which delivery may have occurred prior to the Effective Date pursuant to the Existing Credit Agreement) 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 100 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, the Co-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(a) 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;

(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 and the Co-Collateral Agent from time to time in their sole discretion.

"**Ineligible Receivables**" shall be determined by the Collateral Agent and the Co-Collateral Agent in their 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 and the Co-Collateral Agent.

"**Intercreditor Agreement**" means the Intercreditor Agreement dated as of May 20, 2003 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 Corporation, as Originator, as Initial Servicer and as Borrower (and acknowledged and agreed by the Administrative Agent, the Collateral Agent and the Co-Collateral Agent).

"**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 week or 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 (other than a one week 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 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, with respect to any Lender, (i) an Affiliate of such Lender or (ii) any entity (other than a natural person) 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 (a) such Lender, (b) an Affiliate of such Lender or (c) an entity or an Affiliate of an entity that administers or manages such Lender.

"**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.

"**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.

"**Like-Kind Exchange**" means the disposition of property in exchange for similar property or for cash proceeds in a transaction qualifying as a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code of 1986 (or any successor provision).

"**Loan Documents**" means this Agreement, any promissory note issued by the Borrower pursuant to Section 2.09(e), the Letters of Credit, the Security Documents and the Subsidiary Guarantee Agreements (if any).

"**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.

"**Long-Term Debt**" means any Debt that, in accordance with GAAP, constitutes (or, when incurred, constituted) a long-term liability.

"**Marathon Oil Corporation**" means Marathon Oil Corporation, a Delaware corporation (formerly known as USX Corporation), together with its successors.

"**Mark-to-Market**" 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 enforceable netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time in circumstances in which the Borrower or such Subsidiary was the defaulting party.

"**Material Domestic Subsidiary**" means any Domestic Subsidiary that owns or acquires any Principal Property.

"**Maturity Date**" means October 22, 2009 (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 (i) the lesser of (x) the aggregate amount of the Lenders' Commitments on such date and (y) the Borrowing Base on such date, *less* (ii) the Availability Block on such date.

"**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, which sale was consummated on June 30, 2003 pursuant to an Asset Purchase Agreement dated May 23, 2003.

"**Moody's**" means Moody's Investors Service, Inc.

"**Multiemployer Plan**" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"**National Steel Acquisition**" means the acquisition of the National Steel Assets by the Borrower in a sale pursuant to Section 363 of Title 11 of the United States Code, pursuant to the terms of the National Steel Asset Purchase Agreement.

"**National Steel Asset Purchase Agreement**" means the Asset Purchase Agreement dated as of April 21, 2003 by and among the Borrower, National Steel Corporation and the subsidiaries of National Steel Corporation set forth on the signature pages thereof, as amended, supplemented or otherwise modified from time to time prior to the Original Effective Date.

"**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.

"**Original Effective Date**" means May 20, 2003, the date on which each of the conditions specified in Section 4.01 of the Existing Credit Agreement was satisfied (or waived in accordance with Section 9.02 of the Existing Credit Agreement).

"**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 $500,000,000 (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 45 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 foreign financial institutions not meeting the standards set forth in clause (ii) above, to the extent that such deposits do not at any time exceed $25,000,000 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 (including, without limitation, deposits made in the ordinary course of business to cash collateralize letters of credit described in the parenthetical in clause (i) of the definition of "Debt");

(d) deposits to secure the performance of bids, trade contracts, leases, Hedging Agreements, 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 (i) 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.

"**Prevailing Eastern Time**" means "eastern standard time" as defined in 15 USC §263 as modified by 15 USC §260a.

"**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.

"**Principal Property**" means (a) on any date of determination, assets or properties constituting all or substantially all of any facility (e.g., Gary Works) that is, on such date of determination, located in the United States, owned (either directly or indirectly through one or more Subsidiaries) only by the Borrower and used solely to produce flat-rolled steel from raw materials, including properties consisting of blast furnaces, basic oxygen furnaces and casters and (b) on any date of determination when Foreign Subsidiaries collectively account for more than 33% of the Borrower's consolidated EBITDA, assets or property constituting all or substantially all of any facility that is, on such date of determination, located outside of the United States, owned (either directly or indirectly through one or more Subsidiaries) only by the Borrower and used solely to produce flat-rolled steel from raw materials, including properties consisting of blast furnaces, basic oxygen furnaces and casters.

"**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 and the Co-Collateral Agent in all respects in the exercise of their reasonable judgment and the customary credit policies of the Collateral Agent and the Co-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 or payment intangible (each 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.

"**Reduced Availability Period**" means a period beginning on each day on which Average Facility Availability is (or, after giving pro forma effect to the transaction in question would be) less than $100,000,000, and ending on the last day of the earliest succeeding calendar month when Average Facility Availability has been equal to or greater than $100,000,000 daily for six consecutive full calendar months.

"**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, at any time when there are more than three Lenders party hereto, the "Required Lenders" shall be comprised of a minimum of three Lenders.

"**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 United States Securities and Exchange Commission.

"**Secured Derivative Obligations**" has the meaning specified in Section 1 of the Security Agreement.

"**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 Amended and Restated Security Agreement dated as of May 20, 2003, and amended and restated as of October 22, 2004, 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.

"**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 Amended 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.

"**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.

"**Subsidiary Guarantor**" means each Material Domestic Subsidiary that has executed and delivered to the Administrative Agent a Subsidiary Guarantee Agreement.

"**Subsidiary Guarantee Agreement**" means a guarantee agreement substantially in the form of Exhibit E hereto.

"**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 (ii) any payment (other than on account of a permitted purchase by it of any Equity Interest) the amount of which is determined by reference to the price or value at any time of any Equity Interest; *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.

"**Threshold Availability Period**" means a period when no Reduced Availability Period is in effect.

"**Total Outstanding Amount**" means, at any date, the aggregate Exposures of all Lenders at such date.

"**Transaction Liens**" means the Liens on Collateral granted by the Borrower under the Security Documents.

"**Tubular Line of Business**" means all 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 Amended Agreement.

"**USS Holdings**" means U. S. Steel Holdings, Inc., a Delaware corporation, and each of its subsidiaries that (i) is organized under the laws of the State of Delaware and (ii) does not engage in any business or conduct any activity or own any assets, other than (x) the holding, directly or indirectly, of investments in Foreign Subsidiaries and the holding companies through which such investments in Foreign Subsidiaries may be held, and (y) the performance of ministerial activities incidental thereto.

"**USSK**" means U.S. Steel Košice, s.r.o, a company organized under the laws of The Slovak Republic.

"**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 and the Co-Collateral Agent in their 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 and the Co-Collateral Agent in their sole discretion;

(e) a reserve for iron ore transportation costs, as determined by the Collateral Agent and the Co-Collateral Agent in their sole discretion; and

(f) such other reserves as may be deemed appropriate by the Collateral Agent and the Co-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., Prevailing Eastern Time, three Business Days before the date of the proposed Borrowing or (b) in the case of a Base Rate Borrowing, not later than noon, Prevailing Eastern 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 $300,000, (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., Prevailing Eastern 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., Prevailing Eastern 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 fifth 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 $300,000. 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 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., Prevailing Eastern 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*. On the Effective Date, the LC Issuing Bank shall be deemed, without further action by any party hereto, to have sold to each of the Lenders, and each of the Lenders shall be deemed, without further action by any party hereto, to have purchased from the LC Issuing Bank, a participation (on the terms specified in this Section) in each Existing Letter of Credit equal to such Lender's Percentage thereof. Concurrently with such sale, the participations sold to the Existing Lenders pursuant to the terms of the Existing Credit Agreement shall be automatically cancelled without further action by any of the parties hereto. Each Lender acknowledges and agrees that its obligation to acquire participations in Existing Letters of Credit 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 reduction or termination of the Commitments, and that each payment by a Lender to acquire such participations shall be made without any offset, abatement, withholding or reduction whatsoever. 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 $300,000,000 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 noon, Prevailing Eastern Time, on the day that such LC Disbursement is made, if the Borrower receives notice of such LC Disbursement before 10:00 a.m., Prevailing Eastern 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 noon, Prevailing Eastern Time, on (i) the Business Day that the Borrower receives such notice, if such notice is received before 10:00 a.m., Prevailing Eastern 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 willful 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., Prevailing Eastern 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 and (iii) the Borrower shall not reduce the Commitments if, after giving effect thereto, the outstanding Commitments would be less than $200,000,000.

(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 noon, Prevailing Eastern Time, three Business Days before the date of prepayment and (ii) in the case of a Base Rate Borrowing, not later than noon, Prevailing Eastern 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 (i) 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 and (ii) to each of the Collateral Agent and the Co-Collateral Agent, for its own account, fees payable in the amounts and at the times separately agreed upon by the Borrower and the Collateral Agent and/or the Co-Collateral 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, or to the Collateral Agent or the Co-Collateral Agent, as applicable, 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(c) or otherwise) before the time expressly required under the relevant Loan Document for such payment (or, if no such time is expressly required, before noon, Prevailing Eastern 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 270 Park Avenue, New York, New York, 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 Amended Agreement, does not exceed $200,000,000;

(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 2.05(d) and Section 2.04(e) 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 powers and have been duly authorized by all necessary corporate action and, if required, stockholder 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 such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws 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) the Borrower's 2003 Form 10-K containing the audited consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2003 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) the Borrower's Latest Form 10-Q containing the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of June 30, 2004 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 the Borrower's chief financial officer. Such financial statements present fairly, in all material respects, the consolidated financial position of the Borrower and its Subsidiaries 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) *Reserved.*

(c) Since December 31, 2003, 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 the Borrower's 2003 Form 10-K or the Borrower's Latest Form 10-Q.

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 as of the Effective Date. As of the Effective Date, none of the Borrower's Subsidiaries is a Material Domestic Subsidiary.

Section 3.07. *Litigation and Environmental Matters.* (a) Except as set forth in (i) the Borrower's 2003 Form 10-K or (ii) the Borrower's Latest Form 10-Q, as filed with the SEC pursuant to the Exchange Act, 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 the Borrower's 2003 Form 10-K or the Borrower's Latest Form 10-Q, 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; Foreign Asset Control Regulations* (a) 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.

(b) The Borrower is and will remain in full compliance with all laws and regulations applicable to it ensuring that no person who owns a controlling interest in or otherwise controls the Borrower is or shall be (A) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("**OFAC**" ), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (B) a person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders.

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 Approved Financing Model and all of the other reports, financial statements, certificates and other written information (other than projected financial information) that have been made available by or on behalf of the Borrower to the Arrangers, any Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder, are complete and correct in all material respects and do 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 each of the 10.75% Senior Unsecured Note Documents and the 9.75% Senior Unsecured Note 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. *Existing Senior Unsecured Debt Documents.* The Borrower has heretofore furnished to the Lenders true and correct copies of all Existing Senior Unsecured Debt Documents.

Section 3.16. *Reserved.*

Section 3.17. *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.* This Amended Agreement 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) Each of the Administrative Agent, the Collateral Agent and the Co-Collateral Agent shall have received such documents and certificates as the Administrative Agent, the Collateral Agent, the Co-Collateral Agent or their respective 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, the Collateral Agent, the Co-Collateral Agent and their respective counsel.

(d) Each of the Administrative Agent, the Collateral Agent and the Co-Collateral 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 (b), (c) and (d) of Section 4.02.

(e) The fact that the Required Lenders shall not have notified the Administrative Agent of their determination that, since December 31, 2003, 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, the Collateral Agent and the Co-Collateral Agent in writing or (ii) in the Borrower's 2003 Form 10-K or the Borrower's Latest Form 10-Q.

(f) The fact that none of the Arrangers, the Administrative Agent, the Collateral Agent or the Co-Collateral 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 Amended 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 Amended 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, the Collateral Agent and the Co-Collateral 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, the Collateral Agent and the Co-Collateral Agent shall have received evidence reasonably satisfactory to them 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 Administrative Agent, the Collateral Agent and the Co-Collateral Agent shall have received the Approved Financing Model.

(l) The Administrative Agent, the Collateral Agent and the Co-Collateral Agent shall have received a completed Borrowing Base Certificate calculated as of September 30, 2004 and signed by a Financial Officer;

(m) *Reserved.*

(n) *Reserved.*

(o) 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., Prevailing Eastern Time, on November 1, 2004 (and, if any such condition is not so satisfied or waived, the Commitments shall terminate at such time). Upon the Effective Date, the Existing Credit Agreement shall be amended and restated to read in its entirety as set forth in this Amended Agreement; *provided* that the rights and obligations of the parties hereto with respect to periods prior to the Effective Date shall be governed by the Existing Credit Agreement.

Section 4.02. *Conditions to Initial Utilization and Each Subsequent 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) The Effective Date shall have occurred.

(b) 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.

(c) 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.

(d) 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 (b), (c) and (d) 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 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 Section 6.12 and Section 6.13 (if applicable) (including, without limitation, detail satisfactory to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent supporting the classification of Capital Expenditures as maintenance or discretionary) and (z) identifying any change(s) in GAAP or in the application thereof that have become effective since the date of, and have had an effect on, 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, (x) 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 Default (which certificate may be limited to the extent required by accounting rules or guidelines) and (y) a certificate of a Financial Officer identifying any Subsidiary that has been formed or acquired during the Fiscal Year covered by such financial statements (except to the extent already disclosed in the Borrower's annual report on form 10-K for such Fiscal Year);

(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 from such consolidated financial statements (x) the accounts of Unrestricted Subsidiaries (if any) and (y) for purposes of calculating the Fixed Charge Coverage Ratio (if applicable), the accounts of any Material Domestic Subsidiaries that are not Subsidiary Guarantors (if any);

(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 10.75% Senior Unsecured Note Document or any 9.75% Senior Unsecured Note 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, the Collateral Agent, the Co-Collateral Agent or any Lender may reasonably request.

Information required to be delivered pursuant to Section 5.01(a)(i), Section 5.01(a)(ii) or Section 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 Section 5.01(a)(i), Section 5.01(a)(ii) and Section 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 20 days after the last day 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 and the Co-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 Average Facility Availability 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, the Collateral Agent and the Co-Collateral 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 jurisdiction of organization, 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, the Collateral Agent and the Co-Collateral 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, the Collateral Agent and the Co-Collateral 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, the Collateral Agent and the Co-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 and the Co-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, as are set forth on Schedule 5.07 hereof. If at any time the Borrower becomes aware that conditions and circumstances may have a material adverse effect on its ability to maintain (or cause to be maintained) such insurance coverage with the deductibles shown on Schedule 5.07 at favorable premiums, it shall immediately advise the Administrative Agent, the Collateral Agent and the Co-Collateral Agent in writing; provided that such notice must be given prior to the expiration of the relevant existing policy. Such notice shall include 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 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 undertake all reasonable efforts to adhere to such requirements. If the Borrower 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 and the Co-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 and the Co-Collateral Agent deem reasonably advisable. The Collateral Agent and the Co-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 and the Co-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 and the Co-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 and the Co-Collateral Agent) together with evidence reasonably satisfactory to the Collateral Agent and the Co-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, the Co-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 to, take all actions as shall be necessary or advisable to ensure that, within 30 calendar days after the Effective Date (or such longer period as may be requested by the Collateral Agent and the Co-Collateral Agent), the Administrative Agent, the Collateral Agent, the Co-Collateral Agent and their designated representatives, shall have completed all such field exams and received all such inventory appraisals from independent appraisers as they deem reasonably necessary or desirable.

(c) 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 and the Co-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 and the Co-Collateral Agent (including reasonable and customary internally allocated fees of

such employees incurred in connection with periodic collateral evaluations and internally allocated monitoring fees associated with the Collateral Agent's and the Co-Collateral Agent's "collateral agent services group" or similar body), and the documented fees and expenses of any representatives (including any inventory appraisal firm) retained by the Collateral Agent and the Co-Collateral Agent to conduct any such inventory evaluation or appraisal, in respect of (i) one such collateral review 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 one such inventory appraisal in any calendar year at any time when Average Facility Availability is greater than $200,000,000, (ii) up to two such collateral reviews 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 up to two such inventory appraisals in any calendar year at any time when Average Facility Availability is equal to or greater than $100,000,000 (but less than or equal to $200,000,000), (iii) up to four such collateral reviews 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 up to four such inventory appraisals in any calendar year at any time when Average Facility Availability is less than $100,000,000, (iv) any number of such collateral reviews performed by the Collateral Agent (or, at the option of the Co-Collateral Agent, by the Collateral Agent and the Co-Collateral Agent together) and any number of such inventory appraisals during the continuance of a Default or Event of Default, and (v) any number of additional appraisals of the assets included in the Borrowing Base, all at such times and as often as reasonably requested, if the Collateral Agent and the Co-Collateral Agent, in their good faith judgment, reasonably believe that any circumstance or event (including, without limitation, a decline in steel prices) has materially affected the value of the Borrowing Base. 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, the Co-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 (a) for the repayment in full of all amounts outstanding under the Existing Credit Agreement (if any) and (b) 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, the Co-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 and the Co-Collateral Agent, from time to time upon request, evidence reasonably satisfactory to the Collateral Agent and the Co-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 provide the Administrative Agent, the Collateral Agent and the Co-Collateral Agent with written notice (containing reasonable detail as to the substance of) any proposed amendment, modification or other change to, and any 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 to) 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 covenant set forth in Section 6.13 (to the extent such compliance is required at such time in accordance with the terms of such Section 6.13) (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 Existing 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 Existing Senior Unsecured Debt Documents the Existing 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) Debt (including Capital Lease Obligations) existing on the date of this Amended Agreement and identified in the Borrower's Latest Form 10-Q (the relevant pages of which are attached hereto as Schedule 6.01);

(iii) Capital Lease Obligations incurred after the date of this Amended Agreement; *provided* that the aggregate amount of all such Capital Lease Obligations incurred during Reduced Availability Periods shall not exceed $100,000,000;

(iv) other Debt incurred after the date of this Amended Agreement that would be permitted to be incurred by the Borrower pursuant to and in accordance with Section 4.12(b) of the 10.75% Senior Unsecured Note Documents (as such 10.75% Senior Unsecured Note Documents were in effect on the Original Effective Date, 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 10.75% Senior Unsecured Note Documents); and

(v) other unsecured Debt incurred after the date of this Amended Agreement during any Threshold Availability Period;

*provided* that (A) the aggregate principal amount of Debt incurred after the date of this Amended Agreement (whether pursuant to Section 6.01(a)(iv) or 6.01(a)(v)) and having a maturity date on or before the Maturity Date shall not exceed $25,000,000; and *provided further* that, notwithstanding anything to the contrary in this Section 6.01(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 (other than Foreign 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 100% 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, and sales of accounts receivable as part of, a Receivables Financing;*provided* that the Debt secured by such Liens is permitted by Section 6.06(g);

(ix) Liens securing industrial revenue or pollution control bonds issued by the Borrower;*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 $100,000,000.

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) No Credit Party will make any investment pursuant to which any Principal Property of such Credit Party is contributed, conveyed or otherwise transferred to any other Person. Additionally, 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 (including loans, advances, Guarantees of Debt and investments in Equity Interests) by the Borrower and its Restricted Subsidiaries in any Person; *provided* that the aggregate amount of all investments made by the Borrower in reliance on this clause (iii) during any Reduced Availability Period shall not exceed $50,000,000; and *provided further* that the aggregate amount of all investments made by the Borrower in reliance on this clause (iii) during any Threshold Availability Period when Average Facility Availability (before and after giving pro forma effect to each such investment) is less than $250,000,000 (but greater than $100,000,00) shall not exceed $300,000,000;

(iv) *Reserved;*

(v) *Reserved;*

(vi) investments by the Borrower or a Restricted Subsidiary in a Restricted Subsidiary in respect of ordinary cash management activities;

(vii) *Reserved;*

(viii) Guarantees constituting Debt permitted by Section 6.01 and Section 6.06;*provided* that the aggregate principal amount of Debt of Subsidiaries Guaranteed by the Borrower shall be subject to the applicable limitations 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 either (x) the non-cash portion of the consideration received for an asset sale permitted under Section 6.05(b), (e) or (f), or (y) non-cash consideration received for an asset sale permitted under Section 6.05(d), so long as such non-cash consideration is permitted under clause (y) of the third *proviso* in the final paragraph of Section 6.05;

(xv) *Reserved*;

(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);

(xviii) Receivables Financings otherwise permitted under this Agreement;

(xix) *Reserved*; and

(xx) any direct or indirect advance, loan or other extension of credit to a Person to be used by such Person to acquire property pursuant to a transaction intended to qualify as a Like-Kind Exchange.

(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, and (iv) immediately before and after giving effect thereto, Average Facility Availability is at least $100,000,000.

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 Principal Property at any time. Additionally, at any time when Average Facility Availability is less than $100,000,000 (or would be less than $100,000,000 after giving pro forma effect to the relevant sale, transfer, lease or disposition), 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 (other than Principal 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, leases of used or surplus equipment and Permitted Investments, in each case in the ordinary course of business;

(b) sales, leases, 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 (it being understood that sales, transfers or other dispositions effected through a series of sales, transfers or dispositions by or from USS Holdings or a Foreign Subsidiary that is a Restricted Subsidiary to a Foreign Subsidiary that is a Restricted Subsidiary shall be deemed to comply with the $50,000,000 limitation set forth in this Section 6.05(b), so long as such series or sales, transfers or dispositions, if viewed as a single transaction from the initial seller or transferor entity to the ultimate purchaser or transferee Foreign Subsidiary, would comply with such $50,000,000 limitation);

(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 $35,000,000 during any Fiscal Year;

(e) sales and leases of real property in the ordinary course of business;

(f) sales and leases 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 or lease;

(g) sales, transfers and other dispositions of Equity Interests; *provided* that the aggregate fair market value of all Equity Interests sold, transferred or otherwise disposed of in reliance on this clause shall not exceed $15,000,000 during any Fiscal Year;

(h) Sale-Leaseback Transactions permitted pursuant to Section 6.07;

(i) sales, transfers and other dispositions by the Borrower of all (but not a portion) of the Equity Interests it holds in any Subsidiary; and

(j) any disposition of the Borrower's Tubular Line of Business.

*provided* that none of the exceptions set forth in the foregoing clauses (a) through (j) shall be construed to permit a sale, transfer, lease or disposition of Principal Property, and *provided further* that all sales, transfers, leases and other dispositions permitted by this Section shall be made for fair value; and*provided further* that all sales, transfers, leases and other dispositions permitted by this Section (except those permitted by clause (b), (e), (f) above) shall be made either (x) solely for cash consideration, or (y) in the case of any other sale, transfer or other disposition permitted by clause (d) above, for cash consideration and/or non-cash consideration, so long as (1) the aggregate amount of non-cash consideration for any such sale, transfer or other disposition does not exceed $2,000,000 and (2) after giving effect to any such transaction, the aggregate amount of non-cash consideration for all sales, transfers and other dispositions permitted by clause (d) above and consummated during the term of this Agreement would not exceed $10,000,000, 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 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;*provided* that such Debt does not give rise to a Default under Section 6.04;

(c) Debt of such Restricted Subsidiary owing to another Subsidiary;

(d) *Reserved;*

(e) *Reserved;*

(f) Debt of any Person that becomes a Restricted Subsidiary after the date of this Agreement;*provided* that (i) such Debt exists at the time such Person 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 $100,000,000 at any time outstanding;

(g) Debt arising from Receivables Financings;*provided* that (i) the aggregate amount for all Restricted Subsidiaries (other than Foreign 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 a Restricted Subsidiary incurred after the date of this Amended Agreement and owing to a Person that is not an Affiliate of the Borrower ("**New Third Party Debt**"); *provided* that (1) at any time when Average Facility Availability is (and, after giving effect to the incurrence of the relevant New Third Party Debt, will be) equal to or greater than $100,000,000, a Domestic Subsidiary may incur New Third Party Debt so long as the aggregate amount of third-party Debt (including New Third Party Debt, third party Debt existing on the date of this Amended Agreement and refinancings of any of the foregoing) for which all Domestic Subsidiaries, collectively, are liable does not exceed $100,000,000 (the "**Domestic 3rd Party Debt Limit**") and (2) at any time when Average Facility Availability is (and, after giving effect to the incurrence of the relevant New Third Party Debt, will be) equal to or greater than $100,000,000, a Foreign Subsidiary may incur New Third Party Debt so long as the aggregate amount of third-party Debt (including New Third Party Debt, third party Debt existing on the date of this Amended Agreement and refinancings of any of the foregoing) for which all Foreign Subsidiaries, collectively, are liable does not exceed $425,000,000 (the "**Foreign 3rd Party Debt Limit**"), and (3) at any time when Average Facility Availability is (or, after giving effect to the incurrence of the relevant New Third Party Debt, will be) less than $100,000,000, the Borrower will not permit a Restricted Subsidiary (whether a Domestic Subsidiary or Foreign Subsidiary) to incur New Third Party Debt except as permitted under clauses (g), (i), (j) or (k) of this Section 6.07;

(i) at any time when Average Facility Availability is (or, after giving effect to the incurrence of the relevant Debt, will be) less than $100,000,000, Foreign Subsidiaries may incur and be liable for Debt pursuant to one or more working capital facilities, so long as (x) any such working capital facility was entered into when Average Facility Availability was equal to or greater than $100,000,000 and (y) after giving effect to the incurrence of such Debt, the aggregate amount of all third-party Debt for which all Foreign Subsidiaries, collectively, are liable does not exceed $425,000,000;

(j) at any time when Average Facility Availability is (or, after giving effect to the incurrence of the relevant Debt, will be) less than $100,000,000, a Restricted Subsidiary may incur Debt in respect of capital leases; *provided* that the aggregate amount for all Restricted Subsidiaries of all such Debt permitted by this clause(j) shall not exceed $30,000,000; and

(k) at any time when Average Facility Availability is (or, after giving effect to the incurrence of the relevant Debt, will be) less than $100,000,000, a Restricted Subsidiary (whether a Domestic Subsidiary or Foreign Subsidiary) may incur New Third Party Debt in an aggregate principal amount not exceeding $35,000,000 at any time outstanding.

Notwithstanding anything to the contrary in this Section 6.06, at any time when Average Facility Availability is (or, after giving effect to the incurrence of the relevant Debt, will be) less than $100,000,000, a Restricted Subsidiary shall be permitted to incur Debt in reliance on Section 6.06(i), Section 6.06(j) or Section 6.06(k) only to the extent that such incurrence would neither cause the aggregate amount of third-party Debt for which all Domestic Subsidiaries, collectively, are liable to exceed the Domestic 3rd Party Debt Limit, nor cause the aggregate amount of third-party Debt for which Foreign Subsidiaries, collectively, are liable to exceed the Foreign 3rd Party Debt Limit.

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**"); *provided* that this Section 6.07 shall not prohibit (a) any Sale-Leaseback Transaction that does not involve Principal Property and is entered into during a Threshold Availability Period, (b) any Sale-Leaseback Transaction that does not involve Principal Property and is entered into during a Reduced Availability Period, so long as such Sale Leaseback Transaction, considered in the aggregate with all other Sale-Leaseback Transactions entered into by the Borrower and its Restricted Subsidiaries during any Reduced Availability Period during the term of this Agreement, would not involve properties having a fair market value in excess of $150,000,000 and (c) any Sale-Leaseback Transaction in which the leased property is acquired less than 120 days prior to the date of the lease, so long as such Sale-Leaseback Transaction, considered in the aggregate with all other Sale-Leaseback Transactions entered into in reliance on this Section 6.07(c), would not involve properties having a fair market value in excess of $20,000,000. All obligations under sale-leaseback agreements in respect of Sale-Leaseback Transactions permitted hereunder 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, both immediately before and after giving effect to such Restricted Payment, Average Facility Availability is at least $100,000,000; *provided* that, notwithstanding any of the foregoing, the Borrower may (i) pay regular quarterly dividends on its capital stock in an aggregate amount not exceeding $50,000,000 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 Equity Interests 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;

(iii) Restricted Payments permitted by Section 6.08, so long as, immediately after giving effect thereto, no Default shall have occurred and be continuing; and

(iv) investments permitted by Section 6.04, 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 10.75% Senior Unsecured Note Document, any 9.75% Senior Unsecured Note 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, so long as 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 and 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, (v) clause (a) of this Section shall not apply to customary provisions in leases and other contracts restricting the assignment thereof, (vi) clause (a) of this Section shall not apply to Foreign Subsidiaries, and (vii) clause (b) of this Section shall not apply to customary restrictions and conditions contained in any subordination agreement relating to subordinated Debt of a Foreign Subsidiary owing to the Borrower or a Restricted Subsidiary, so long as the aggregate outstanding amount of such subordinated Debt of Foreign Subsidiaries owing to the Borrower and/or its Restricted Subsidiaries does not exceed $50,000,000.

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.* At the last day of any Fiscal Quarter, the Borrower will not permit the aggregate amount of Capital Expenditures made by the Borrower and its Restricted Subsidiaries (other than Foreign Subsidiaries) during the period of four consecutive Fiscal Quarters ending on such date to exceed $550,000,000 (the "**CapEx Basket**"); *provided* that Capital Expenditures made during Threshold Availability Periods shall be excluded in determining compliance with this Section 6.12 and shall not be counted as usage of the CapEx Basket.

Section 6.13. *Fixed Charge Coverage Ratio.* At the last day of any Fiscal Quarter, the Borrower will not permit the Fixed Charge Coverage Ratio to be less than 1.25:1.00; *provided* that compliance with this Section 6.13 shall be required only at such times as Average Facility Availability is less than $100,000,000.

Section 6.14. *Reserved*.

Section 6.15. *Reserved*.

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, (x) have a material adverse effect on the ability of any Credit Party to perform its obligations under any Loan Document to which it is a party or (y) 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 (c) hereof, any Unrestricted Subsidiary) to, without the prior written consent of the Required Lenders, amend, modify or waive any of its rights under any Existing Senior Unsecured Debt Document or 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)(i), Section 5.01(a)(ii), Section 5.01(a)(iv), Section 5.02, Section 5.03(c), Section 5.04, Section 5.06 through 5.08, Sections 5.11 through 5.14 or in Article 6 or in Section 5(b) or Section 5(d) of the Security Agreement;

(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 three 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)(iii), Section 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 thirty 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, as applicable, only after the lapse of a cure period, so long as the Borrower has notified the Administrative Agent immediately upon the 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 (i) 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 (i) a sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (ii) a permitted release of the applicable Collateral in accordance with the terms of 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) Average 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); or

(p) any Subsidiary Guarantee of a Subsidiary Guarantor shall cease for any reason to be in full force and effect, unless (i) such Subsidiary Guarantee is released pursuant to the release provisions contained therein or (ii) no Default would have occurred under Section 6.13 as of the last day of the most recently ended Fiscal Quarter if the Subsidiary Guarantee had ceased to be in effect on or prior to such day (i.e., such that the Fixed Charge Coverage Ratio, if applicable, had been calculated exclusive of the accounts of such Subsidiary Guarantor);

then, and in every such event (except an event with respect to the Borrower described in clause (i) or (j) 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 (i) or (j) 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 willful 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. *Collateral Agent and Co-Collateral Agent.* If the Collateral Agent or the Co-Collateral Agent (each referred to in this Section (and solely for purposes of this Section) as a "**Collateral Agent**" and, collectively, as the "**Collateral Agents**") proposes any (or proposes any adjustment or revision to any existing) Availability Reserve, Dilution Reserve, advance rate in respect of Eligible Receivables or any other borrowing base eligibility standards, or makes any other proposal regarding a determination or action which may be made by the Collateral Agents pursuant to this Agreement or any Security Document, the other Collateral Agent shall respond to such proposal within three Domestic Business Days. In the event that the Collateral Agents cannot agree on Availability Reserves, Dilution Reserves, advance rates in respect of Eligible Receivables, any other borrowing base eligibility standards or any other action or determination which may be made by the Collateral Agents pursuant to this Agreement or any Security Document, the determination shall be made by the Collateral Agent either asserting the more conservative credit judgment or declining to permit the requested action for which consent is being sought by the Borrower, as applicable.

## 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 or to the Swingline Lender, to JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin, 10th Floor, Houston, Texas 77002, Attention of Andrew Perkin (Facsimile No. (713) 750-2223); with a copy to JPMorgan Chase Bank, 270 Park Avenue, 4th Floor, New York, New York 10017, Attention of James Ramage (Facsimile No. (212) 270-5100);

(c) if to the Collateral Agent, to JPMorgan Chase Bank, 270 Park Avenue, 20th Floor, New York, New York 10017, Attention of Jason Chang (Facsimile No. (212) 270-7449); with a copy to JPMorgan Chase Bank, 270 Park Avenue, 4th Floor, New York, New York 10017, Attention of James Ramage (Facsimile No. (212) 270-5100);

(d) if to the Co-Collateral Agent, to General Electric Capital Corporation, 500 West Monroe Street, 12th Floor, Chicago, Illinois 60661, Attention of Account Manager B United States Steel (Facsimile No. (312) 463-3840);

(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); with a copy to JPMorgan Chase Bank, 270 Park Avenue, 4th Floor, New York, New York 10017, Attention of James Ramage (Facsimile No. (212) 270-5100);

(f) 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) except as otherwise expressly permitted pursuant to the Security Agreement, 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 require the written consent of each Lender, unless such release is expressly permitted under the Security Agreement);

(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 $200,000,000 during the term of this Agreement, without the written consent of the Collateral Agent, the Co-Collateral Agent and the Required Lenders (it being understood that an increase in the Commitment of any Lender is subject to clause (i) above); 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); or

(xi) except as otherwise expressly permitted pursuant to the terms of the Loan Documents, release any Subsidiary Guarantor, without the written consent of the Collateral Agent, the Co-Collateral Agent and the Required Lenders; or

(xii) change Section 7(a) of the Security Agreement in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender adversely affected thereby; 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 (x) a reduction or termination of Commitments pursuant to Section 2.08 or 2.11, nor (y) 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.

(d) Notwithstanding the foregoing, Subsidiary Guarantee Agreements shall be terminated and shall be released from the Transaction Liens from time to time as necessary to effect any sale of assets (including the sale of a Subsidiary Guarantor) permitted by the Loan Documents, and the Administrative Agent shall (at the Borrower's expense) execute and deliver all release documents reasonably requested to evidence such release.

Section 9.03. *Expenses; Indemnity; Damage Waiver.* (a) The Borrower shall pay (i) all reasonable and documented out-of-pocket expenses incurred by each Arranger, each Agent and their respective Affiliates, including, without limitation, the reasonable fees, charges and disbursements of (x) Davis Polk & Wardwell, special counsel for the Administrative Agent, and (y) Paul, Hastings, Janofsky & Walker LLP, special counsel to the Co-Collateral 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 willful 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 (i) 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) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. 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), Participants (to the extent provided in paragraph (c) of this Section) 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, the Borrower must give its prior written consent to such assignment (which consent shall not be unreasonably withheld);

(ii) the Administrative Agent must give its prior written consent (which consent shall not be unreasonably withheld);

(iii) the LC Issuing Bank must give its prior written consent to such assignment (which consent shall not be unreasonably withheld);

(iv) in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its Swingline Exposure, the Swingline Lender must give its prior written consent to such assignment (which consent shall not be unreasonably withheld);

(v) 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;

(vi) 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 an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans;

(vii) 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 by a Lender to more than one Lender Affiliate; and*provided further* that no such processing and recordation fee shall be payable in connection with any assignment by the Co-Collateral Agent; and

(viii) 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), any processing and recordation fee referred to in, and payable pursuant to, 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), (vi) 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(e) 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 any 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 Section 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 (in accordance with its standard credit policy) 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 CORPORATION

By: /s/ L.T. Brockway

Name: L.T. Brockway
Title: Vice President & Treasurer

**Website Address: www.ussteel.com**

JPMORGAN CHASE BANK,
as Administrative Agent, Collateral Agent,
Swingline Lender, LC Issuing Bank and Lender

By: /s/ James H. Ramage

Name: James H. Ramage
Title: Managing Director

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

By: /s/ Timothy Canon

Name: Timothy Canon
Title: Authorized Signatory

CIT GROUP/BUSINESS CREDIT, INC.,
as Lender

By: /s/ George Louis McKinley

Name: George Louis McKinley
Title: Vice President

CONGRESS FINANCIAL CORPORATION,
as Lender

By: /s/ Steven Linderman

Name: Steven Linderman
Title: Senior Vice President

WELLS FARGO FOOTHILL, LLC, as Lender

By: /s/ Dennis King

Name: Dennis King
Title: Vice President

PNC BANK, as Lender

By: /s/ David B. Gookin

Name: David B. Gookin
Title: Senior Vice President

NATIONAL CITY BUSINESS CREDIT, INC.,
as Lender

By: /s/ William E. Welsh Jr.

Name: William E. Welsh Jr.
Title: Senior Associate

UBS AG, STAMFORD BRANCH,
as Lender

By: /s/ Wilfred V. Saint

Name: Wilfred V. Saint
Title: Director

By: /s/ Joselin Femandes

Name: Joselin Femandes
Title: Associate Director

MELLON BANK, N.A., as Lender

By: /s/ Robert J. Reichenbach

Name: Robert J. Reichenbach
Title: Vice President

CITIZENS BANK, as Lender

By: /s/ Dwayne R. Finney

Name: Dwayne R. Finney
Title: Vice President

THE BANK OF NOVA SCOTIA, as Lender

By: /s/ Vicki Gibson

Name: Vicki Gibson
Title: Assistant Agent

THE BANK OF NEW YORK, as Lender

By: /s/ Ernest Fung

Name: Ernest Fung
Title: Vice President

THE NORTHERN TRUST COMPANY,
as Lender

By: /s/ Chris McKean

Name: Chris McKean
Title: Vice President

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Lender

By: /s/ Robert Wagner

Name: Robert Wagner
Title: Authorized Signatory

BANK OF AMERICA, N.A., as Lender

By: /s/ Jang S. Kim

Name: Jang S. Kim
Title: Vice President

**PRICING SCHEDULE**

| | Level I | Level II | Level III | Level IV |
|---|---|---|---|---|
| Base Rate Margin | 0.50% | 0.75% | 1.00% | 1.25% |
| Euro-Dollar Margin | 1.50% | 1.75% | 2.00% | 2.25% |
| Commitment Fee Rate | 0.30% | 0.30% | 0.25% | 0.25% |

For purposes of this Schedule, the following terms have the following meanings:

"Average Availability" on any day is an amount equal to the quotient of (i) the sum of the end of day Facility Availability for each day during the most recently ended fiscal quarter, divided by (ii) the number of days in such fiscal quarter, all as determined by the Administrative Agent.

"Level I Pricing" applies for any day if, on such day, Reference Availability is equal to or greater than $400,000,000.

"Level II Pricing" applies for any day if, on such day, Reference Availability is equal to or greater than $225,000,000, but less than $400,000,000.

"Level III Pricing" applies for any day if, on such day, Reference Availability is equal to or greater than $125,000,000, but less than $225,000,000.

"Level IV Pricing" applies for any day if, on such day, Reference Availability is less than $125,000,000.

"Pricing Level" refers to the determination of which of Level I, Level II, Level III or Level IV Pricing applies for any day. Pricing Levels are referred to in ascending order, e.g. Level I Pricing is the lowest Pricing Level and Level IV Pricing is the highest Pricing Level.

"Reference Availability" on any day is an amount equal to the lesser of (i) Average Availability as determined on such day and (ii) end of day Facility Availability calculated for the last day of the then most recently ended fiscal quarter.

**Exhibit 10.2**

# AMENDED AND RESTATED SECURITY AGREEMENT

dated as of
May 20, 2003
and
amended and restated as of
October 22, 2004

among

UNITED STATES STEEL CORPORATION

and

JPMORGAN CHASE BANK,
as Collateral Agent

**TABLE OF CONTENTS**

**EXHIBITS:**

**Exhibit A** Perfection Certificate

**AMENDED AND RESTATED SECURITY AGREEMENT**

AMENDED AND RESTATED SECURITY AGREEMENT dated as of May 20, 2003 and amended and restated as of October 22, 2004 among United States Steel Corporation, a Delaware corporation (together with its successors, the "**Borrower**") and JPMorgan Chase Bank, as Collateral Agent.

WHEREAS, (i) the Borrower and the Collateral Agent and certain other parties thereto have previously entered into a Credit Agreement dated as of May 20, 2003 (as amended prior to the date hereof, the "**Existing Credit Agreement**") and (ii) in connection therewith, the Borrower and the Collateral Agent are parties to a Security Agreement dated as of May 20, 2003 (as amended prior to the date hereof, the "**Original Security Agreement**");

WHEREAS, the Borrower and the Collateral Agent and certain other parties thereto are entering into the Credit Agreement (as defined below), which amends and restates the Existing Credit Agreement, and pursuant to which the Borrower intends to borrow funds and obtain letters of credit for the purposes set forth therein;

WHEREAS, it is a condition to effectiveness of the Credit Agreement that the Borrower amend and restate the Original Security Agreement by executing this Amended Security Agreement (as defined below);

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend and restate the Original Security Agreement as follows:

SECTION 1. *Definitions.*

(a) *Terms Defined in Credit Agreement*. Terms defined in the Credit Agreement and not otherwise defined in subsection 1(b) or 1(c) have, as used herein, the respective meanings provided for therein.

(b) *Terms Defined in UCC*. As used herein, each of the following terms has the meaning specified in the UCC:

| ***Term*** | ***UCC*** |
|---|---|
| Account | 9-102 |
| Authenticate | 9-102 |
| Chattel Paper | 9-102 |
| Deposit Account . . . . . | 9-102 |
| General Intangibles | 9-102 |
| Instrument | 9-102 |
| Inventory | 9-102 |
| Letter-of-Credit Right | 9-102 |

(c) *Additional Definitions*. The following additional terms, as used herein, have the following meanings:

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

"**Agreement**", when used in reference to this Agreement, means the Amended Security Agreement, as further amended or amended and restated from time to time.

"**Amended Security Agreement**" means this Amended and Restated Security Agreement dated as of May 20, 2003 and amended and restated as of October 22, 2004.

"**Article 9**" means Article 9 of the UCC.

"**Blocked Account**" means each of the accounts described in Section 5(d) and any other lockbox, deposit, concentration or similar account that has been subjected to a Blocked Account Agreement pursuant to Section 4(a).

"**Blocked Account Agreement**" means, with respect to any account, a blocked account agreement in favor of the Collateral Agent, all in form and substance satisfactory to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent.

"**Borrower**" has the meaning set forth in the preamble to this Agreement.

"**Cash Collateral Account**" has the meaning set forth in Section 5.

"**Collateral**" means all property, whether now owned or hereafter acquired, on which a Lien is granted or purports to be granted to the Collateral Agent pursuant to the Security Documents.

"**Collateral Agent**" means JPMorgan Chase Bank, in its capacity as Collateral Agent for the Secured Parties under the Security Documents, and its successors in such capacity.

"**Contracts**" means all contracts for the sale, lease, exchange or other disposition of Inventory, whether or not performed and whether or not subject to termination upon a contingency or at the option of any party thereto.

"**Credit Agreement**" means the Amended and Restated Credit Agreement dated as of May 20, 2003 and amended and restated as of October 22, 2004 among the Borrower, the Lenders party thereto, the LC Issuing Banks party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender, and General Electric Capital Corporation, as Co-Collateral Agent and Co-Syndication Agent, as further amended, restated or otherwise modified from time to time in accordance with the terms thereof.

"**Derivative Contract**" means, with respect to any Derivative Obligation, the written contract evidencing such Derivative Obligation.

"**Derivative Obligation**" means, with respect to the Borrower, any obligation of the Borrower in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions, in each case owing to any Person that was a Lender or Lender Affiliate on the trade date for such Derivative Obligation (or an assignee of such Person).

"**Effective Date**" means the Effective Date as defined in the Credit Agreement.

"**Eligible Transferee**" means (a) a special-purpose company created and used solely for purposes of effecting a Receivables Financing, whether or not a Subsidiary of the Borrower, or (b) any other Person which is not a Subsidiary of the Borrower.

"**Event of Default**" means any Event of Default as defined in the Credit Agreement and any similar event with respect to any Secured Derivative Obligation that permits the acceleration of the maturity thereof (or an equivalent remedy).

"**Existing Receivables SPV Accounts**" has the meaning set forth in Section 5(b).

"**First Secured Derivative Obligations**" means the Derivative Obligations that are designated by the Borrower as "First Secured Derivative Obligations" pursuant to Section 20. For the avoidance of doubt, unless the context otherwise requires, any reference herein to the "amount" or the "principal amount" of a First Secured Derivative Obligation shall refer to then current Mark-to-Market Value of such First Secured Derivative Obligation.

"**Lien Grantor**" means the Borrower.

"**Liquid Investment**" means (i) direct obligations of the United States or any agency thereof, (ii) obligations guaranteed by the United States or any agency thereof, (iii) time deposits and money market deposit accounts issued by or guaranteed by or placed with a Lender, and (iv) fully collateralized repurchase agreements for securities described in clause (i) or (ii) above entered into with a Lender, *provided* in each case that such Liquid Investment (x) matures within 30 days after it is first included in the Collateral and (y) is in a form, and is issued and held in a manner, that in the reasonable judgment of the Collateral Agent permits appropriate measures to have been taken to perfect security interests therein.

"**Liquidated Secured Obligation**" means at any time any Secured Obligation (or portion thereof) that is not an Unliquidated Secured Obligation at such time.

"**Mark-to-Market Value**" means, at any date with respect to any Derivative Obligation, the lesser of (i) the amount that would be payable by the Borrower if the applicable Derivative Contract were terminated at such time in circumstances in which the Borrower was the defaulting party, taking into account the effect of any enforceable netting arrangement between the parties to such Derivative Contract with respect to mutual obligations in respect of other Secured Derivative Obligations between such parties and (ii) the amount stated in the applicable Derivative Contract to be the maximum amount which can be asserted as a secured claim against the Collateral.

"**Opinion of Counsel**" means a written opinion of legal counsel (who may be counsel to the Lien Grantor or other counsel, in either case approved by the Administrative Agent in a writing delivered to the Collateral Agent, which approval shall not be unreasonably withheld) addressed and delivered to the Collateral Agent.

"**own**" refers to the possession of sufficient rights in property to grant a security interest therein as contemplated by UCC Section 9-203, and "**acquire**" refers to the acquisition of any such rights.

"**Perfection Certificate**" means a certificate from the Lien Grantor substantially in the form of Exhibit A, completed and supplemented with the schedules contemplated thereby to the reasonable satisfaction of the Collateral Agent, and signed by an officer of the Lien Grantor.

"**Permitted Liens**" means (i) the Transaction Liens and (ii) any other Liens on the Collateral permitted to be created or assumed or to exist pursuant to the Credit Agreement, including such Liens arising in connection with Receivables Financings (including the Effective Date Receivables Financing).

"**Pledged**", when used in conjunction with any type of asset, means at any time an asset of such type that is included (or that creates rights that are included) in the Collateral at such time. For example, "Pledged Inventory" means Inventory that is included in the Collateral at such time.

"**Post-Petition Interest**" means any interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Lien Grantor (or would accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not such interest is allowed or allowable as a claim in any such proceeding.

"**Proceeds**" means all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Collateral, including all claims of the Lien Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral.

"**Receivables**" means all Accounts owned by the Lien Grantor and all other rights, titles or interests which, in accordance with GAAP would be included in receivables on its balance sheet (including any such Accounts and/or rights, titles or interests that might be characterized as Chattel Paper, Instruments or General Intangibles

under the Uniform Commercial Code in effect in any jurisdiction), in each case arising from the sale, lease, exchange or other disposition of Inventory, and all of the Lien Grantor's rights to any goods, services or other property related to any of the foregoing (including returned or repossessed goods and unpaid seller's rights of rescission, replevin, reclamation and rights to stoppage in transit), and all collateral security and supporting obligations of any kind given by any Person with respect to any of the foregoing.

"**Receivables SPV**" means U.S. Steel Receivables LLC, a Delaware limited liability company and a wholly-owned Subsidiary of the Borrower.

"**Related Documents**" means the Credit Agreement, any promissory notes issued pursuant to Section 2.09(e) of the Credit Agreement, the Security Documents, the Subsidiary Guarantee Agreements and the documentation governing the Secured Derivative Obligations.

"**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.

"**Related Transferred Rights**" has the meaning specified in Section 2(b) hereof.

"**Release Conditions**" means the following conditions for terminating all the Transaction Liens:

(i) all Commitments under the Credit Agreement shall have expired or been terminated;

(ii) all Liquidated Secured Obligations shall have been paid in full; and

(iii) no Unliquidated Secured Obligation shall remain outstanding or such Unliquidated Secured Obligation shall be cash collateralized to an extent and in a manner reasonably satisfactory to each affected Secured Party.

"**Second Secured Derivative Obligations**" means all Secured Derivative Obligations that are not First Secured Derivative Obligations. For the avoidance of doubt, unless the context otherwise requires, any reference herein to the "amount" or the "principal amount" of a Second Secured Derivative Obligation shall refer to then current Mark-to-Market Value of such Second Secured Derivative Obligation.

"**Secured Agreement**", when used with respect to any Secured Obligation, refers collectively to each instrument, agreement or other document that sets forth obligations of the Lien Grantor and/or rights of the holder with respect to such Secured Obligation.

"**Secured Derivative Obligations**" means the Derivative Obligations that are designated by the Borrower as additional Secured Obligations pursuant to Section 20.

"**Secured Loan Obligations**" means all principal of all Loans and LC Reimbursement Obligations outstanding from time to time under the Credit Agreement, all interest (including Post-Petition Interest) on such Loans and LC Reimbursement Obligations and all other amounts now or hereafter payable by the Borrower pursuant to the Loan Documents.

"**Secured Obligations**" means the Secured Loan Obligations and the Secured Derivative Obligations.

"**Secured Parties**" means the holders from time to time of the Secured Obligations, and '**Secured Party**" means any of them as the context may require.

"**Security Documents**" means this Agreement, the Intercreditor Agreement and all other supplemental or additional security agreements, control agreements, or similar instruments delivered pursuant to the Loan Documents.

"**Supporting Obligation**" means a "supporting obligation" (as such term is defined in UCC Section 9-102).

"**Sweep Period**" means (i) the period that begins on the first date on which Facility Availability is less than or equal to $100,000,000 and ends on the first date when all Release Conditions are satisfied and (ii) each period that begins upon the occurrence of (x) an Event of Default described in Section 7(a), Section 7(i), Section 7(j) or Section 7(k) of the Credit Agreement, or (y) an Event of Default caused by the Borrower's failure to perform the covenant contained in Section 6.13 of the Credit Agreement, and ends when no Event of Default is continuing; *provided* that, except in the case of a Sweep Period that begins upon the occurrence of any Event of Default described in Section 7(a), Section 7(i), Section 7(j) or Section 7(k) of the Credit Agreement with respect to the Borrower (which Sweep Period shall commence automatically upon the occurrence of such Event of Default), no Sweep Period shall be deemed to have commenced unless and until the Collateral Agent shall have so determined and shall have so notified the Borrower.

"**Transaction Liens**" means the Liens granted by the Lien Grantor under the Security Documents.

"**Transferred Receivables**" means any Receivables that have been sold, contributed or otherwise transferred to an Eligible Transferee in connection with a Receivables Financing that is not prohibited under the Credit Agreement or this Agreement (including, without limitation, the Effective Date Receivables Financing).

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided* that, if perfection or the effect of perfection or non-perfection or the priority of any Transaction Lien on any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "**UCC**" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"**Unliquidated Secured Obligation**" means, at any time, any Secured Obligation (or portion thereof) that is contingent in nature or unliquidated at such time, including any Secured Obligation that is:

(i) an obligation to reimburse a bank for drawings not yet made under a letter of credit issued by it;

(ii) any other obligation (including any guarantee) that is contingent in nature at such time; or

(iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

(d) *Terms Generally.* The definitions of terms herein (including those incorporated by reference to the UCC or 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 Sections, Exhibits and Schedules shall be construed to refer to 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 2. *Grant of Transaction Liens.*

(a) The Lien Grantor, in order to secure the Secured Obligations, grants to the Collateral Agent for the benefit of the Secured Parties a continuing security interest in all the following property of the Lien Grantor, whether now owned or existing or hereafter acquired or arising and regardless of where located, subject to the exceptions set forth in Section 2(b):

(i) all Inventory;

(ii) all Receivables;

(iii) all Contracts;

(iv) all Blocked Accounts and the Cash Collateral Account;

(v) all books and records (including customer lists, credit files, computer programs, printouts and other computer materials and records) of the Lien Grantor pertaining to any of its Collateral; and

(vi) all other Proceeds of the Collateral described in the foregoing clauses (i) through (iv).

(b) The Collateral shall not include Transferred Receivables and (i) rights to payment and collections in respect of such Transferred Receivables, (ii) security interests or Liens and property subject thereto purporting to secure or guarantee payment of such Transferred Receivables, (iii) guarantees, letters of credit, acceptances, insurance and other arrangements from time to time supporting or securing payment of such Transferred Receivables, (iv) all invoices, documents, books, records and other information with respect to such Transferred Receivables or the obligors thereon, (v) with respect to any such Transferred Receivables, the transferee's interest in the product (including returned product), the sale of which by such transferee gave rise to such Transferred Receivables and (vi) all Proceeds of the items described in subclauses 2(b)(i) through 2(b)(v) (preceding subclauses (b)(i) through (b)(vi), collectively, the "**Related Transferred Rights**").

(c) With respect to each right to payment or performance included in the Collateral from time to time, the Transaction Lien granted therein includes a continuing security interest in all right, title and interest of the Lien Grantor in and to (i) any Supporting Obligation that supports such payment or performance and (ii) any Lien that (x) secures such right to payment or performance or (y) secures any such Supporting Obligation.

(d) The Transaction Liens are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Lien Grantor with respect to any of the Collateral or any transaction in connection therewith.

SECTION 3. *General Representations and Warranties*. The Lien Grantor represents and warrants that:

(a) The Lien Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction identified as its jurisdiction of organization in its Perfection Certificate.

(b) The Lien Grantor has good and marketable title to all its Collateral (subject to exceptions that are, in the aggregate, not material), free and clear of any Lien other than Permitted Liens.

(c) The Lien Grantor has not performed any acts that might prevent the Collateral Agent from enforcing any of the provisions of the Security Documents or that would limit the Collateral Agent in any such enforcement. No financing statement, security agreement, mortgage or similar or equivalent document or instrument covering all or part of the Collateral owned by such Lien Grantor is on file or of record in any jurisdiction in which such filing or recording would be effective to perfect or record a Lien on such Collateral, except (x) financing statements with respect to the security agreement dated as of November 30, 2001 between the Borrower and the Collateral Agent and (y) financing statements, mortgages or other similar or equivalent documents with respect to Permitted Liens. After the Effective Date, no Collateral owned by such Lien Grantor will be in the possession or under the control of any other Person having a Lien thereon, other than a Permitted Lien.

(d) The Transaction Liens on all Collateral owned by the Lien Grantor (i) have been validly created, (ii) will attach to each item of such Collateral on the Effective Date (or, if such Lien Grantor first obtains rights thereto on a later date, on such later date) and (iii) when so attached, will secure all the Secured Obligations.

(e) The Lien Grantor has delivered a Perfection Certificate to the Collateral Agent. The information set forth therein is correct and complete as of the Effective Date. After the Effective Date, the Collateral Agent or the Administrative Agent may obtain, at the Lien Grantor's expense, a file search report from each UCC filing office listed in its Perfection Certificate, showing the filing made at such filing office to perfect the Transaction Liens on the Collateral.

(f) The Transaction Liens constitute perfected security interests in the Collateral owned by the Lien Grantor to the extent that a security interest therein may be perfected by filing pursuant to the UCC, prior to all Liens and rights of others therein except Permitted Liens. No registration, recordation or filing with any governmental body, agency or official is required in connection with the execution or delivery of the Security Documents or is necessary for the validity or enforceability thereof or for the perfection of the Transaction Liens pursuant to the UCC or for the enforcement of the Transaction Liens pursuant to the UCC.

(g) The Lien Grantor has taken, and will continue to take, all actions necessary under the UCC to perfect its interest in any Receivables purchased or otherwise acquired by it, as against its assignors and creditors of its assignors.

(h) The Lien Grantor's Collateral is insured as required by the Credit Agreement.

(i) Any Inventory produced by the Lien Grantor has or will have been produced in compliance with the applicable requirements of the Fair Labor Standards Act, as amended.

(j) The Existing Receivables SPV Accounts are all of the accounts owned by Receivables SPV. Other than (i) the Existing Receivables SPV Accounts, (ii) the Cash Collateral Account, and (iii) any Blocked Account, there are no accounts owned by the Lien Grantor or Receivables SPV into which any collections or other payments or proceeds in respect of Pledged Receivables may be deposited.

SECTION 4. *Further Assurances; General Covenants.* The Lien Grantor covenants as follows:

(a) The Lien Grantor will, from time to time, at its own expense, execute, deliver, authorize, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action (including (x) any filing of financing or continuation statements under the UCC, (y) at any time when the Effective Date Receivables Financing shall have terminated and been paid in full and not been replaced with another Receivables Financing on terms satisfactory to the Administrative Agent, causing any lockbox, concentration or similar account into which payments with respect to Receivables then owned by the Lien Grantor will be received to be subjected to Blocked Account Agreements and (z) at any time when the Effective Date Receivables Financing shall have terminated and been replaced with another Receivables Financing on terms satisfactory to the Administrative Agent, causing the appropriate parties to such replacement Receivables Financing to execute an intercreditor agreement that is substantially identical to the Intercreditor Agreement) that from time to time may be reasonably necessary or desirable, or that the Collateral Agent may reasonably request, in order to:

(i) create, preserve, perfect, confirm or validate the Transaction Liens on the Collateral;

(ii) enable the Collateral Agent and the other Secured Parties to obtain the full benefits of the Security Documents; or

(iii) enable the Collateral Agent to exercise and enforce any of its rights, powers and remedies with respect to any of the Collateral.

To the extent permitted by applicable law, the Lien Grantor authorizes the Collateral Agent to execute and file such financing statements or continuation statements without the Lien Grantor's signature appearing thereon. The

Collateral Agent agrees to provide the Lien Grantor with copies of any such financing statements and continuation statements. The Lien Grantor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement to the extent permitted by law. The Lien Grantor constitutes the Collateral Agent its attorney-in-fact to execute and file all filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until all the Transaction Liens granted by the Lien Grantor terminate pursuant to Section 12. The Borrower will pay the costs of, or incidental to, any recording or filing of any financing or continuation statements or other documents recorded or filed pursuant hereto.

(b) The Lien Grantor will not (i) change its name or structure as a corporation, or (ii) change its location (determined as provided in UCC Section 9-307) unless it shall have given the Collateral Agent prior notice thereof and delivered an Opinion of Counsel with respect thereto in accordance with Section 4(c).

(c) At least 30 days before it takes any action contemplated by Section 4(b), the Lien Grantor, at its own expense, will cause to be delivered to the Collateral Agent an Opinion of Counsel, in form and substance reasonably satisfactory to the Collateral Agent, to the effect that (i) all financing statements and amendments or supplements thereto, continuation statements and other documents required to be filed or recorded in order to perfect and protect the Transaction Liens against all creditors of and purchasers from the Lien Grantor after it takes such action (except any applicable continuation statements specified in such Opinion of Counsel that are to be filed more than six months after the date thereof) have been filed or recorded in each office necessary for such purpose, (ii) all fees and taxes, if any, payable in connection with such filings or recordations have been paid in full and (iii) except as otherwise agreed by the Required Lenders, such action will not adversely affect the perfection or priority of the Transaction Lien on any Collateral to be owned by the Lien Grantor after it takes such action or the accuracy of the Lien Grantor's representations and warranties herein relating to such Collateral.

(d) The Lien Grantor will not sell, lease, exchange, assign or otherwise dispose of, or grant any option with respect to, any of its Collateral *provided* that the Lien Grantor may do any of the foregoing unless (i) doing so would breach a covenant in the Credit Agreement or (ii) an Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified the Lien Grantor that its right to do so is terminated, suspended or otherwise limited. Concurrently with any sale or other disposition (except a lease) permitted by the foregoing *proviso*, the Transaction Liens on the assets sold or disposed of (but not in any Proceeds arising from such sale or disposition) will cease immediately without any action by the Collateral Agent or any other Secured Party. The Collateral Agent will, at the Borrower's expense, execute and deliver to the Lien Grantor such documents as the Lien Grantor shall reasonably request to evidence the fact that any asset so sold or disposed of is no longer subject to a Transaction Lien.

(e) The Lien Grantor will, promptly upon request, provide to the Collateral Agent all information and evidence concerning the Collateral that the Collateral Agent may reasonably request from time to time to enable it to enforce the provisions of the Security Documents.

(f) From time to time upon request by the Collateral Agent, the Lien Grantor will, at its own expense, cause to be delivered to the Secured Parties an Opinion of Counsel satisfactory to the Collateral Agent as to such matters relating to the transactions contemplated hereby as the Collateral Agent may reasonably request.

SECTION 5. *Cash Collateral Account*. (a) If and when required for purposes hereof, the Collateral Agent will establish an account (the "**Cash Collateral Account**"), in the name and under the exclusive control of the Collateral Agent, into which all amounts owned by the Lien Grantor that are to be deposited therein pursuant to the Loan Documents shall be deposited from time to time.

(b) On or prior to the Effective Date (or such longer period as the Borrower, the Collateral Agent and the Co-Collateral Agent may agree), the Lien Grantor shall have caused Receivables SPV to have subjected all of its then existing accounts (collectively, the "**Existing Receivables SPV Accounts**") to Blocked Account

Agreements, each of which Blocked Account Agreements shall, to the extent the account subject thereto is a "Lock-Box Account" or "Concentration Account" (each as defined in the Receivables Purchase Agreement), (i) by its terms, first become effective immediately upon receipt by the "Lockbox Box" or "Concentration Account Bank" (each as defined in the Receivables Purchase Agreement) or other depositary bank at which such account is maintained (the "**Depositary Bank**") of written notice from The Bank of Nova Scotia, as collateral agent under the Effective Date Receivables Financing (the "**Receivables Collateral Agent**"), specifying that the Effective Date Receivables Financing has terminated and all monetary obligations in respect thereof have been satisfied in full and that the blocked account agreement in effect with respect to such "Lockbox Account" or "Concentration Account" (each as defined in the Receivables Purchase Agreement) in connection with the Effective Date Receivables Financing shall be terminated in accordance with its terms (or upon written notice from the Collateral Agent to such effect, if (x) the Receivables Collateral Agent has failed to deliver such notice within five Business Days of the date on which it is initially obligated to do so pursuant to the Intercreditor Agreement, (y) the Collateral Agent shall have delivered a Final Notification Request (as defined in the Intercreditor Agreement), and (z) the Funding Agents (as defined in the Intercreditor Agreement) have failed to comply, or to cause the Receivables Collateral Agent to comply, with such Final Notification Request within three Business Days of the date on which such Final Notification Request is effective under the Intercreditor Agreement), (ii) by its terms, terminate upon receipt by the Depositary Bank of written notice from the Collateral Agent to the effect that the Effective Date Receivables Financing has been replaced with another Receivables Financing on terms satisfactory to the Administrative Agent, such that the accounts of Receivables SPV and the lockbox accounts of the Lien Grantor may be subjected to blocked account agreements in connection with such replacement Receivables Financing and (iii) expressly provide that its terms may not be amended or modified without the consent of the Receivables Collateral Agent.

(c) If directed to do so by the Collateral Agent at any time during a Sweep Period or when an Event of Default has occurred and is continuing, the Borrower shall cause to be deposited in the account referred to in clause (d) below, promptly upon receipt thereof, (i) all payments received in respect of the Pledged Receivables and (ii) all other Proceeds of the Collateral.

(d) On or prior to the Effective Date, the Borrower shall have caused to be subjected to a Blocked Account Agreement any lockbox and any corresponding deposit account, any concentration account and any account into which payments from Receivables SPV to the Borrower in respect of the purchase price of Transferred Receivables may be received.

(e) Unless (x) a Sweep Period shall have occurred and be continuing, (y) an Event of Default shall have occurred and be continuing and the Required Lenders shall have instructed the Collateral Agent to stop withdrawing amounts from the Cash Collateral Account pursuant to this subsection or (z) the maturity of the Loans (or other Secured Obligations) shall have been accelerated pursuant to Article 7 of the Credit Agreement (or otherwise), the Collateral Agent shall withdraw amounts from the Cash Collateral Account (other than amounts required to be deposited in the Cash Collateral Account pursuant to Section 2.10(b) or Section 5.12(b) of the Credit Agreement) and remit such amounts to, or as directed by, the Borrower from time to time.

(f) If an Event of Default shall have occurred and be continuing, the Collateral Agent may (i) retain all cash and investments then held in the Cash Collateral Account, (ii) liquidate any or all investments held therein and/or (iii) withdraw any amounts held therein and apply such amounts as provided in Section 7. Additionally, and without limiting the generality of the foregoing, during any Sweep Period (i) all amounts held in the Cash Collateral Account (other than amounts deposited therein pursuant to Section 2.05(j), Section 2.10(b) or Section 5.12(b) of the Credit Agreement as cash collateral for the LC Exposure) shall be applied on a daily basis to the outstanding principal balance of the Base Rate Loans or, if applicable, as provided in Section 7 and (ii) following repayment in full of all outstanding Base Rate Loans pursuant to clause (i), any remaining amounts held in the Cash Collateral Account shall continue to be held in the Cash Collateral Account and (other than amounts deposited therein pursuant to Section 2.05(j), Section 2.10(b) or Section 5.12(b) of the Credit Agreement as cash collateral for the LC Exposure) shall be applied to the outstanding principal balance of maturing Eurodollar Loans upon expiration of the Interest Periods applicable thereto.

(g) Funds held in the Cash Collateral Account may, until withdrawn or otherwise applied pursuant hereto, be invested and reinvested in such Liquid Investments as the Borrower shall request from time to time; *provided* that, if an Event of Default shall have occurred and be continuing, the Collateral Agent may select such Liquid Investments.

(h) If immediately available cash on deposit in the Cash Collateral Account is not sufficient to make any distribution or withdrawal to be made pursuant hereto, the Collateral Agent will cause to be liquidated, as promptly as practicable, such investments held in or credited to the Cash Collateral Account as shall be required to obtain sufficient cash to make such distribution or withdrawal and, notwithstanding any other provision hereof, such distribution or withdrawal shall not be made until such liquidation has taken place.

SECTION 6. *Remedies upon Event of Default.* (a) If an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise (or cause its sub-agents to exercise) any or all of the remedies available to it (or to such sub-agents) under the Security Documents.

(b) Without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise on behalf of the Secured Parties all the rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) with respect to any Collateral and, in addition, the Collateral Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, withdraw all cash held in the Cash Collateral Account and apply such cash as provided in Section 7 and, if there shall be no such cash or if such cash shall be insufficient to pay all the Secured Obligations in full, sell, lease, license or otherwise dispose of the Collateral or any part thereof. Notice of any such sale or other disposition shall be given to the Lien Grantor as required by Section 9.

(c) Without limiting the generality of the foregoing, during any Sweep Period, the Collateral Agent may (i) exercise all of the remedies described in Section 5(f) and (ii) cause all amounts constituting Collateral that are held in any lockbox, concentration or other account of the Lien Grantor then subject to an effective Blocked Account Agreement (it being understood that any Blocked Account Agreement with respect to an account that is a "Lockbox Account" or "Concentration Account" (each as defined in the Receivables Purchase Agreement) shall only become effective in accordance with Section 5(b)(i)) to be transferred on a daily basis to the Cash Collateral Account.

SECTION 7. *Application of Proceeds.* (a) If an Event of Default shall have occurred and be continuing, the Collateral Agent may apply (i) any cash held in the Cash Collateral Account and (ii) the proceeds of any sale or other disposition of all or any part of the Collateral, in the following order of priorities:

*first*, to pay the expenses of such sale or other disposition, including reasonable compensation to agents of and counsel for the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Collateral Agent in connection with the Security Documents, and any other amounts then due and payable to the Collateral Agent pursuant to Section 8 or to any Agent pursuant to the Credit Agreement;

*second*, to pay the unpaid principal of the Secured Obligations (other than Second Secured Derivative Obligations) ratably (or to provide for the payment thereof pursuant to Section 7(b)), until payment in full of the principal of all such Secured Obligations (other than Second Secured Derivative Obligations shall have been made (or so provided for);

*third*, to pay ratably all interest (including Post-Petition Interest) on the Secured Obligations (other than Secured Derivative Obligations) and all commitment and other fees payable under the Related Documents, until payment in full of all such interest and fees shall have been made;

*fourth*, to pay all other Secured Obligations (other than Secured Derivative Obligations) ratably (or to provide for the payment thereof pursuant to Section 7(b)), until payment in full of all such other Secured Obligations (other than Secured Derivative Obligations) shall have been made (or so provided for);

*fifth*, to pay ratably the unpaid principal of the Second Secured Derivative Obligations (or to provide payment therefor pursuant to Section 7(b)) until payment in full of the principal of all Second Secured Derivative Obligations shall have been made (or so provided for);

*sixth*, to pay ratably the all interest (including Post-Petition Interest) on the Secured Derivative Obligations, until payment in full of all such interest has been made; and

*finally*, to pay to the Lien Grantor, or as a court of competent jurisdiction may direct, any surplus then remaining from the proceeds of the Collateral owned by it.

The Collateral Agent may make such distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof.

Notwithstanding anything to the contrary herein, the parties hereto agree that the unpaid principal (i.e., the Mark-to-Market Value) of the First Secured Derivative Obligations shall be paid, ratably with the unpaid principal of other Secured Obligations (other than Second Secured Derivative Obligations), pursuant to clause *second* above; *provided* that if on the date of any application of cash or proceeds in accordance with this Section 7(a), the aggregate Mark-to-Market Value of First Secured Derivative Obligations exceeds an amount equal to the difference of $75,000,000 *less* the aggregate Mark-to-Market Value of First Secured Derivative Obligations previously paid pursuant to this Section 7(a) (such difference, the "**Available Derivative Amount**" at such date), then: (x) the Secured Obligations payable pursuant to clause*second* above shall the Mark-to-Market Value of First Secured Derivative Obligations in an aggregate amount equal to the Available Derivative Amount at such date (which Available Derivative Amount shall represent and be comprised of a ratable portion (the "**Permitted Ratable Portion**") of the Mark-to-Market Value of each First Secured Derivative Obligation), and (y) the portion of the Mark-to-Market Value of each First Secured Derivative Obligation that is in excess of the Permitted Ratable Portion referred to in clause (x) above (and is therefore not paid ratably with the unpaid principal of Secured Obligations pursuant to clause *second* above) shall, for all purposes of this Section 7(a), be treated as and deemed to be unpaid principal of a Second Secured Derivative Obligation, and shall be paid, ratably with the unpaid principal of all other Second Secured Derivative Obligations, pursuant to clause *fifth* above.

(b) If at any time any portion of any monies collected or received by the Collateral Agent would, but for the provisions of this Section 7(b), be payable pursuant to Section 7(a) in respect of an Unliquidated Secured Obligation, the Collateral Agent shall not apply any monies to pay such Unliquidated Secured Obligation but instead shall request the holder thereof, at least 10 days before each proposed distribution hereunder, to notify the Collateral Agent as to the maximum amount of such Unliquidated Secured Obligation if then ascertainable (*e.g.*, in the case of a letter of credit, the maximum amount available for subsequent drawings thereunder). If the holder of such Unliquidated Secured Obligation does not notify the Collateral Agent of the maximum ascertainable amount thereof at least two Domestic Business Days before such distribution, such Unliquidated Secured Obligation will not be entitled to share in such distribution. If such holder does so notify the Collateral Agent as to the maximum ascertainable amount thereof, the Collateral Agent will allocate to such holder a portion of the monies to be distributed in such distribution, calculated as if such Unliquidated Secured Obligation were outstanding in such maximum ascertainable amount. However, the Collateral Agent will not apply such portion of such monies to pay such Unliquidated Secured Obligation, but instead will hold such monies or invest such monies in Liquid Investments. All such monies and Liquid Investments and all proceeds thereof will constitute Collateral hereunder, but will be subject to distribution in accordance with this Section 7(b) rather than Section 7(a). The Collateral Agent will hold all such monies and Liquid Investments and the net proceeds thereof in trust until all or part of such Unliquidated Secured Obligation becomes a Liquidated Secured Obligation, whereupon the Collateral Agent at the request of the relevant Secured Party will apply the amount so held in trust to pay such Liquidated Secured Obligation; *provided* that, if the other Secured Obligations theretofore paid pursuant to the same clause of Section 7(a) (*i.e.*, clause *second*, *fourth* or *fifth*) were not paid in full, the Collateral Agent will apply the amount so held in trust to pay the same percentage of such Liquidated Secured Obligation as the

percentage of such other Secured Obligations theretofore paid pursuant to the same clause of Section 7(a). If (i) the holder of such Unliquidated Secured Obligation shall advise the Collateral Agent that no portion thereof remains in the category of an Unliquidated Secured Obligation and (ii) the Collateral Agent still holds any amount held in trust pursuant to this Section 7(b) in respect of such Unliquidated Secured Obligation (after paying all amounts payable pursuant to the preceding sentence with respect to any portions thereof that became Liquidated Secured Obligations), such remaining amount will be applied by the Collateral Agent in the order of priorities set forth in Section 7(a).

(c) In making the payments and allocations required by this Section, the Collateral Agent may rely upon information supplied to it pursuant to Section 11(g). All distributions made by the Collateral Agent pursuant to this Section shall be final (except in the event of manifest error) and the Collateral Agent shall have no duty to inquire as to the application by any Secured Party of any amount distributed to it.

SECTION 8. *Fees and Expenses; Indemnification*. (a) The Lien Grantor will forthwith upon demand pay to the Collateral Agent:

(i) the amount of any taxes that the Collateral Agent may have been required to pay by reason of the Transaction Liens or to free any Collateral from any other Lien thereon;

(ii) the amount of any and all reasonable out-of-pocket expenses, including transfer taxes and reasonable fees and expenses of counsel and other experts, that the Collateral Agent may incur in connection with (x) the administration or enforcement of the Security Documents, including such expenses as are incurred to preserve the value of the Collateral or the validity, perfection, rank or value of any Transaction Lien, (y) the collection, sale or other disposition of any Collateral or (z) the exercise by the Collateral Agent of any of its rights or powers under the Security Documents;

(iii) the amount of any fees that the Lien Grantor shall have agreed in writing to pay to the Collateral Agent and that shall have become due and payable in accordance with such written agreement; and

(iv) the amount required to indemnify the Collateral Agent for, or hold it harmless and defend it against, any loss, liability or expense (including the reasonable fees and expenses of its counsel and any experts or sub-agents appointed by it hereunder) incurred or suffered by the Collateral Agent in connection with the Security Documents, except to the extent that such loss, liability or expense arises from the Collateral Agent's gross negligence or willful misconduct or a breach of any duty that the Collateral Agent has under this Agreement (after giving effect to Sections 10 and 11).

Any such amount not paid to the Collateral Agent on demand will bear interest for each day thereafter until paid at a rate per annum equal to the sum of 2.00% plus the Alternate Base Rate for such day plus the Applicable Rate that would, in the absence of an Event of Default, be applicable to the Base Rate Loans for such day.

(b) If any transfer tax, documentary stamp tax or other tax is payable in connection with any transfer or other transaction provided for in the Security Documents, the Lien Grantor will pay such tax and provide any required tax stamps to the Collateral Agent or as otherwise required by law.

SECTION 9. *Authority to Administer Collateral.* The Lien Grantor irrevocably appoints the Collateral Agent its true and lawful attorney, with full power of substitution, in the name of the Lien Grantor, any Secured Party or otherwise, for the sole use and benefit of the Secured Parties, but at the Lien Grantor's expense, to the extent permitted by law to exercise, at any time and from time to time while an Event of Default shall have occurred and be continuing, all or any of the following powers with respect to all or any of the Collateral (to the extent necessary to pay the Secured Obligations in full):

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, lease, license or otherwise dispose of the same or the proceeds or avails thereof, as fully and effectually as if the Collateral Agent were the absolute owner thereof, and

(d) to extend the time of payment of any or all thereof and to make any allowance or other adjustment with reference thereto;

*provided* that, except in the case of Collateral that is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Collateral Agent will give the Lien Grantor at least ten days' prior written notice of the time and place of any public sale thereof or the time after which any private sale or other intended disposition thereof will be made. Any such notice shall (i) contain the information specified in UCC Section 9-613, (ii) be Authenticated and (iii) be sent to the parties required to be notified pursuant to UCC Section 9-611(c); *provided* that, if the Collateral Agent fails to comply with this sentence in any respect, its liability for such failure shall be limited to the liability (if any) imposed on it as a matter of law under the UCC.

SECTION 10. *Limitation on Duty in Respect of Collateral.* Beyond the exercise of reasonable care in the custody and preservation thereof, the Collateral Agent will have no duty as to any Collateral in its possession or control or in the possession or control of any sub-agent or bailee or any income therefrom or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Collateral Agent will be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equal to that which it accords its own property, and will not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of any act or omission of any sub-agent or bailee selected by the Collateral Agent in good faith or by reason of any act or omission by the Collateral Agent pursuant to instructions from the Administrative Agent, except to the extent that such liability arises from the Collateral Agent's gross negligence or willful misconduct.

SECTION 11. *General Provisions Concerning the Collateral Agent.* (a) *Authority.* The Collateral Agent is authorized to take such actions and to exercise such powers as are delegated to the Collateral Agent by the terms of the Security Documents, together with such actions and powers as are reasonably incidental thereto.

(b) *Coordination with Secured Parties.* To the extent requested to do so by any Secured Party, the Collateral Agent will promptly notify such Secured Party of each notice or other communication received by the Collateral Agent hereunder and/or deliver a copy thereof to such Secured Party. As to any matters not expressly provided for herein (including (i) the timing and methods of realization upon the Collateral and (ii) the exercise of any power that the Collateral Agent may, but is not expressly required to, exercise under any Security Document), the Collateral Agent shall act or refrain from acting in accordance with written instructions from the Required Lenders or, in the absence of such instructions, in accordance with its discretion (subject to the following provisions of this Section).

(c) *Rights and Powers as a Secured Party*. The Person serving as the Collateral Agent shall, in its capacity as a Secured Party, have the same rights and powers as any other Secured Party and may exercise the same as though it were not the Collateral Agent. Such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower, any of its Subsidiaries or their respective Affiliates as if it were not the Collateral Agent hereunder.

(d) *Limited Duties and Responsibilities*. The Collateral Agent shall not have any duties or obligations under the Security Documents except those expressly set forth therein. Without limiting the generality of the foregoing, (a) the Collateral Agent shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing, (b) the Collateral Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers

expressly contemplated by the Security Documents that the Collateral Agent is required in writing to exercise by the Required Lenders, and (c) except as expressly set forth in the Security Documents, the Collateral Agent shall not have any duty to disclose, and shall not 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 bank serving as Collateral Agent or any of its Affiliates in any capacity. The Collateral Agent shall not 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 of the Credit Agreement) or in the absence of its own gross negligence or willful misconduct. The Collateral Agent shall not be responsible for the existence, genuineness or value of any Collateral or for the validity, perfection, priority or enforceability of any Transaction Lien, whether impaired by operation of law or by reason of any action or omission to act on its part under the Security Documents. The Collateral Agent shall be deemed not to have knowledge of any Event of Default unless and until written notice thereof is given to the Collateral Agent by the Borrower or a Secured Party, and the Collateral Agent shall not 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 Security 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 Security Document, (iv) the validity, enforceability, effectiveness or genuineness of any Security Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in any Security Document.

(e) *Authority to Rely on Certain Writings, Statements and Advice.* The Collateral 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. The Collateral 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. The Collateral Agent may consult with legal counsel (who may be counsel for the Borrower or any of its Subsidiaries), 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, accountant or expert. The Collateral Agent may rely conclusively on advice from the Administrative Agent as to whether at any time (i) an Event of Default under the Credit Agreement has occurred and is continuing, (ii) the maturity of the Loans has been accelerated or (iii) any proposed action is permitted or required by the Credit Agreement.

(f) *Sub-Agents and Related Parties*. The Collateral Agent may perform any of its duties and exercise any of its rights and powers through one or more sub-agents appointed by it. The Collateral Agent and any such sub-agent may perform any of its duties and exercise any of its rights and powers through its Related Parties. The exculpatory provisions of Section 10 and this Section shall apply to any such sub-agent and to the Related Parties of the Collateral Agent and any such sub-agent.

(g) *Information as to Secured Obligations and Actions by Secured Parties.* For all purposes of the Security Documents, including determining the amounts of the Secured Obligations and whether a Secured Obligation is an Unliquidated Secured Obligation or not, or whether any action has been taken under any Secured Agreement, the Collateral Agent will be entitled to rely on information from (i) the Administrative Agent for information as to the Lenders, the Administrative Agent or the Collateral Agent, their Secured Obligations and actions taken by them, (ii) any Secured Party for information as to its Secured Obligations and actions taken by it, to the extent that the Collateral Agent has not obtained such information from the foregoing sources, and (iii) the Borrower, to the extent that the Collateral Agent has not obtained information from the foregoing sources.

(h) Within two Business Days after it receives or sends any notice referred to in this subsection, the Collateral Agent shall send to the Administrative Agent and each Secured Party requesting notice thereof, copies of any notice given by the Collateral Agent to the Lien Grantor, or received by it from the Lien Grantor, pursuant to Section 6, 7, 9, 11(j) or 12; *provided* that such Secured Party has, at least five Domestic Business Days prior thereto, delivered to the Collateral Agent a written notice (i) stating that it holds one or more Secured Obligations and wishes to receive copies of such notices and (ii) setting forth its address, facsimile number and e-mail address to which copies of such notices should be sent.

(i) The Collateral Agent may refuse to act on any notice, consent, direction or instruction from the Administrative Agent or any Secured Parties or any agent, trustee or similar representative thereof that, in the Collateral Agent's opinion, (i) is contrary to law or the provisions of any Security Document, (ii) may expose the Collateral Agent to liability (unless the Collateral Agent shall have been indemnified, to its reasonable satisfaction, for such liability by the Secured Parties that gave, or instructed the Agent to give, such notice, consent, direction or instruction) or (iii) is unduly prejudicial to Secured Parties not joining in such notice, consent, direction or instruction.

(j) *Resignation; Successor Collateral Agent.* Subject to the appointment and acceptance of a successor Collateral Agent as provided in this subsection, the Collateral Agent may resign at any time by notifying the Secured Parties and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Lien Grantor, to appoint a successor Collateral Agent. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Collateral Agent gives notice of its resignation, then the retiring Collateral Agent may, on behalf of the Secured Parties, appoint a successor Collateral Agent which shall be a bank with an office in the United States, or an Affiliate of any such bank. Upon acceptance of its appointment as Collateral Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent hereunder, and the retiring Collateral Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Lien Grantor to a successor Collateral Agent shall be the same as those payable to its predecessor unless otherwise agreed by the Lien Grantor and such successor. After the Collateral Agent's resignation hereunder, the provisions of this Section and Section 10 shall continue in effect for the benefit of such retiring Collateral 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 Collateral Agent was acting as Collateral Agent.

SECTION 12. *Termination of Transaction Liens; Release of Collateral.*

(a) The Transaction Liens shall terminate when all the Release Conditions are satisfied.

(b) The Transaction Liens (x) with respect to any Pledged Receivables shall terminate when such Receivables have become Transferred Receivables and (y) with respect to any other Collateral shall terminate upon the sale of such Collateral to a Person other than the Lien Grantor in a transaction not prohibited by the Credit Agreement. In each case, such termination shall not require the consent of any Secured Party, and the Collateral Agent and any third party shall be fully protected in relying on a certificate of the Lien Grantor as to whether any Pledged Receivables qualify as Transferred Receivables (including without limitation whether the transfer thereof is permitted under the Credit Agreement and this Agreement).

(c) In the case of any Pledged Receivables, the Transaction Liens with respect to the Related Transferred Rights shall terminate when such Pledged Receivables become Transferred Receivables. Such termination shall not require the consent of any Secured Party. If the Borrower delivers a certificate pursuant to Section 12(b) stating that any Pledged Receivables qualify as Transferred Receivables, the Collateral Agent and any third party shall be fully protected in relying on such certificate as conclusive proof that the Related Transferred Rights are not Collateral.

(d) At any time before the Transaction Liens terminate, the Collateral Agent may, at the written request of the Lien Grantor (and subject to clause (e) below), (i) release any Collateral (but not all or any substantial portion of the Collateral) with the prior written consent of the Required Lenders or (ii) release any substantial portion of the Collateral with the prior written consent of all the Lenders. For purposes hereof, 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 the Collateral.

(e) Notwithstanding anything to the contrary herein, at the written request of the Lien Grantor, the Collateral Agent may elect to release any portion (but not all or substantially all) of the Collateral without the

consent of any Lender, so long as (i) the Co-Collateral Agent has consented in writing to such release, and (ii) immediately before and after giving pro forma effect to any such release, (x) the aggregate amount of the Collateral (calculated on a book value basis) released from and after the Effective Date in reliance on this Section 12(e) would not exceed $150,000,000 and (y) Average Facility Availability would be equal to or greater than $300,000,000.

(f) Upon any termination of a Transaction Lien or release of Collateral, the Collateral Agent will, at the expense of the Lien Grantor, execute and deliver to the Lien Grantor such documents as the Lien Grantor shall reasonably request to evidence the termination of such Transaction Lien or the release of such Collateral, as the case may be.

SECTION 13. *Notices*. Except in the case of notices and other communications expressly permitted to be given by telephone, each notice, request or other communication given to any party hereunder shall be in writing delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy (or, in the case of any notice to a Secured Party pursuant to Section 11(b) or Section 11(h), transmitted by e-mail), as follows:

(a) in the case of the Lien Grantor:

United States Steel Corporation
600 Grant Street
Room 1325
Pittsburgh, PA 15219
Attention: Treasurer
Facsimile: (412) 433-1167
E-mail: ltbrockway@uss.com

(b) in the case of the Collateral Agent:

J.P. Morgan Chase Bank
Mining and Metals Group
270 Park Avenue
New York, NY 10017
Attention: Carlos Morales
Facsimile: (212) 270-4724
E-mail: carlos.morales@chase.com

and with a copy to:

J.P. Morgan Chase Bank
270 Park Avenue
20th Floor
New York, NY 10017
Attention: Jason Chang
Facsimile: (212) 270-7449
E-mail: jason.change@jpmorgan.com

with a copy to the Co-Collateral Agent:

General Electric Capital Corporation
500 West Monroe Street
12th Floor
Chicago, IL 60661
Attention: Account Manager - United States Steel
Facsimile: (312) 463-3840

(c) in the case of any Lender, to the Collateral Agent to be forwarded to such Lender at its address or facsimile number specified in or pursuant to Section 9.01 of the Credit Agreement; or

(d) in the case of any Secured Party requesting notice under Section 11(h), such address, facsimile number or e-mail address as such party may hereafter specify for the purpose by notice to the Collateral Agent.

All notices and other communications given to any party hereto in accordance with the terms of this Agreement shall be deemed to have been given on the date of receipt. Any party may change its address, facsimile number and/or e-mail address for purposes of this Section by giving notice of such change to the Collateral Agent and the Lien Grantor in the manner specified above.

SECTION 14. *No Implied Waivers; Remedies Not Exclusive*. No failure by the Collateral Agent or any Secured Party to exercise, and no delay in exercising and no course of dealing with respect to, any right or remedy under any Related Document shall operate as a waiver thereof; nor shall any single or partial exercise by the Collateral Agent or any Secured Party of any right or remedy under any Related Document preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies specified in the Related Documents are cumulative and are not exclusive of any other rights or remedies provided by law.

SECTION 15. *Successors and Assigns*. This Agreement is for the benefit of the Collateral Agent and the Secured Parties. If all or any part of any Secured Party's interest in any Secured Obligation is assigned or otherwise transferred, the transferor's rights hereunder, to the extent applicable to the obligation so transferred, shall be automatically transferred with such obligation. This Agreement shall be binding on the Lien Grantor and its successors and assigns.

SECTION 16. *Amendments and Waivers*. Neither this Agreement nor any provision hereof may be waived, amended, modified or terminated except pursuant to an agreement or agreements in writing entered into by the parties hereto, with the consent of such Lenders and/or Agents as are required to consent thereto under Section 9.02(b) of the Credit Agreement.

SECTION 17. *Choice of Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than the State of New York are governed by the laws of such jurisdiction.

SECTION 18. *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 SECURITY 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 19. *Severability*. If any provision of any Security Document is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions of the Security Documents shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent and the Secured Parties in order to carry out the intentions of the parties thereto as nearly as may be possible and (ii) the invalidity or unenforceability of such provision in such jurisdiction shall not affect the validity or enforceability thereof in any other jurisdiction.

SECTION 20. *Additional Secured Obligations.* (a) Subject to the requirements set forth in clauses (b) and (c) of this Section 20, the Borrower from time to time may designate any Derivative Obligation as a "Secured Derivative Obligation" for purposes hereof by delivering to the Collateral Agent a certificate signed by a Financial Officer (an "**Additional Secured Obligation Certificate**") that (i) identifies such Derivative Obligation and the related Derivative Contract (including the name and address of the counterparty thereto, the notional principal amount thereof and the expiration date thereof), (ii) states that such Derivative Obligation has been entered into in the course of the ordinary business practice of the Borrower and not for speculative purposes, (iii) specifies, as of the date such Derivative Obligation is entered into (and after giving effect to its designation as a First Secured Derivative Obligation or Second Secured Derivative Obligation hereunder, as the case may be), the aggregate Mark-to-Market Value of all Secured Derivative Obligations then currently designated as "First Secured Derivative Obligations" pursuant to this Section 20, and (iv) specifies (subject to the requirements of clause (c) below) whether such Derivative Obligation will be designated as a First Secured Derivative Obligation or a Second Secured Derivative Obligation hereunder.

(b) Notwithstanding anything to the contrary herein, no Derivative Obligation shall be designated as a "Secured Derivative Obligation" hereunder unless (and the Borrower shall certify in the relevant Additional Secured Obligation Certificate that): (i) at or prior to the time the relevant Derivative Contract was executed, the Borrower and the Lender or Lender Affiliate party thereto expressly agreed in writing that such Derivative Obligation would constitute a "Secured Derivative Obligation" entitled to the benefits of the Security Documents and (ii) the Lender or Lender Affiliate party thereto shall have delivered a notice to the Collateral Agent (or, in the case of a Lender Affiliate, an instrument in form and substance satisfactory to the Collateral Agent) to the effect set forth in subclause (i) of this clause (b), and acknowledging and agreeing to be bound by the terms of this Agreement with respect to such Derivative Obligation.

(c) Notwithstanding anything to the contrary herein, no Secured Derivative Obligation shall be designated as a First Secured Derivative Obligation hereunder unless (and the Borrower shall certify in the relevant Additional Secured Obligation Certificate that): (i) as of the date such Derivative Obligation is entered into (and after giving effect to its designation as a First Secured Derivative Obligation), the aggregate Mark-to-Market Value of all Secured Derivative Obligations then currently designated as First Secured Derivative Obligations shall not exceed $75,000,000, and (ii) at or prior to the time the relevant Derivative Contract was executed, the Borrower and the Lender or Lender Affiliate party thereto expressly agreed in writing that such Derivative Obligation would be designated as a First Secured Derivative Obligation entitled to the benefits of the Security Documents.

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 CORPORATION

By: /s/ Larry. T. Brockway

Name: Larry T. Brockway
Title: Vice President & Treasurer

JPMORGAN CHASE BANK,
as Collateral Agent

By: /s/ James H. Ramage

Name: James H. Ramage
Title: Managing Director

**EXHIBIT A**
**to Security Agreement**

**PERFECTION CERTIFICATE**

The undersigned is a duly authorized officer of United States Steel Corporation (the "**Lien Grantor**"). With reference to the Amended and Restated Security Agreement dated as of May 20, 2003 and amended and restated as of October 22, 2004 between the Lien Grantor and JPMorgan Chase Bank, as Collateral Agent (terms defined therein being used herein as therein defined), the undersigned certifies to the Collateral Agent and each other Secured Party as follows:

**A. Information Required for Filings and Searches for Prior Filings.**

1. *Jurisdiction of Organization.* The Lien Grantor is a corporation organized under the laws of Delaware.

2. *Name.* The exact name of the Lien Grantor as it appears in its certificate of incorporation is as follows: United States Steel Corporation

3. *Prior Names.* (a) Set forth below is each other corporate (or other organizational) name that the Lien Grantor has had since its organization, together with the date of the relevant change:

(b) Except as set forth below, the Lien Grantor has not changed its structure as a corporation[1].

4. *Filing Office*. In order to perfect the Transaction Liens granted by the Lien Grantor, a financing statement on Form UCC-1, with the collateral described as set forth on Schedule I hereto, should be on file in the office of _____ in _____.[2]

**B. Additional Information Required for Searches for Prior Filings under old Article 9.**

1. *Current Locations.* (a) The chief executive office of the Lien Grantor is located at the following address:

| **Mailing Address** | **County** | **State** |
|---|---|---|

The Lien Grantor [does] [does not] have a place of business in another county of the State listed above.

(b) The following are all locations not identified above or in paragraph (c) below where the Lien Grantor maintains any Inventory:

| **Mailing Address** | **County** | **State** |
|---|---|---|

(c) The following are the names and addresses of all Persons (other than the Lien Grantor) that have possession of any of the Lien Grantor's Inventory:

| **Mailing Address** | **County** | **State** |
|---|---|---|

[1]Changes in corporate structure would include mergers and consolidations, as well as any change in the Lien Grantor's form of organization. If any such change has occurred, include in Schedule II the information required by Part A of this certificate as to each constituent party to a merger or consolidation and any other predecessor organization.

[2]Insert Lien Grantor's "location" determined as provided in UCC Section 9-307.

IN WITNESS WHEREOF, I have hereunto set my hand this__ day of _____, _____.

Name:
Title:

**Schedule I**
**to Perfection Certificate**

**DESCRIPTION OF COLLATERAL**

All Inventory, Receivables, Contracts, Blocked Accounts and the Cash Collateral Account and all books and records (including customer lists, credit files, computer programs, printouts and other computer material and records) pertaining to the foregoing, in each case whether now owned or hereafter acquired and wherever located, and all proceeds thereof, but excluding all Transferred Receivables and Related Transferred Rights (as each such term is defined on Exhibit A attached hereto).*

***Form of Exhibit A to UCC-1 Financing Statements is attached hereto.**

**Exhibit A to UCC-1 Financing Statement**

**Debtor:**
**United States Steel Corporation**
600 Grant Street
Pittsburgh, PA 15219

**Secured Party:**
JPMorgan Chase Bank, as
Collateral Agent
P.O. Box 2558 – Lien Perfection Unit
Houston, TX 77252

*Capitalized terms used in the description of collateral set forth on the face of the UCC-1 Financing Statement to which this Exhibit A pertains shall have the following meanings:*

"**Accounts**" has the meaning specified in Section 9-102 of the UCC.

"**Blocked Accounts**" means any lockbox, deposit, concentration or similar account of United States Steel which is or becomes subject to a "Blocked Account Agreement" pursuant to the Security Agreement.

"**Cash Collateral Account**" means an account in the name and under the exclusive control of the Collateral Agent, into which all amounts owned by United States Steel that are required to be deposited pursuant to the Credit Agreement and related documents are deposited from time to time.

"**Chattel Paper**" has the meaning specified in Section 9-102 of the UCC.

"**Contracts**" means all contracts for the sale, lease, exchange or other disposition of Inventory, whether or not performed and whether or not subject to termination upon a contingency or at the option of any party thereto.

"**Credit Agreement**" means the Credit Agreement dated as of May 20, 2003 among United States Steel Corporation, the Lenders party thereto, the LC Issuing Banks party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender, and General Electric Capital Corporation, as Co-Collateral Agent and Co-Syndication Agent.

"**Eligible Transferee**" means (a) a special-purpose company created and used solely for purposes of effecting a Receivables Financing, whether or not a subsidiary of United States Steel, or (b) any other person which is not a subsidiary of United States Steel.

"**General Intangibles**" has the meaning specified in Section 9-102 of the UCC.

"**Instrument**" has the meaning specified in Section 9-102 of the UCC.

"**Inventory**" has the meaning specified in Section 9-102 of the UCC.

"**Receivables**" means, with respect to the Debtor, all Accounts owned by it and all other rights, titles or interests which, in accordance with generally accepted accounting principles in the United States of America, would be included in receivables on its balance sheet (including any such Accounts and/or rights, titles or interests that might be characterized as Chattel Paper, Instruments or General Intangibles under the UCC), in each case arising from the sale, lease, exchange or other disposition of Inventory, and all of the Debtor's rights to any goods, services or other property related to any of the foregoing (including returned or repossessed goods and unpaid seller's rights of rescission, replevin, reclamation and rights to stoppage in transit), and all collateral security and supporting obligations of any kind given by any person with respect to any of the foregoing.

"**Receivables Financing**" means any receivables securitization program or other type of accounts receivable financing transaction by United States Steel or any of its subsidiaries (including, without limitation, the receivables financing transaction effected pursuant to (x) the Purchase and Sale Agreement dated as of November 28, 2001 among U.S. Steel Receivables LLC, the originators named therein and United States Steel,

as initial servicer, and (y) the Amended and Restated Receivables Purchase Agreement dated as of November 28, 2001 among U.S. Steel Receivables LLC, as seller, United States Steel, as initial servicer, 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 from time to time, the "**Initial Receivables Financing**")).

"**Related Transferred Rights**" means (a) rights to payment and collections in respect of Transferred Receivables, (b) security interests or liens and property subject thereto purporting to secure or guarantee payment of Transferred Receivables, (c) guarantees, letters of credit, acceptances, insurance and other arrangements from time to time supporting or securing payment of Transferred Receivables, (d) all invoices, documents, books, records and other information with respect to Transferred Receivables or the obligors thereon, (e) with respect to any Transferred Receivables, the transferee's interest in the product (including returned product), the sale of which by such transferee gave rise to such Transferred Receivables and (f) all proceeds of the items described in foregoing clauses (a) through (e).

"**Security Agreement**" means the Security Agreement dated as of May 20, 2003 among United States Steel and the Collateral Agent.

"**Transferred Receivables**" means any Receivables that have been sold, contributed or otherwise transferred by the Debtor to an Eligible Transferee in connection with a Receivables Financing that is not prohibited under the Credit Agreement (including, without limitation, the Initial Receivables Financing described above).

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided* that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "**UCC**" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"**United States Steel**" means United States Steel Corporation, a Delaware corporation, and its successors.

Exhibit 12.1

**UNITED STATES STEEL CORPORATION**
**COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES**
**AND PREFERRED STOCK DIVIDENDS**
**(Unaudited)**

| | Nine Months Ended September 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| **(Dollars in Millions)** | **2004** | **2003** | **2003** | **2002** | **2001** | **2000** | **1999** |
| Portion of rentals representing interest | **$ 37** | $ 27 | $ 46 | $ 34 | $ 45 | $ 48 | $ 46 |
| Capitalized interest | **6** | 6 | 8 | 6 | 1 | 3 | 6 |
| Other interest and fixed charges | **103** | 116 | 156 | 136 | 153 | 115 | 75 |
| Pretax earnings which would be required to cover preferred stock dividend requirements | **18** | 22 | 33 | - | 12 | 12 | 14 |
| Combined fixed charges and preferred stock dividends (A) | **$ 164** | $ 171 | $ 243 | $ 176 | $ 211 | $ 178 | $ 141 |
| Earnings-pretax income (loss) with applicable adjustments (B) | **$ 1,028** | $ (618) | $ (604) | $ 183 | $ (387) | $ 187 | $ 295 |
| Ratio of (B) to (A) | **6.27** | (a) | (b) | 1.04 | (c) | 1.05 | 2.10 |

(a) Earnings did not cover fixed charges and preferred stock dividends by $789 million.
(b) Earnings did not cover fixed charges and preferred stock dividends by $847 million.
(c) Earnings did not cover fixed charges and preferred stock dividends by $598 million.

Exhibit 12.2

**UNITED STATES STEEL CORPORATION**
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**
**(Unaudited)**

| | Nine Months Ended September 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| **(Dollars in Millions)** | **2004** | **2003** | **2003** | **2002** | **2001** | **2000** | **1999** |
| Portion of rentals representing interest | **$37** | $27 | $46 | $34 | $45 | $48 | $46 |
| Capitalized interest | **6** | 6 | 8 | 6 | 1 | 3 | 7 |
| Other interest and fixed charges | **103** | 116 | 156 | 136 | 153 | 115 | 74 |
| Total fixed charges (A) | **$146** | $149 | $210 | $176 | $199 | $166 | $127 |
| Earnings-pretax income (loss) with applicable adjustments (B) | **$1,028** | $(618) | $(604) | $183 | $(387) | $187 | $295 |
| Ratio of (B) to (A) | **7.04** | (a) | (b) | 1.04 | (c) | 1.13 | 2.33 |

(a) Earnings did not cover fixed charges by $767 million.
(b) Earnings did not cover fixed charges by $814 million.
(c) Earnings did not cover fixed charges by $586 million.

**UNITED STATES STEEL CORPORATION**
**COMPUTATION OF PRO FORMA RATIO OF EARNINGS TO COMBINED FIXED CHARGES**
**AND PREFERRED STOCK DIVIDENDS**
**(Unaudited)**

| | Nine Months Ended September 30, | | Year Ended Dec. 31, |
|---|---|---|---|
| **(Dollars in Millions)** | **2004** | 2003 | 2003 |
| Combined fixed charges and preferred stock dividends as reported | **$164** | $171 | $243 |
| Pro forma adjustment for debt refinancing | **(9)** | (18) | (25) |
| Pro forma combined fixed charges and preferred stock dividends (A) | **$155** | $153 | $218 |
| Earnings-pretax income (loss) with applicable adjustments as reported | **$1,028** | $(618) | $(604) |
| Pro forma adjustment for debt refinancing | **9** | 18 | 25 |
| Pro forma earnings-pretax income (loss) with applicable adjustments (B) | **$1,037** | $(600) | $(579) |
| Ratio of (B) to (A) | **6.69** | (a) | (b) |

(a) Pro forma earnings did not cover pro forma fixed charges and preferred stock dividends by $753 million.
(b) Pro forma earnings did not cover pro forma fixed charges and preferred stock dividends by $797 million.

Exhibit 12.4

**UNITED STATES STEEL CORPORATION**
**COMPUTATION OF PRO FORMA RATIO OF EARNINGS TO FIXED CHARGES**
**(Unaudited)**

| | Nine Months Ended September 30, | | Year Ended Dec. 31, |
|---|---|---|---|
| **(Dollars in Millions)** | **2004** | 2003 | 2003 |
| Total fixed charges as reported | **$ 146** | $ 149 | $ 210 |
| Pro forma adjustment for debt refinancing | **(9)** | (18) | (25) |
| Pro forma total fixed charges (A) | **$ 137** | $ 131 | $ 185 |
| Earnings-pretax income (loss) with applicable adjustments as reported | **$ 1,028** | $ (618) | $ (604) |
| Pro forma adjustment for debt refinancing | **9** | 18 | 25 |
| Pro forma earnings-pretax income (loss) with applicable adjustments (B) | **$ 1,037** | $ (600) | $ (579) |
| Ratio of (B) to (A) | **7.57** | (a) | (b) |

(a) Pro forma earnings did not cover pro forma fixed charges by $731 million.
(b) Pro forma earnings did not cover pro forma fixed charges by $764 million.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER
CERTIFICATION REQUIRED BY ITEM 307 OF REGULATION S-K
AS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Surma, certify that:

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

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

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

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

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

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 29, 2004

/s/ John P. Surma

John P. Surma
President and Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER
CERTIFICATION REQUIRED BY ITEM 307 OF REGULATION S-K
AS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gretchen R. Haggerty, certify that:

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

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

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

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

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

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 29, 2004

/s/ Gretchen R. Haggerty

Gretchen R. Haggerty
Executive Vice President
and Chief Financial Officer

Exhibit 32.1

CHIEF EXECUTIVE OFFICER
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 Quarterly Report of United States Steel Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Surma, President 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.

/s/ John P. Surma

John P. Surma
President and Chief Executive Officer

October 29, 2004

A signed original of this written statement required by Section 906 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CHIEF FINANCIAL OFFICER
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 Quarterly Report of United States Steel Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gretchen R. Haggerty, Executive Vice President 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.

/s/ Gretchen R. Haggerty

Gretchen R. Haggerty
Executive Vice President and Chief Financial Officer

October 29, 2004

A signed original of this written statement required by Section 906 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.