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USX CORP  
Form S-4  
September 07, 2001

As filed with the Securities and Exchange Commission on September 7, 2001  
Registration No. 333-

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM S-4  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933  
-----

UNITED STATES STEEL LLC  
to be converted into  
UNITED STATES STEEL CORPORATION  
-----

(Exact Name of Registrant as Specified in its Certificate of Formation)

Delaware  
(State or other  
jurisdiction of  
incorporation or  
organization)

3312  
(Primary Standard Industrial  
Classification Code Number)

25-0996816  
(I.R.S. Employer  
Identification No.)

600 Grant Street  
Pittsburgh, PA 15219-4776  
(412) 433-1121  
(Address, including zip code, and telephone number, including area code, of  
registrant's principal executive offices)

Dan D. Sandman, Esq.  
General Counsel, Secretary and  
Senior Vice President -- Human Resources & Public Affairs  
USX Corporation  
600 Grant Street  
Pittsburgh, PA 15219-4776  
(412) 433-1121  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

-----  
Copy to:  
Roger S. Aaron, Esq.  
Robert B. Pincus, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
4 Times Square  
New York, New York, 10036  
(212) 735-2000

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 Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective time of the merger of a wholly owned subsidiary of USX Corporation ("USX") with and into USX (the "Merger") which shall occur as soon as practicable after the effective date of this registration statement and the satisfaction of all conditions to the closing of such Merger.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 CALCULATION OF REGISTRATION FEE  
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Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price (2)	Amount of registration fee(2) (3)
Common Stock, par value \$1.00 per share.....	89,196,332	[N/A]	\$1,611,968,417	\$402,992

- (1) Based upon the number of shares of USX-U. S. Steel Group Common Stock issued and outstanding or held in the treasury of USX or by any subsidiary of USX as of September 6, 2001, each of which shall be converted in the Merger into one share of United States Steel Corporation common stock.
- (2) The registration fee was computed pursuant to rule 457(f) under the Securities Act of 1933, as amended, as (i) the product of \$19.42 (the average of the high and low price per share of the USX-U. S. Steel Group Common Stock on September 6, 2001) and 89,196,332 (the total number of shares of USX-U. S. Steel Group Common Stock issued and outstanding or held in the treasury of USX or by a subsidiary of USX as of September 6, 2001, less (ii) \$120,224,350, which is the amount of cash to be paid in the Merger to holders of 6.50% Cumulative Convertible Preferred Stock of USX. The result was then multiplied by 0.00025.
- (3) \$403,770 was paid by USX Corporation in connection with the filing of preliminary proxy materials of USX Corporation on June 15, 2001. In accordance with Rule 0-11(a) (2) under the Securities Exchange Act of 1934 and Section 6(b) under the Securities Act of 1933, since the prior filing fee is greater than the applicable registration fee, no filing fee is being submitted herewith.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

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Revised Preliminary Proxy Materials

[LOGO OF USX]

USX Corporation  
600 Grant Street  
Pittsburgh, PA 15219-4776

Thomas J. Usher  
Chairman, Board of  
Directors &  
Chief Executive Officer

, 2001

Dear USX Stockholder:

A special meeting of stockholders of USX Corporation will be held on October 16, 2001, at 9:00 a.m., local time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware.

At this special meeting, you will be asked to approve the separation of the Marathon Group and the U. S. Steel Group into two independent companies. If the separation is completed, the business of the U. S. Steel Group will be owned and operated by United States Steel Corporation, which will be a publicly traded company, wholly owned by the holders of the then outstanding USX--U. S. Steel Group Common Stock, and the business of the Marathon Group will be owned and operated by Marathon Oil Corporation, which will be a separate publicly traded company, wholly owned by the holders of the then outstanding USX--Marathon Group Common Stock. At this special meeting, we will also be asking you to approve the United States Steel Corporation 2002 Stock Plan and the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan. These plans would not go into effect unless and until the separation is completed.

The separation is intended to be tax-free to USX and our stockholders. We have submitted a request to the Internal Revenue Service for a private letter ruling as to the tax-free status of the separation, and completion of the separation is conditioned upon receipt of a favorable private letter ruling.

Your board of directors has unanimously approved the separation and recommends that you vote FOR approval of the separation and adoption of the Agreement and Plan of Reorganization, which is the legal document governing the separation. The board believes that the separation will create two strong, independent companies prepared to grow and prosper in each of their rapidly changing industries. In reaching this conclusion, the board considered many factors, including the opinions of Credit Suisse First Boston Corporation and Salomon Smith Barney Inc. that the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization, are fair, from a financial point of view, to the holders of USX--U. S. Steel Group Common Stock and the holders of the USX--Marathon Group Common Stock.

Your vote is very important. We cannot complete the separation without the affirmative vote of the holders of a majority of the outstanding USX--Marathon Group Common Stock, voting as a separate class, the holders of a majority of the outstanding USX--U. S. Steel Group Common Stock, voting as a separate class, and the holders of a majority of the outstanding USX--Marathon Group Common Stock and USX--U. S. Steel Group Common Stock, voting together as a single class. In the combined class vote, holders of USX--Marathon Group Common Stock will be entitled to one vote per share and holders of USX--U. S. Steel Group Common Stock will be entitled to 0.653 votes per share, which was calculated in accordance with the formula required by the USX Restated Certificate of Incorporation. Whether or not you plan to attend the special

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meeting in person, please take the time to vote by signing and returning your proxy card in the enclosed postage-paid envelope or you may take advantage of our telephone or Internet voting procedures. If you do not return your proxy card or vote by telephone or Internet or vote in person at the special meeting, it will have the same effect as a vote against the separation.

This proxy statement/prospectus provides you with detailed information about the separation. We encourage you to read the entire document carefully. In particular, you should carefully consider the discussion in the section entitled "Risk Factors" beginning on page 14.

Very truly yours,

Thomas J. Usher

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of United States Steel Corporation to be issued in the separation or passed upon the accuracy or adequacy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated \_\_\_\_\_, 2001 and is first being mailed to USX stockholders on or about \_\_\_\_\_, 2001.

[LOGO OF USX CORPORATION]  
USX Corporation  
600 Grant Street  
Pittsburgh, PA 15219-4776

### NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON OCTOBER 16, 2001

Notice is hereby given that a special meeting of the stockholders of USX Corporation, a Delaware corporation, will be held on October 16, 2001 at 9:00 a.m. local time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware to consider and vote upon the following proposals:

1. To approve and adopt the Agreement and Plan of Reorganization, dated as of July 31, 2001, between USX Corporation and United States Steel LLC, providing for the separation of the U. S. Steel Group and the Marathon Group into two independent companies, pursuant to which (1) a wholly owned subsidiary of USX will be merged with and into USX, with USX continuing as the surviving corporation, (2) each outstanding share of USX--U. S. Steel Group Common Stock will be converted into the right to receive one share of common stock of United States Steel Corporation, which will own and operate the business of the U. S. Steel Group, and (3) the USX--Marathon Group Common Stock will remain outstanding, unaffected by the separation and will be the sole outstanding shares of common stock of USX, which will change its name to Marathon Oil Corporation and will own and operate the business of the Marathon Group.
2. To approve the United States Steel Corporation 2002 Stock Plan.
3. To approve the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan.

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4. To adjourn the special meeting, if necessary.

Only holders of USX--Marathon Group Common Stock and USX--U. S. Steel Group Common Stock at the close of business on August 31, 2001 are entitled to notice of, and to vote at, the special meeting.

Your board of directors unanimously recommends that you vote FOR approval and adoption of the Agreement and Plan of Reorganization, and FOR approval of the other proposals listed above. Your vote is very important. Adoption of the Plan of Reorganization requires the affirmative vote of the holders of a majority of the outstanding USX--Marathon Group Common Stock, voting as a separate class, the holders of a majority of the outstanding USX--U. S. Steel Group Common Stock, voting as a separate class, and the holders of a majority of the outstanding USX--Marathon Group Common Stock and USX--U. S. Steel Group Common Stock, voting together as a single class.

The Agreement and Plan of Reorganization and the separation are explained in the accompanying proxy statement/prospectus, which you are urged to read carefully. A copy of the Agreement and Plan of Reorganization is attached as Annex A to this proxy statement/prospectus.

By Order of the Board of Directors,

Dan D. Sandman  
Secretary

Pittsburgh, Pennsylvania  
, 2001

Whether or not you plan to attend the special meeting, please complete, sign, date and return the accompanying proxy in the enclosed self-addressed stamped envelope or vote by telephone or Internet.

### Additional Information

This proxy statement/prospectus incorporates by reference important business and financial information about USX Corporation that is not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from USX Corporation at the following address and telephone number:

USX Corporation  
Shareholder Services  
600 Grant Street, Room 611  
Pittsburgh, Pennsylvania 15219-4776  
(412) 433-4801  
(866) 433-4801 (toll free)  
(412) 433-4818 (fax)

Any request for documents should be made by October 8, 2001 to ensure timely delivery of the documents prior to the special meeting.

See the section entitled "Where You Can Find More Information" on page 135.

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### QUESTIONS AND ANSWERS ABOUT THE SEPARATION

Q: What is the proposed transaction?

A: USX is being separated into two independent companies, United States Steel Corporation and Marathon Oil Corporation. The separation is being effected by a merger of USX with a newly formed subsidiary of USX. As a result of the separation, the business of the U. S. Steel Group will be owned and operated by United States Steel Corporation, which will be wholly owned by the holders of the then outstanding USX--U. S. Steel Group Common Stock, and the business of the Marathon Group will be owned and operated by Marathon Oil Corporation, which will be wholly owned by the holders of the then outstanding USX--Marathon Group Common Stock. The separation includes a \$900 million value transfer from the Marathon Group to the U. S. Steel Group.

Q: What will I receive in the separation?

A: In the separation, each outstanding share of USX--U. S. Steel Group Common Stock will be converted into the right to receive one share of United States Steel Corporation common stock ("New U. S. Steel Shares"), and the outstanding USX--Marathon Group Common Stock will remain outstanding, unaffected by the separation and will be the sole outstanding shares of common stock of USX ("Marathon Shares"), and USX will change its name to Marathon Oil Corporation and will own and operate the business of the Marathon Group.

Q: Will my shares of stock continue to be traded on the New York Stock Exchange, Pacific Stock Exchange and Chicago Stock Exchange?

A. Yes. Following the separation, both the Marathon Shares and the New U. S. Steel Shares will be traded on the NYSE, PSE and CSE under their current symbols. We have applied to the NYSE, the PSE and the CSE for approval of the listing of the New U. S. Steel Shares to be issued in the Separation under the symbol "X", and the closing of the Separation is conditioned upon the approval of such listing. The NYSE has approved the listing subject to stockholder approval of the Agreement and Plan of Reorganization and official notice of issuance.

Q: What am I being asked to vote upon?

A: You are being asked to approve and adopt the Agreement and Plan of Reorganization, which is the legal document governing the separation.

Q: What does our board of directors recommend?

A: Your board of directors unanimously recommends that you vote FOR approval and adoption of the Agreement and Plan of Reorganization.

Your board has carefully reviewed the terms of the Separation, and has received opinions of two independent financial advisors, that the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization, are fair, from a financial point of view, to the holders of USX--Marathon Group Common Stock and the holders of USX--U. S. Steel Group Common Stock.

Your board has determined that the Separation is advisable and in the best interests of USX and the holders of the USX--Marathon Group Common Stock and the USX--U. S. Steel Group Common Stock.

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Q: What vote is required to approve the separation?

A: The Agreement and Plan of Reorganization must be approved by both the holders of a majority of the outstanding USX--Marathon Group Common Stock and USX--U. S. Steel Group Common Stock, voting together as a single class, and by the holders of a majority of the outstanding USX--Marathon Group Common Stock and the holders of a majority of the outstanding USX--U. S. Steel Group Common Stock, each voting as a separate class.

Q: Who is entitled to vote?

A: You are entitled to vote if you were a holder of either USX--Marathon Group Common Stock or USX--U. S. Steel Group Common Stock at the close of business on August 31, 2001.

Q: How do I vote?

A: You may vote by telephone or over the Internet by following the instructions on the enclosed proxy card (or, if you own your shares through a broker or other intermediary, on the enclosed voting instruction card). You may also vote by marking, signing and dating the enclosed proxy card or voting instruction card, and returning it in the enclosed prepaid envelope. The proxy committee will vote your shares in accordance with your directions. If you sign and return a proxy card but do not mark the boxes showing how you wish to vote, the proxy committee will vote your shares FOR the adoption of the Agreement and Plan of Reorganization. Unsigned proxy cards will not be voted at all and will have the same effect as a vote against

the separation. If you are a stockholder of record (that is, if you are registered on our books), you may also vote in person by attending the meeting.

Q: Can I change my vote?

A: Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before your shares are voted at the special meeting by:

- . voting again by telephone or over the Internet;
- . sending us a proxy card dated later than your last vote;
- . notifying the Secretary of USX in writing; or
- . voting at the special meeting.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions to your broker, your shares will not be voted on the separation and will have the same effect as a vote against the separation.

Q: Is the separation taxable?

A: The separation generally will be tax-free to both USX and our stockholders. We have requested a private letter ruling from the IRS that the separation

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will be tax-free, and completion of the separation is conditioned upon receipt of such private letter ruling. In the event that this condition is waived, we will distribute supplemental proxy materials and resolicit proxies from our stockholders. The material U. S. federal income tax consequences of the separation are described in more detail beginning on page 54. The tax consequences to you will depend on the facts of your own situation. We urge you to consult your tax advisor for a full understanding of the tax consequences to you of the separation.

Q: Am I entitled to appraisal rights?

A: No. You will not be entitled to appraisal rights in connection with the separation.

Q: When do you expect to complete the separation?

A: Completion of the separation is subject to a number of conditions, which are described on pages 66 and 67, including the receipt of a private letter ruling from the IRS that the separation will be tax-free. Although we cannot predict the timing of receipt of such private letter ruling or satisfaction of such other conditions, we presently expect to complete the separation on or about December 31, 2001.

Q: Should I send my stock certificates now?

A: No. After we complete the separation, we will send instructions explaining how to exchange your certificates representing shares of USX--U. S. Steel Group Common Stock. Certificates representing shares of USX--Marathon Group Common Stock will not be exchanged in the separation and will represent Marathon Shares after the separation.

Q: Whom can I call with questions?

A: If you have any questions about the separation or would like copies of any of the documents we refer to in this proxy statement/prospectus, you should call Innisfree M&A Incorporated at 1-888-750-5835.

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### SUMMARY

This summary highlights the material information from this proxy statement/prospectus and may not contain all of the information that is important to you. To better understand the separation, and for a more complete description of the legal terms of these transactions, you should read this entire document carefully, as well as those additional documents to which we refer you. See "Where You Can Find More Information" on page 135. In this proxy statement/prospectus, the term "United States Steel," refers to the U. S. Steel Group for all periods prior to completion of the separation and to United States Steel Corporation and its direct and indirect subsidiaries for all periods following completion of the separation, in each case, unless the context otherwise requires. In addition, in this proxy statement/prospectus, the term "Marathon" refers to the Marathon Group for all periods prior to completion of the separation and to Marathon Oil Corporation and its direct and indirect subsidiaries for all periods following completion of the separation, in each case, unless the context otherwise requires.

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### The Businesses

#### The U. S. Steel Group

The U. S. Steel Group, through its domestic steel segment, is engaged in the production, sale and transportation of steel mill products, coke, taconite pellets and coal; the management of mineral resources; real estate development; and engineering and consulting services and, through its U. S. Steel Kosice segment, primarily located in the Slovak Republic, in the production and sale of steel mill products and coke. Certain business activities are conducted through joint ventures and partially owned companies. Following the Separation, the business of the U. S. Steel Group will be owned and operated by United States Steel Corporation, which will have its principal executive offices at 600 Grant Street, Pittsburgh, PA 15219-4776, and its telephone number will be (412) 433-1121. For a description of the business of United States Steel, see "INFORMATION ABOUT UNITED STATES STEEL" on page 69.

#### The Marathon Group

The Marathon Group includes Marathon Oil Company and certain other subsidiaries of USX, which are engaged in worldwide exploration and production of crude oil and natural gas; domestic refining, marketing and transportation of petroleum products primarily through Marathon Ashland Petroleum LLC ("MAP"), owned 62 percent by Marathon; and other energy-related businesses. Following the Separation, the business of the Marathon Group will be owned and operated by Marathon Oil Corporation. Marathon's principal executive offices will be at 5555 San Felipe Road, Houston, TX 77056-2723, and its telephone number will be 713-629-6600.

#### The Holding Company Reorganization (see page 27)

On July 2, 2001, we completed a corporate reorganization to implement a new holding company structure. As a result, USX became a holding company that owns all of the outstanding equity of Marathon Oil Company, an Ohio corporation which, directly and indirectly, owns and operates the business of the Marathon Group, and of United States Steel LLC, a Delaware limited liability company which, directly and indirectly, owns and operates the business of the U. S. Steel Group. This reorganization is referred to as the "HoldCo Merger."

No action is or was required to be taken by any stockholder in connection with the HoldCo Merger. Your stock certificates continue to represent shares of USX--Marathon Group Common Stock ("Marathon Group Shares") or USX--U. S. Steel Group Common Stock ("U. S. Steel Group Shares"), as applicable. No changes were made to the rights of any stockholder.

#### The Separation (see page 34)

USX will be separated into two independent, publicly traded companies: United States Steel Corporation and Marathon Oil Corporation. This transaction is called the "Separation." As a result of the Separation:

- . the business of the U. S. Steel Group will be owned and operated by United States Steel Corporation, which will be an independent, publicly traded company, wholly owned by the holders of the then outstanding U. S. Steel Group Shares; and
- . the business of the Marathon Group will be owned and operated by Marathon Oil Corporation, which will be

wholly owned by the holders of the then outstanding Marathon Group Shares.

Your board has unanimously approved the Separation and adopted the Plan of Reorganization.

Your board has determined that the Separation is advisable and in the best interests of USX and the holders of Marathon Group Shares and U.S. Steel Group Shares and unanimously recommends that you vote FOR approval and adoption of the Agreement and Plan of Reorganization. In considering the recommendation of the USX board of directors to vote in favor of the Separation, you should be aware that some of our directors and executive officers have interests in the Separation that are in addition to or different from the interests of stockholders generally. These interests include aggregate ownership of a significantly greater amount of Marathon Group Shares than U. S. Steel Group Shares, ownership of options, stock appreciation rights and restricted shares, contractual rights to severance payments in connection with a change in control and certain other contractual rights and payments. Following the Separation, Thomas J. Usher, the current chairman of the USX board of directors, will serve as the chairman, chief executive officer and president of United States Steel Corporation and as the non-executive chairman of the board of directors of Marathon Oil Corporation. Mr. Usher will receive compensation from both United States Steel Corporation and Marathon Oil Corporation for serving in these capacities. In connection with the Separation, USX has entered into a completion and retention agreement with Mr. Usher that, among other things, provides for the payment of a \$6 million bonus. Mr. Usher is the only officer or director who will receive quantifiable compensation as a result of the Separation. As of June 30, 2001, USX directors beneficially owned an aggregate of 2.6 million Marathon Group Shares (0.83% of Marathon Group Shares) with an aggregate market value of approximately \$76.7 million on that date and 1.4 million U. S. Steel Group Shares (1.55% of U. S. Steel Group Shares) with an aggregate market value of approximately \$28.2 million on that date. The USX board of directors was aware of these interests and considered them, among other factors, in approving the Separation. See "THE SEPARATION--Interest of Officers and Directors in the Separation" on page 56.

Structure of the Separation (see page 34)

The Separation will be implemented by merging a newly formed corporate subsidiary of USX with and into USX, with USX continuing as the surviving corporation. USX will change its name to Marathon Oil Corporation, and will continue to own its subsidiary, Marathon Oil Company, which, together with its subsidiaries, presently owns and operates the business of the Marathon Group. At the effective time of the Separation, United States Steel LLC, which, together with its subsidiaries, presently owns and operates the business of the U. S. Steel Group, will be converted into a Delaware corporation named United States Steel Corporation.

Conversion of Securities in the Separation (see page 65)

At the effective time of the Separation:

- . each issued and outstanding U. S. Steel Group Share will be converted into the right to receive one New U. S. Steel Share;

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- . Marathon Group Shares will remain outstanding and will be the sole outstanding shares of common stock of USX, and USX will change its name to Marathon Oil Corporation;
- . each outstanding share of USX 6.50% Cumulative Convertible Preferred Stock will be converted into the right to receive, in cash, \$50.00 plus accrued but unpaid dividends thereon;
- . each option to purchase U. S. Steel Group Shares, each stock appreciation right with respect to U. S. Steel Group Shares, and each restricted U. S. Steel Group Share, which has been granted and is outstanding, will be converted into an option to purchase New U. S. Steel Shares, a stock appreciation right of United States Steel Corporation with respect to New U. S. Steel Shares or a restricted New U. S. Steel Share, respectively, subject to the same terms and conditions as were applicable to such options, stock appreciation rights or restricted shares, respectively, prior to the Separation.
- . each option to purchase Marathon Group Shares, each stock appreciation right with respect to Marathon Group Shares and each restricted Marathon Group Share, which has been granted and is outstanding, will remain outstanding and represent an option to

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purchase Marathon Shares, a stock appreciation right of Marathon Oil Corporation with respect to Marathon Shares or a restricted Marathon Share, respectively, subject to the same terms and conditions as were applicable to such options, stock appreciation rights or restricted shares, respectively, prior to the Separation.

The Value Transfer (see pages 34 to 39)

Following the Separation, USX, which will be renamed Marathon Oil Corporation, will remain responsible for substantially all of our indebtedness. In connection with the Separation, a portion of the indebtedness and other obligations of USX will be repaid or retired and United States Steel Corporation will incur indebtedness and other obligations and agree to repay a portion of the indebtedness and other obligations of USX, such that the amount of indebtedness and other obligations for which United States Steel Corporation will be responsible is \$900 million less than the net amounts attributed to the U. S. Steel Group immediately prior to the Separation. Conversely, the amount of indebtedness and other obligations for which Marathon Oil Corporation will be responsible is \$900 million more than the net amounts attributed to the Marathon Group immediately prior to the Separation. We refer to this series of transactions as the "Value Transfer."

If the Separation had occurred on June 30, 2001, after giving effect to the Value Transfer, Marathon Oil Corporation's total outstanding debt would have been \$3.5 billion and United States Steel Corporation's total outstanding debt would have been \$1.8 billion.

Redemption of Shares in Connection With the Separation (see page 66)

In connection with the Separation, each outstanding share of 6.75% Convertible Quarterly Income Preferred Security of USX Capital Trust I, a

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subsidiary of USX, will be redeemed for \$50.00, plus accrued but unpaid dividends thereon, in cash.

Reasons for the Separation (see page 38)

The USX board of directors believes that the Separation will, among other things, allow Marathon Oil Corporation and United States Steel Corporation to focus on their core businesses and make critical acquisitions and investments needed to grow their respective businesses and will enhance stockholder value for all of our stockholders through the creation of two strong, independent companies.

Opinions of Financial Advisors (see page 40)

The USX board of directors received written opinions of two independent investment banking firms, Credit Suisse First Boston Corporation ("CSFB") and Salomon Smith Barney Inc. ("SSB"), as to the fairness of the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization from a financial point of view, to the holders of Marathon Group Shares and to the holders of U. S. Steel Group Shares. The full text of these investment banking opinions is included in Annexes B-1 and B-2 to this proxy statement/prospectus. You are urged to read these opinions carefully in their entirety.

Accounting Treatment (see page 54)

Marathon Oil Corporation, as successor to USX, will account for the Separation as a discontinuance of the businesses comprising United States Steel. If the historical carrying value of USX's investment in United States Steel exceeds its fair value, a non-recurring non-cash charge on the Separation will be recognized by Marathon Oil Corporation. Following the Separation, United States Steel Corporation will account for its assets and liabilities based on historical values at which they were carried by USX immediately prior to the Separation.

The Compensation Plans Being Voted Upon (see pages 128 to 132)

You are being asked to approve two compensation plans for United States Steel Corporation:

- . The United States Steel Corporation 2002 Stock Plan is an equity compensation plan providing for stock options, restored options, stock appreciation rights and restricted stock

which may be granted to executive officers and other persons in responsible positions with United States Steel Corporation. This plan is intended to provide United States Steel Corporation employees with benefits comparable to those provided under the USX Corporation 1990 Stock Plan and is described on page 128.

- . The United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan provides for cash bonus awards to senior executive officers of United States Steel Corporation based on pre-

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established performance measures. This plan is intended to provide United States Steel Corporation senior executive officers with benefits comparable to those provided under the USX Corporation Senior Executive Officer Annual Incentive Compensation Plan and is described on page 131.

The proposals to approve the United States Steel Corporation 2002 Stock Plan and the United States Steel Corporation Senior Executive Officer Annual Incentive Stock Plan will require (i) the affirmative vote of a majority of the votes cast at the special meeting by holders of Marathon Group Shares and U. S. Steel Group Shares, voting together as a single class, and (ii) the affirmative vote of a majority of the votes cast at the special meeting by holders of U. S. Steel Group Shares, voting as a separate class. Notwithstanding such approvals, these plans will not be implemented unless the Plan of Reorganization is adopted by our stockholders and the Separation is completed.

Your board unanimously recommends that holders of Marathon Group Shares and U. S. Steel Group Shares vote FOR the proposal to approve the United States Steel Corporation 2002 Stock Plan and the proposal to approve the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan.

Following the Separation, the USX compensation plans referred to above will be amended to eliminate references to U. S. Steel Group Shares and will remain in effect with respect to directors, officers and employees of Marathon.

The Special Meeting (see page 60)

The special meeting of USX stockholders will be held on October 16, 2001 at 9:00 a.m., local time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware. At the special meeting, you will be asked to:

- . adopt the Agreement and Plan of Reorganization providing for the Separation;
- . approve the United States Steel Corporation 2002 Stock Plan; and
- . approve the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan.

Record Date (see page 60)

Only holders of Marathon Group Shares and U. S. Steel Group Shares at the close of business on August 31, 2001 are entitled to vote at the special meeting.

Voting Rights (see page 61)

In the separate class votes described above, each holder of Marathon Group Shares or U. S. Steel Group Shares is entitled to one vote per share at the special meeting. In the combined votes described above of Marathon Group Shares and U. S. Steel Group Shares, voting together as a single class, holders of Marathon Group Shares are entitled to one vote per share and holders of U. S. Steel Group Shares are entitled to 0.653 votes per share. We calculated the number of votes to which each U. S. Steel Group Share is entitled by using the formula required by USX's Restated Certificate of Incorporation. It is based on the ratio of the market value of one U. S. Steel Group Share to one Marathon Group Share over the 20 business-day period ending on August 24, 2001, the



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fifth business day prior to the record date.

Conditions to Completion of the Separation (see page 66)

USX will not complete the Separation unless conditions to completion of the Separation are satisfied or waived, to the extent permitted by law, in the sole discretion of the USX board of directors. These conditions include:

- . Adoption of the Plan of Reorganization by the required votes of USX stockholders;
- . Receipt of a private letter ruling from the IRS, in form and substance satisfactory to the USX board of directors, that the Separation will qualify as a tax-free transaction;
- . Receipt of financing by or for United States Steel Corporation in amount, form and substance satisfactory to the USX board of directors, and completion of the \$900 million Value Transfer;
- . Approval of the New U. S. Steel Shares to be issued in the Separation for listing on the NYSE, the PSE and the CSE, subject to official notice of issuance; and

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- . The absence of any injunction or legal restraint blocking the Separation.

On July 2, 2001, we filed with the IRS a request for such private letter ruling. Receipt of the private letter ruling is the only remaining material federal or state regulatory requirement in connection with the Separation.

Termination (see page 68)

The Separation may be terminated and abandoned at any time prior to the effective date of the Separation, whether prior to or following the special meeting, by and in the sole discretion of the USX board of directors.

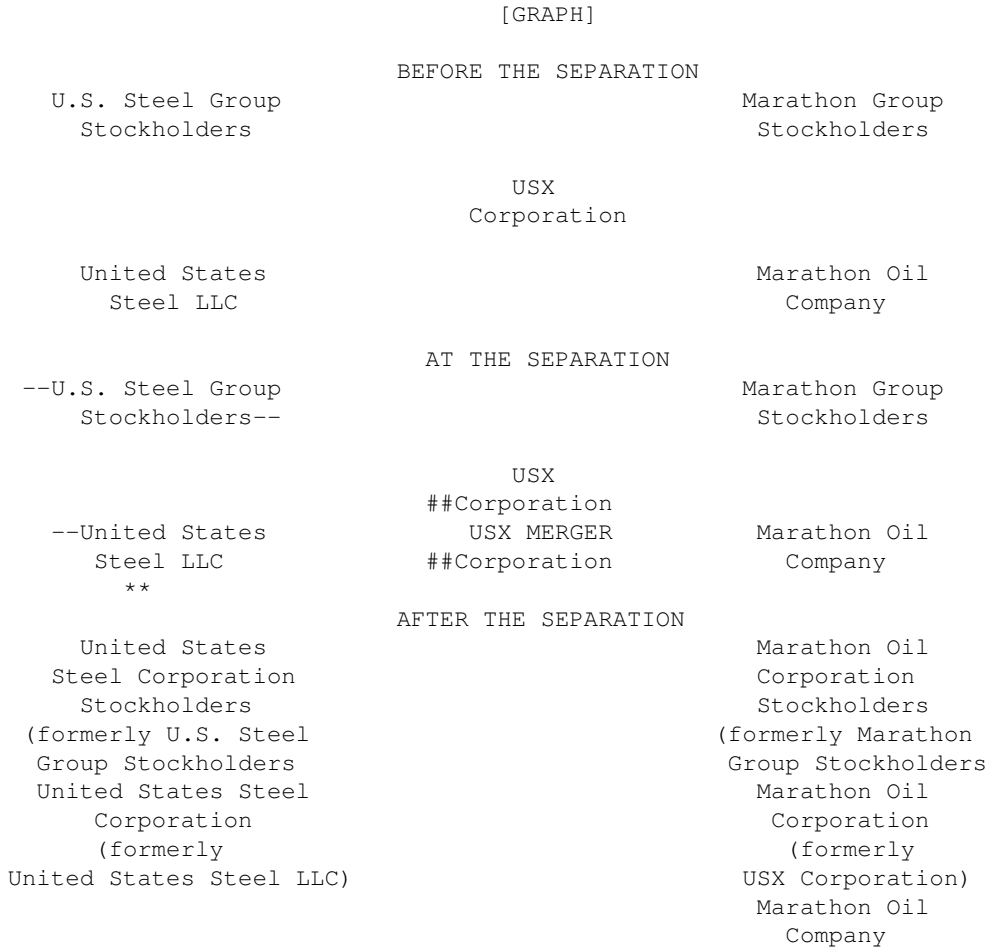
Effects of the Separation on the Rights of Stockholders (see page 125)

Because the Marathon Shares and the New U. S. Steel Shares will not be "targeted" shares as are Marathon Group Shares and U. S. Steel Group Shares, there will be differences in the rights of holders of the Marathon Shares and New U. S. Steel Shares from their rights as holders of Marathon Group Shares and U. S. Steel Group Shares, respectively. See "COMPARISON OF THE RIGHTS OF STOCKHOLDERS" on page 125.

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The organization of USX before and after the Separation is illustrated below:



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\*\*United States Steel LLC is converted into United states Steel Corporation  
 --U.S. Steel Group shares are converted into shares of United States Steel Corporation common stock  
 ##USX Merger Corporation, a newly formed corporate subsidiary of USX, is merged with and into USX Corporation

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SELECTED HISTORICAL FINANCIAL INFORMATION FOR USX CORPORATION

The following table sets forth selected historical financial information for USX Corporation. This information should be read in conjunction with USX Corporation's consolidated financial statements, including the notes thereto, which are in Annex E. This information does not give effect to the transactions

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contemplated by the Plan of Reorganization. For such information, see "MARATHON OIL CORPORATION UNAUDITED PRO FORMA CONDENSED BALANCE SHEET" and "MARATHON OIL CORPORATION UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS" on pages C-10 and C-15 in Annex C.

	Six Months Ended June 30						
	2001	2000	2000	1999	1998	1997	1996
Dollars in millions (except per share data)							
Statement of Operations Data:							
Revenues and other income (a) (b).....	\$21,188	\$19,779	\$39,914	\$29,119	\$28,077	\$22,824	\$22,938
Income from operations (b).....	2,039	1,588	1,752	1,863	1,517	1,705	1,779
Includes:							
Inventory market valuation credits (charges).....	--	--	--	551	(267)	(284)	209
Gain (loss) on ownership change in MAP.....	(6)	8	12	17	245	--	--
Income from continuing operations.....	\$1,069	\$ 720	\$ 411	\$ 705	\$ 674	\$ 908	\$ 946
Income from discontinued operations.....	--	--	--	--	--	80	6
Extraordinary losses....	--	--	--	(7)	--	--	(9)
Cumulative effect of change in accounting principle.....	(8)	--	--	--	--	--	--
Net income.....	\$ 1,061	\$ 720	\$ 411	\$ 698	\$ 674	\$ 988	\$ 943
Noncash credit from exchange of preferred stock.....	--	--	--	--	--	10	--
Dividends on preferred stock.....	(4)	(4)	(8)	(9)	(9)	(13)	(22)
Net income applicable to common stocks.....	\$ 1,057	\$ 716	\$ 403	\$ 689	\$ 665	\$ 985	\$ 921

Common Share Data:

Marathon Stock:

Income before extraordinary losses and cumulative effect of change in accounting principle.....	\$ 1,090	\$ 621	\$ 432	\$ 654	\$ 310	\$ 456	\$ 671
Per share--basic.....	3.53	1.99	1.39	2.11	1.06	1.59	2.33
--diluted.....	3.52	1.99	1.39	2.11	1.05	1.58	2.31
Net income.....	1,082	621	432	654	310	456	664

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Per share--basic.....	3.50	1.99	1.39	2.11	1.06	1.59	2.31
--diluted.....	3.50	1.99	1.39	2.11	1.05	1.58	2.29
Dividends paid per share.....	.46	.42	.88	.84	.84	.76	.70
Common Stockholders' Equity per share.....	18.89	16.92	15.70	15.38	13.95	12.53	11.62
Steel Stock:							
Income (loss) before extraordinary losses...	\$ (25)	\$ 95	\$ (29)	\$ 42	\$ 355	\$ 449	\$ 253
Per share--basic.....	(.28)	1.08	(.33)	.48	4.05	5.24	3.00
--diluted.....	(.28)	1.07	(.33)	.48	3.92	4.88	2.97
Net income (loss).....	(25)	95	(29)	35	355	449	251
Per share--basic.....	(.28)	1.08	(.33)	.40	4.05	5.24	2.98
--diluted.....	(.28)	1.07	(.33)	.40	3.92	4.88	2.95
Dividends paid per share.....	.35	.50	1.00	1.00	1.00	1.00	1.00
Common Stockholders' Equity per share.....	20.83	23.59	21.58	23.23	23.66	20.56	18.37

Balance Sheet Data--at  
period end:

Capital expenditures....	\$ 769		\$ 1,669	\$ 1,665	\$ 1,580	\$ 1,373	\$ 1,168
Total assets.....	24,514		23,401	22,931	21,133	17,284	16,980
Capitalization:							
Notes payable.....	\$ 250		\$ 150	\$ --	\$ 145	\$ 121	\$ 81
Total long-term debt...	4,109		4,460	4,283	3,991	3,403	4,212
Preferred stock of subsidiary.....	250		250	250	250	250	250
Trust preferred securities.....	183		183	183	182	182	--
Minority interest in MAP.....	2,010		1,840	1,753	1,590	--	--
Redeemable Delhi Stock(c).....	--		--	--	--	195	--
Preferred stock.....	2		2	3	3	3	7
Common stockholders' equity.....	7,692		6,762	6,853	6,402	5,397	5,015
	-----		-----	-----	-----	-----	-----
Total capitalization.....	\$14,496		\$13,647	\$13,325	\$12,563	\$ 9,551	\$ 9,565
	=====		=====	=====	=====	=====	=====

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- (a) Consists of revenues, dividend and investee income (loss), gain (loss) on ownership change in Marathon Ashland Petroleum LLC ("MAP"), net gains (losses) on disposal of assets, gain on investee stock offering and other income.
- (b) Excludes amounts for the Delhi Group (sold in 1997), which have been reclassified as discontinued operations.
- (c) On January 26, 1998, USX redeemed all of the outstanding shares of USX--Delhi Group Common Stock.

SELECTED HISTORICAL FINANCIAL INFORMATION FOR THE U. S. STEEL GROUP

The following table sets forth selected historical information for the U. S. Steel Group. This information does not present the financial information for United States Steel Corporation as if it were a separate entity for the periods presented. For financial information for United States Steel Corporation which

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gives effect to the transactions contemplated by the Plan of Reorganization, see "UNITED STATES STEEL CORPORATION UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET" and "UNITED STATES STEEL CORPORATION UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS" on pages C-2 and C-6 in Annex C. This information should be read in conjunction with USX Corporation's consolidated financial statements, including the notes thereto, which are in Annex E.

	Six Months Ended June 30						
	2001	2000	2000	1999	1998	1997	1996
	Dollars in millions						
Statement of Operations							
Data:							
Revenues and other							
income(a).....	\$3,301	\$3,244	\$6,132	\$5,470	\$6,477	\$7,156	\$6,872
Income (loss) from							
operations.....	(128)	203	104	150	579	773	483
Income (loss) before							
extraordinary losses...	(21)	99	(21)	51	364	452	275
Net income (loss).....	(21)	99	(21)	44	364	452	273
Noncash credit from							
exchange of preferred							
stock.....	--	--	--	--	--	10	--
Dividends on preferred							
stock.....	(4)	(4)	(8)	(9)	(9)	(13)	(22)
Net income (loss)							
applicable to Steel							
Stock.....	(25)	95	(29)	35	355	449	251
Balance Sheet Data--at							
period end:							
Capital expenditures....	\$ 141		\$ 244	\$ 287	\$ 310	\$ 261	\$ 337
Total assets.....	8,954		8,711	7,525	6,749	6,694	6,580
Capitalization:							
Notes payable.....	\$ 123		\$ 70	\$ --	\$ 13	\$ 13	\$ 18
Total long-term debt..	2,309		2,375	915	476	510	1,087
Preferred stock of							
subsidiary.....	66		66	66	66	66	64
Trust Preferred							
Securities.....	183		183	183	182	182	--
Preferred stock.....	2		2	3	3	3	7
Common stockholders'							
equity.....	1,858		1,917	2,053	2,090	1,779	1,559
Total							
capitalization.....	\$4,541		\$4,613	\$3,220	\$2,830	\$2,553	\$2,735

(a) Consists of revenues, dividends and investee income (loss), net gains (losses) on disposal of assets, gain on investee stock offering and other income (loss).

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### SELECTED HISTORICAL FINANCIAL INFORMATION FOR THE MARATHON GROUP

The following table sets forth selected historical information for the Marathon Group. This information does not present the financial information for Marathon Oil Corporation as if it were a separate entity for the periods presented. For financial information for Marathon Oil Corporation which gives effect to the transactions contemplated by the Plan of Reorganization, see "MARATHON OIL CORPORATION UNAUDITED PRO FORMA CONDENSED BALANCE SHEET" and "MARATHON OIL CORPORATION UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS" on pages C-10 and C-15 in Annex C. This information should be read in conjunction with USX Corporation's consolidated financial statements, including the notes thereto, which are in Annex E.

	Six Months Ended June 30						
	2001	2000	2000	1999	1998	1997	1996
	-----						
	Dollars in millions						
Statement of Operations							
Data:							
Revenues and other							
income(a).....	\$17,911	\$16,565	\$33,859	\$23,707	\$21,623	\$15,775	\$16,153
Income from operations..	2,167	1,385	1,648	1,713	938	932	1,296
Includes:							
Inventory market							
valuation credits							
(charges).....	--	--	--	551	(267)	(284)	209
Gain (loss) on							
ownership change in							
MAP.....	(6)	8	12	17	245	--	--
Income before							
extraordinary losses							
and cumulative effect							
of change in accounting							
principle.....	1,090	621	432	654	310	456	671
Net income.....	1,082	621	432	654	310	456	664
Balance Sheet Data--at							
period end:							
Capital expenditures....	\$ 628		\$ 1,425	\$ 1,378	\$ 1,270	\$ 1,038	\$ 751
Total assets.....	16,004		15,232	15,674	14,544	10,565	10,151
Capitalization:							
Notes payable.....	\$ 127		\$ 80	\$ --	\$ 132	\$ 108	\$ 59
Total long-term debt..	1,800		2,085	3,368	3,515	2,893	2,906
Preferred stock of							
subsidiary.....	184		184	184	184	184	182
Minority interest in							
MAP.....	2,010		1,840	1,753	1,590	--	--
Common stockholders'							
equity.....	5,834		4,845	4,800	4,312	3,618	3,340
	-----		-----	-----	-----	-----	-----
Total							
capitalization.....	\$ 9,955		\$ 9,034	\$10,105	\$ 9,733	\$ 6,803	\$ 6,487
	=====		=====	=====	=====	=====	=====

(a) Consists of revenues, dividends and investee income (loss), gain (loss) on

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ownership change in MAP, net gains (losses) on disposal of assets and other income.

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### SELECTED UNAUDITED PRO FORMA INFORMATION FOR UNITED STATES STEEL CORPORATION

The following selected unaudited pro forma financial information of United States Steel Corporation gives effect to the \$900 million Value Transfer, new financing arrangements, the assignment of certain USX corporate assets and liabilities and the payment of certain costs and expenses in connection with the Separation. The selected unaudited pro forma financial information has been derived from, or prepared on a basis consistent with, the unaudited pro forma condensed combined financial statements of United States Steel Corporation, including the notes thereto, included in Annex C of this proxy statement/prospectus. This information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial position that would have occurred at the beginning of each period presented or on the dates indicated, nor is it necessarily indicative of the future operating results or financial position of United States Steel Corporation. This information should also be read in conjunction with the unaudited pro forma condensed combined financial statements of United States Steel, including the notes thereto, included in Annex C of this proxy statement/prospectus.

	Six Months Ended or as of June 30, 2001	Year Ended or as of December 31, 2000
-----		
(Dollars in millions except per share amounts)		
Statement of Operations Information:		
Revenues and other income.....	\$3,301	\$6,132
Income (loss) from operations.....	(128)	104
Net income (loss).....	(9)	23
Per Common Share Data:		
Net income (loss)		
--basic.....	\$ (.10)	\$ 0.26
--diluted.....	(.10)	0.26
Balance Sheet Data:		
Total Assets.....	\$8,821	
Capitalization:		
Debt.....	\$1,791	
Equity.....	2,680	
	-----	
Total capitalization.....	\$4,471	
	=====	

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### SELECTED UNAUDITED PRO FORMA INFORMATION FOR MARATHON OIL CORPORATION

The following selected unaudited pro forma financial information of Marathon Oil Corporation gives effect to the discontinuance of the businesses of United

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States Steel, the \$900 million Value Transfer, the assignment of certain USX corporate assets and liabilities to United States Steel Corporation, the payment of certain costs and expenses in connection with the Separation, and the distribution of New U. S. Steel Shares to the holders of U. S. Steel Group Shares. The selected unaudited pro forma financial information has been derived from, or prepared on a basis consistent with, the unaudited pro forma condensed financial statements of Marathon Oil Corporation, including the notes thereto, included in Annex C of this proxy statement/prospectus. This information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial position that would have occurred at the beginning of each period presented or on the dates indicated, nor is it necessarily indicative of the future operating results or financial position of Marathon Oil Corporation. This information should also be read in conjunction with the unaudited pro forma condensed financial statements of Marathon Oil Corporation, including the notes thereto, included in Annex C of this proxy statement/prospectus.

	Six Months Ended or as of June 30, 2001	Year Ended or as of December 31, 2000
-----		
(Dollars in millions except per share amounts)		
Statement of Operations Information:		
Revenues and other income.....	\$17,911	\$33,859
Income from operations.....	2,153	1,630
Net income.....	1,041	364
Per Common Share Data:		
Net income		
--basic.....	\$ 3.37	\$1.17
--diluted.....	3.37	1.17
Balance Sheet Data:		
Total Assets.....	\$16,662	
Capitalization:		
Debt.....	\$ 3,538	
Preferred stock of subsidiary.....	250	
Minority interest in MAP.....	2,010	
Equity.....	4,853	
	-----	
Total capitalization.....	\$10,651	
	=====	

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### RISK FACTORS

In addition to the other information included and incorporated by reference in this proxy statement/prospectus, you should consider the following matters in deciding whether to vote in favor of the Separation.

#### Risks Related to Separation

United States Steel Corporation and Marathon Oil Corporation Will Be Subject to



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### Continuing Contingent Liabilities of the Other Company Following the Separation

After the Separation, there will be several significant areas where the liabilities of Marathon or United States Steel may become an obligation of the other company following the Separation.

Under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the "Code"), each corporation that was a member of the USX consolidated group during any taxable period or portion thereof ending on or before the effective time of the Separation is jointly and severally liable for the federal income tax liability of the entire USX consolidated group for such taxable period. See "RELATIONSHIP BETWEEN NEW UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION FOLLOWING THE SEPARATION--Tax Sharing Agreement" on page 118. Other provisions of federal law establish similar liability for other matters, including laws governing tax qualified pension plans as well as other contingent liabilities.

In addition, following the Separation, United States Steel Corporation will remain contingently liable for debt, available revolving credit and other obligations of Marathon Oil Corporation in the amount of approximately \$1.0 billion as of June 30, 2001. Pursuant to the Financial Matters Agreement, Marathon Oil Corporation will indemnify United States Steel Corporation for any payments it would be required to make in respect of these obligations. Similarly, Marathon Oil Corporation will remain contingently liable for debt and certain guarantee and lease obligations of United States Steel Corporation in the amount of approximately \$702 million as of June 30, 2001. Pursuant to the Financial Matters Agreement, United States Steel Corporation will indemnify Marathon Oil Corporation for any payments it would be required to make in respect of such obligations.

### The Separation May Be Challenged by Creditors as a Fraudulent Transfer or Conveyance

If a court in a suit by an unpaid creditor or representative of creditors of either United States Steel Corporation or Marathon Oil Corporation, such as a trustee in bankruptcy, or United States Steel Corporation or Marathon Oil Corporation, as debtor-in-possession, in a reorganization case under title 11 of the United States Code, were to find that:

- . the Separation and the related transactions were undertaken for the purpose of hindering, delaying or defrauding creditors, or
- . Marathon Oil Corporation or United States Steel Corporation received less than reasonably equivalent value or fair consideration in connection with the Separation and the transactions related thereto and (i) USX was insolvent immediately prior to, or Marathon Oil Corporation or United States Steel Corporation was insolvent at the effective time of the Separation and after giving effect thereto, (ii) USX immediately prior to, or Marathon Oil Corporation or United States Steel Corporation as of the effective time of the Separation and after giving effect thereto, intended or believed that it would be unable to pay its debts as they became due, or (iii) the capital of USX immediately prior to, or Marathon Oil Corporation or United States Steel Corporation, at the effective time of the Separation and after giving effect thereto, was inadequate to conduct its business,

then such court could determine that the Separation and the related

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transactions violated applicable provisions of the United States Bankruptcy Code and/or applicable state fraudulent transfer or conveyance laws. Such a determination would permit the bankruptcy trustee or debtor-in-possession or unpaid creditors to rescind the Separation.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied. Generally, however, an entity would be considered insolvent if, either:

- . the sum of its liabilities, including contingent liabilities, is greater than its assets, at a fair valuation; or
- . the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured.

United States Steel Corporation and Marathon Oil Corporation May Be Unable to Achieve All of the Benefits Sought by the Separation

The full strategic and financial benefits of the Separation may be delayed or may never occur at all. The following are factors that may prevent Marathon Oil Corporation and United States Steel Corporation from realizing these benefits:

- . competitors in the steel industry and the oil and gas industry may have greater financial resources to make such investments or participate in such consolidation on more attractive terms;
- . substantial indebtedness of Marathon Oil Corporation and United States Steel Corporation may impede either Marathon Oil Corporation or United States Steel Corporation or both of them from participating in certain investment or consolidation transactions; and/or
- . domestic and international economic conditions may make such investments and consolidation more costly.

Additionally, many factors may affect future results of Marathon Oil Corporation and United States Steel Corporation. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" on page 26.

Following the Separation, Marathon Oil Corporation and United States Steel Corporation Will Not Be Consolidated for Tax Purposes and United States Steel Corporation's Recognition of the Benefits of Its Tax Losses May Be Delayed

Prior to the Separation, USX filed consolidated, combined and unitary tax returns for federal and many states' income taxes, which included the results of operations of the U. S. Steel Group and the Marathon Group. As a result of the Separation, United States Steel Corporation will not be able to join with Marathon Oil Corporation in any consolidated, combined, or unitary tax returns for taxable periods ending after the effective time of the Separation. Consequently, for federal and state income tax purposes, taxable income or losses, and other tax attributes of United States Steel Corporation for taxable periods ending after the effective time of the Separation generally cannot offset, or be offset by, taxable income or losses and other tax attributes of Marathon Oil Corporation.

Additionally, the present USX tax allocation policy requires the Marathon Group and the U. S. Steel Group to pay the other for tax benefits resulting from tax attributes which cannot be utilized currently by the group to which

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such attributes are attributable on a stand-alone basis but which can be utilized on a consolidated, combined, or unitary basis. The net amount of cash payments paid by Marathon to United States Steel under the tax allocation policy for prior tax years, subject to adjustment, was \$21 million, \$(2) million, \$91 million and \$379 million during the years 1998, 1999, 2000 and the first six months of 2001, respectively.

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Such payments allow the group generating the tax attributes to currently realize the tax benefits. After the Separation, if United States Steel Corporation generates losses or other tax attributes, it would generally benefit from those losses or other tax attributes only if and when it generated sufficient taxable income in future years to utilize those losses or other tax attributes on a stand-alone basis. Such a delay will affect cash flows, which may require reduction or postponement of capital expenditures or acquisitions.

The Separation May Become Taxable Under Section 355(e) of the Code if 50% or More of the Marathon Shares or New U. S. Steel Shares Are Acquired as Part of a Plan

The Separation may become taxable to USX pursuant to Section 355(e) of the Code if 50% or more of either the Marathon Shares or New U. S. Steel Shares are acquired, directly or indirectly, as part of a plan or series of related transactions that include the Separation. See "THE SEPARATION--Material U.S. Federal Income Tax Consequences" on page 54. If Section 355(e) applies, USX would be required to pay a corporate tax based on the excess of the fair market value of the shares distributed over USX's tax basis for such shares. The amount of such tax would be materially greater if the Separation were deemed to be a distribution of Marathon Shares. If an acquisition occurs which results in the Separation being taxable under Section 355(e), the Tax Sharing Agreement provides that the resulting corporate tax liability will be borne by the entity, either United States Steel Corporation or Marathon Oil Corporation, with respect to which the acquisition has occurred. See the discussion in "RELATIONSHIP BETWEEN UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION FOLLOWING THE SEPARATION--Tax Sharing Agreement" on page 118.

Anti-takeover Provisions Could Deter Takeover Attempts of Marathon Oil Corporation and United States Steel Corporation and Limit Appreciation of Stock Market Prices for Marathon Shares and New U. S. Steel Shares

The certificate of incorporation and by-laws of United States Steel Corporation and of USX, which will be renamed Marathon Oil Corporation, contain identical provisions that may have the impact of delaying or precluding an acquisition of United States Steel Corporation or Marathon Oil Corporation without the approval of the board of directors of such company. Such provisions may limit the price that investors might be otherwise willing to pay in the future for New U. S. Steel Shares and Marathon Shares. Such provisions include a classified board of directors, a provision prohibiting stockholder action by written consent, and a provision prohibiting stockholders from calling special meetings. In addition, under the stockholder rights plan of USX Corporation (which will be renamed Marathon Oil Corporation) and under the new United States Steel Corporation rights plan, disinterested stockholders may acquire additional Marathon Shares or New U. S. Steel Shares, respectively, or of an acquiring company at a substantial discount in the event of certain described changes of control. In addition, there are provisions of Delaware law that may also have the effect of precluding an acquisition of United States Steel Corporation or Marathon Oil Corporation without the approval of the board of directors of such company. See "COMPARISON OF THE RIGHTS OF STOCKHOLDERS--Certain Anti-takeover Considerations" on page 126.

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### Marathon Oil Corporation Will Continue to Have Financial Exposure to United States Steel Corporation

Pursuant to the financial matters agreement to be entered into by Marathon Oil Corporation and United States Steel Corporation in connection with the Separation (the "Financial Matters Agreement"), if the Separation had occurred on June 30, 2001, United States Steel Corporation would have assumed \$702 million of financial obligations of Marathon in connection with the Separation, including, \$479 million of industrial revenue bonds, \$90 million of capitalized leases and \$133 million of certain guarantee and operating lease obligations, which guarantee and lease obligations are not reflected in the financial statements of Marathon. Marathon (as the successor to USX) will remain contingently responsible for repayment of these obligations. The Financial Matters Agreement does not contain any financial covenants and United States Steel Corporation will remain free to incur additional debt and grant mortgages or security interests. United States Steel

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Corporation will be more highly leveraged than USX, will have a non-investment grade credit rating and has granted or likely will be granting security interests in certain assets. If United States Steel Corporation were to default under these assumed obligations, Marathon will be responsible for them. See "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

### Certain Obligations to Be Assumed by United States Steel Corporation in the Separation May Be Accelerated in the Event of the Bankruptcy of Marathon Oil Corporation

Pursuant to the Financial Matters Agreement, upon the Separation, United States Steel Corporation will become responsible for certain industrial revenue bonds and certain guarantee and lease obligations (which on June 30, 2001 totaled approximately \$702 million). Additionally, United States Steel Corporation is contingently liable for debt, available revolving credit and other obligations of Marathon Oil Corporation in the amount of approximately \$1.0 billion as of June 30, 2001. Marathon Oil Corporation is not limited by agreement with United States Steel as to the amount of indebtedness that it may incur and, in the event of the bankruptcy of Marathon Oil Corporation, the holders of the industrial revenue bonds and such other obligations may declare them immediately due and payable. If such event occurs, United States Steel Corporation may not be able to satisfy such obligations. See "RISK FACTORS--Following the Separation, United States Steel Corporation Will Not Have Access to the Financial and Other Resources of USX Corporation" on page 21.

### Risks Related to the Business of United States Steel

#### Overcapacity in the Steel Industry May Negatively Affect United States Steel's Results of Operations

On a global basis, there is an excess of steel-making capacity over global consumption of steel products, including sheet, plate, tin mill and tubular products. Under these conditions, shipment and production levels for United States Steel's domestic operations have varied from year to year and quarter to quarter, affecting United States Steel's results of operations and cash flows. Many factors influence these results, including demand in the domestic market, international currency conversion rates, and government actions, both domestic

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and international. In addition, in many applications, steel competes with many materials, including aluminum, cement, composites, glass, plastic and wood. The emergence of additional substitutes for steel products could adversely affect future market prices and demand for steel products. See "INFORMATION ABOUT UNITED STATES STEEL--Management's Discussion & Analysis of Financial Condition and Results of Operations" on page 96.

### Imports of Steel Could Negatively Affect United States Steel's Results of Operations

Imports of steel into the United States constituted 23%, 27%, 26% and 30% of the domestic steel market demand for the first six months of 2001, and the years 2000, 1999 and 1998, respectively. See "INFORMATION ABOUT UNITED STATES STEEL --Management's Discussion & Analysis of Financial Condition and Results of Operations" on page 96. We believe that steel imports into the United States involve widespread dumping and subsidy abuses, and that the remedies provided by United States law to private litigants are insufficient to correct these problems. Imports of steel involving dumping and subsidy abuses depress domestic price levels, which has an adverse effect upon United States Steel's revenue and income. See "INFORMATION ABOUT UNITED STATES STEEL--United States Steel Legal Proceedings" on page 80.

### Many of United States Steel's International Competitors Are Larger and Have Higher Credit Ratings

Many of United States Steel's larger competitors have investment grade credit ratings and, due to their superior size and credit ratings, United States Steel may be at a disadvantage in participating in consolidations. In addition, terms of United States Steel's indebtedness contain covenants that may limit United States Steel's ability to participate in certain consolidations.

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### Competition From Mini-Mill Producers Could Result in Reduced Selling Prices and Shipment Levels for United States Steel

Domestic integrated producers, such as United States Steel, have lost market share in recent years to domestic mini-mill producers. Mini-mills generally produce a narrower range of steel products than integrated producers, but typically enjoy certain competitive advantages such as lower capital expenditures for construction of facilities and non-unionized work forces with lower employment costs and more flexible work rules. An increasing number of mini-mills utilize thin slab casting technology to produce flat-rolled products. Through the use of thin slab casting, mini-mill competitors are increasingly able to compete directly with integrated producers of flat-rolled products, especially hot-rolled and plate products. Depending on market conditions, the additional production generated by flat-rolled mini-mills could have an adverse effect on United States Steel's selling prices and shipment levels. See "INFORMATION ABOUT UNITED STATES STEEL--Description of the Business of United States Steel" on page 69.

### High Energy Costs Can Adversely Impact United States Steel's Results of Operations

United States Steel's operations consume large amounts of energy, a significant amount of which is natural gas. Domestic natural gas prices have

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significantly increased from an average of \$2.27 per million BTUs in 1999 to an average of \$5.88 per million BTUs in the first half of 2001. At current consumption levels, a \$1.00 change in domestic natural gas prices would result in an estimated \$50 million change in United States Steel's annual domestic pretax operating costs.

### United States Steel's Operations Are Subject to Business Interruptions and Casualty Losses

Steel making and raw material operations are subject to unplanned events such as explosions, fires, inclement weather, accidents and transportation interruptions. To the extent not covered by insurance, United States Steel's costs, revenues and cash flows may be adversely impacted.

### Environmental Compliance and Remediation Could Result in Substantially Increased Capital Requirements and Operating Costs

The domestic businesses of United States Steel are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations include the Clean Air Act ("CAA") with respect to air emissions; the Clean Water Act ("CWA") with respect to water discharges; the Resource Conservation and Recovery Act ("RCRA") with respect to solid and hazardous waste treatment, storage and disposal; and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") with respect to releases and remediation of hazardous substances. In addition, all states where United States Steel operates have similar laws dealing with the same matters. These laws are constantly evolving and becoming increasingly stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for laws such as RCRA and the CAA have not yet been promulgated or in certain instances are undergoing revision. These environmental laws and regulations, particularly the CAA, could result in substantially increased capital, operating and compliance costs. See "INFORMATION ABOUT UNITED STATES STEEL--Description of the Business of United States Steel: Environmental Matters" on page 77. In addition, United States Steel is involved in a number of environmental remediation projects relating to the remediation of former and present operating locations and is involved in a number of other remedial actions under federal and state law. See "INFORMATION ABOUT UNITED STATES STEEL--Description of the Business of United States Steel: Environmental Matters" on page 77. United States Steel's environmental expenditures were \$230 million in 2000, \$253 million in 1999 and \$266 million in 1998.

To the extent that competitors, particularly foreign steel producers and manufacturers of competitive products, are not required to undertake equivalent costs, the competitive position of United States Steel could be adversely impacted.

U. S. Steel Kosice, s.r.o. ("USSK") is subject to the national laws of the Slovak Republic. The environmental laws of the Slovak Republic generally follow the requirements of the European Union, which are comparable to domestic standards. In addition, USSK has entered into agreements with the government to bring its facilities into European Union environmental compliance. See "INFORMATION ABOUT UNITED STATES STEEL--Description of the Business of United States Steel" on page 69.

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### United States Steel's Retiree Employee Health Care and Retiree Life Insurance Costs Are Higher Than Those of Many of its Competitors

United States Steel maintains defined benefit retiree health care and life insurance plans covering most domestic employees upon their retirement. Health care benefits are provided through comprehensive hospital, surgical and major medical benefit provisions or through health maintenance organizations, both subject to various cost sharing features. Life insurance benefits are provided to nonunion retiree beneficiaries primarily based on employees' annual base salary at retirement. For domestic union retirees, benefits are provided for the most part based on fixed amounts negotiated in labor contracts with the appropriate unions. As of December 31, 2000, United States Steel reported an unfunded obligation for such matters in the amount of \$1,307 million. Mini-mills, foreign competitors and many producers of products that compete with steel are obligated to provide lesser benefits to their employees and retirees and this difference in costs could adversely impact United States Steel's competitive position.

### Bankruptcies of Domestic Competitors Have Resulted in Lowered Operating Costs of Such Competitors

Since 1998, more than eighteen domestic steel companies have sought protection under Chapter 11 of the United States Bankruptcy Code. Many of these companies have continued to operate and have enjoyed significant cost advantages over United States Steel. In some cases, they have even expanded and modernized while in bankruptcy. Upon emergence from bankruptcy, these companies, or new entities that purchase their facilities through the bankruptcy process, have been relieved of certain environmental, retiree and other obligations. As a result, they are able to operate with lower costs than United States Steel.

### Many Lawsuits Have Been Filed Against United States Steel Involving Asbestos-Related Injuries

United States Steel has been and is a defendant in a large number of cases in which plaintiffs allege injury resulting from exposure to asbestos. Many of these cases involve multiple plaintiffs and most have multiple defendants. These cases fall into three major groups: (1) claims made under federal and general maritime law by employees of the Great Lakes or Intercoastal Fleets, former operations of United States Steel; (2) claims by persons who performed work at United States Steel facilities; and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by United States Steel. If adversely determined, these lawsuits could have a material adverse effect on United States Steel's financial position. See "INFORMATION ABOUT UNITED STATES STEEL--United States Steel Legal Proceedings" on page 80.

### United States Steel's International Operations Expose United States Steel to Uncertainties and Risks From Abroad Which Could Negatively Affect Its Results of Operations

USSK, located in the Slovak Republic, constitutes 28% of United States Steel's total raw steel capability and also accounted for 16% of revenues for the first half of 2001. USSK exports more than 80% of its product, with the majority of its sales to other European countries. USSK is subject to economic conditions in the European Union and global markets it serves. It is also subject to political factors, including taxation, nationalization, inflation, currency fluctuations, increased regulation and protectionist measures. In

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addition, USSK is subject to foreign currency exchange risks because its revenues are primarily in euro-denominated currencies and its costs are primarily in Slovak crowns and United States dollars.

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Following the Separation, United States Steel Corporation Will Have a Substantial Amount of Indebtedness and Other Obligations, Which Could Limit Its Operating Flexibility and Otherwise Adversely Affect Its Financial Condition

If the Separation had occurred on June 30, 2001, United States Steel Corporation would be liable for indebtedness in a total amount equal to approximately \$1.8 billion. United States Steel Corporation will also agree to be responsible for certain guarantee and lease obligations of Marathon Oil Corporation not reflected in its financial statements. As of June 30, 2001, these obligations were estimated to be \$133 million. In addition, United States Steel Corporation may incur other obligations for working capital, refinancing of a portion of the \$1.8 billion referred to above or for other purposes. See "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47. This substantial amount of indebtedness could limit United States Steel's operating flexibility and could otherwise adversely affect United States Steel's financial condition.

United States Steel's high degree of leverage could have important consequences, including the following:

- . its ability to satisfy its debt obligations may be impaired in the future;
- . its ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions or general corporate or other purposes may be impaired in the future;
- . a substantial portion of its cash flow from operations must be dedicated to the payment of principal and interest on its indebtedness, thereby reducing the funds available to it for other purposes;
- . some of its borrowings are and are expected to be at variable rates of interest (including borrowings under its expected inventory and accounts receivable credit facilities), which will expose it to the risk of increased interest rates; and
- . its substantial leverage may limit its flexibility to adjust to changing economic or market conditions, reduce its ability to withstand competitive pressures and make it more vulnerable to a downturn in general economic conditions.

If indebtedness is incurred in the future, it may exacerbate the consequences described above and could have other important consequences.

United States Steel's Business Requires Substantial Debt Service, Capital Investment and Maintenance Expenditures Which United States Steel May Be Unable to Meet



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Based on United States Steel's pro forma debt levels, United States Steel anticipates that its scheduled interest payments for the twelve months immediately following the Separation will be approximately \$148 million, assuming an annual weighted average interest rate of 8.25%. The amortization and maturities of the anticipated accounts receivable facility and inventory revolving credit facility have not yet been negotiated with lenders. Additionally, United States Steel's operations are capital intensive. For the five-year period ended December 31, 2000, total capital expenditures were \$1,439 million and United States Steel plans capital expenditures of \$325 million in 2001. United States Steel's business also requires substantial expenditures for routine maintenance. United States Steel may be unable to raise such amounts through internally generated cash or from external sources. See "RISK FACTORS--Following the Separation, United States Steel Corporation Will Not Have Access to the Financial and Other Resources of USX Corporation" on page 21 and "--United States Steel Has Incurred Operating and Cash Losses and Will Have Fewer Sources of Cash" on page 20 below.

### United States Steel Has Incurred Operating and Cash Losses and Will Have Fewer Sources of Cash

For the six months ended June 30, 2001 and the year ended December 31, 2000, United States Steel had segment income (loss) from operations of \$(138) million and \$25 million, respectively. Additionally, for the

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year ended December 31, 2000, United States Steel generated negative cash from operations of \$494 million after investing activities and dividends, excluding the \$500 million elective VEBA funding. United States Steel may not realize positive operating income or cash flows from continuing operations in the foreseeable future.

Historically, United States Steel funded its negative operating cash flow with cash supplied by USX, a portion of which was reflected as a payment from Marathon under the tax allocation policy and the remainder of which was represented by increased amounts of debt attributed by USX. As a stand-alone company, United States Steel Corporation will need to fund any of its negative operating cash flow from external sources and adequate sources may be unavailable or the cost of such funding may adversely impact United States Steel.

### Following the Separation, United States Steel Corporation Will Not Have Access to the Financial and Other Resources of USX Corporation

Prior to the Separation, the U.S. Steel Group has been and will continue to be operated under the control of USX. Following the Separation, United States Steel Corporation will not be able to rely on USX for financial support or benefit from a relationship with USX to obtain credit. Immediately following the Separation, United States Steel Corporation's credit ratings will be lower than USX's current ratings. See "THE SEPARATION--Background of the Separation" beginning on page 35. This will result in higher interest rates and make obtaining necessary capital more difficult. Following the Separation, the annual weighted average interest rate of United States Steel Corporation's debt and other obligations is estimated to be approximately 8.25%. During the six months ended June 30, 2001, the annual weighted average interest rate of USX's debt and other obligations was 7.11%. See "THE SEPARATION--Financing

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Arrangements Relating to the Separation" on page 47.

The Terms of Indebtedness Entered Into and to Be Entered Into by United States Steel Corporation in Connection With the Separation Will Contain Restrictive Covenants that May Limit United States Steel Corporation's Operating Flexibility

If the Separation had occurred on June 30, 2001, the amount of financing that United States Steel Corporation would have incurred in connection with the Separation, not including assumption of existing obligations, is \$897 million. This includes the \$535 million of indebtedness (reduced by a \$5 million discount) evidenced by the 10.75% Senior Notes due August 1, 2008, recently issued by United States Steel (the "Senior Notes"). The Senior Notes impose significant restrictions on United States Steel Corporation compared to the terms of the current financial obligations of USX. These restrictions, among other things may:

- . impose restrictions on payment of dividends;
- . limit additional borrowings by United States Steel Corporation, including limiting the amount of borrowings secured by inventories or accounts receivable;
- . limit asset sales and sale of the stock of subsidiaries; and
- . restrict the ability to make capital expenditures or certain acquisitions.

Moreover, additional anticipated financing may also include the restrictions above and may:

- . require security interests in accounts receivable and inventory;
- . impose certain financial ratios; and
- . require maintenance of net asset levels.

If these covenants are breached, creditors would be able to declare their obligations immediately due and payable and foreclose on any collateral. Additional indebtedness that United States Steel may incur in the future may also contain similar covenants, as well as other restrictive provisions.

See "THE SEPARATION--Financing Arrangements Relating to the Separation" and "INFORMATION ABOUT UNITED STATES STEEL--Management's Discussion & Analysis of Financial Condition and Results of Operations" on pages 47 and 96, respectively.

United States Steel's Business Could Be Adversely Affected by Strikes or Work Stoppages by Its Unionized Employees

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Currently, substantially all domestic hourly employees of United States Steel's steel, coke and taconite pellet facilities are covered by a collective bargaining agreement with the United Steelworkers of America which expires in August 2004 and includes a no-strike provision. Other hourly employees (for example, those engaged in coal mining and transportation activities) are represented by the United Mine Workers of America, the United Steelworkers of America and other unions. In addition, the majority of USSK employees are represented by a union under a collective bargaining agreement expiring in February 2004, which is subject to annual wage negotiations. Strikes or work stoppages and the resultant adverse impact on its relationship with its customers could have a material adverse effect on United States Steel's business, financial condition or results of operations. In addition, mini-mill producers and certain foreign competitors and producers of comparable products do not have unionized work forces. This may place United States Steel at a competitive disadvantage.

### United States Steel's Business Is Cyclical

Demand for most of United States Steel's products is cyclical in nature and sensitive to general economic conditions. The financial condition and results of operations of United States Steel are significantly affected by fluctuations in the U.S. and global economies. Because integrated steel makers have high fixed costs, reduced volumes result in operating inefficiencies, such as those experienced in the first half of 2001. Over the past five years, United States Steel's net income has varied from a high of \$452 million in 1997 to a loss of \$21 million in 2000. Future economic downturns, a stagnant economy or currency fluctuations may adversely affect United States Steel's business, results of operations and financial condition.

### Risks Related to the Business of Marathon

A Substantial or Extended Decline in Oil or Gas Prices Would Have a Material Adverse Effect on Marathon

Prices for oil and gas fluctuate widely. Marathon's revenues, operating results and future rate of growth are highly dependent on the prices it receives for its oil, gas and refined products. Historically, the markets for oil, gas and refined products have been volatile and may continue to be volatile in the future. Many of the factors influencing prices of oil, gas and refined products are beyond the control of Marathon. These factors include:

- . worldwide and domestic supplies of oil and gas,
- . weather conditions,
- . the ability of the members of OPEC to agree to and maintain oil price and production controls,
- . political instability or armed conflict in oil-producing regions,
- . the price and level of foreign imports,
- . the level of consumer demand,
- . the price and availability of alternative fuels,
- . the availability of pipeline capacity, and
- . domestic and foreign governmental regulations and taxes.

The long-term effects of these and other conditions on the prices of oil and

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gas are uncertain. For example, oil prices declined significantly in 1998 and, for an extended period of time, remained substantially below prices obtained in previous years. In late 1999, oil and natural gas prices increased significantly and have remained at higher levels.

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Lower oil and gas prices may reduce the amount of oil and gas that Marathon produces, which may adversely affect its revenues and operating income. Significant reductions in oil and gas prices may require Marathon to reduce its capital expenditures.

### Oil and Gas Reserve Data and Future Net Revenue Estimates of Marathon Are Uncertain

Estimates of reserves by necessity are projections based on engineering data, the projection of future rates of production and the timing of future expenditures. Estimates of Marathon's proved oil and gas reserves and projected future net revenues are based on reserve reports which it prepares. The process of estimating oil and gas reserves requires substantial judgment on the part of the petroleum engineers, resulting in imprecise determinations, particularly with respect to new discoveries. Different reserve engineers may make different estimates of reserve quantities and revenues attributable thereto based on the same data. Future performance that deviates significantly from the reserve reports could have a material adverse effect on the business and prospects of Marathon.

Fluctuations in the price of oil and natural gas have the effect of significantly altering reserve estimates as the economic projections inherent in the estimates may reduce or increase the quantities of recoverable reserves. Such prices may not be realized or the estimated production volumes may not be produced during the periods indicated. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates.

### If Marathon Fails to Acquire or Find Additional Reserves, Its Reserves and Production Will Decline Materially From Their Current Levels

The rate of production from oil and gas properties generally declines as reserves are depleted. Except to the extent that Marathon acquires additional properties containing proved reserves, conducts successful exploration and development activities or, through engineering studies, identifies additional behind-pipe zones or secondary recovery reserves, its proved reserves will decline materially as reserves are produced. Future oil and gas production is, therefore, highly dependent upon our level of success in acquiring or finding additional reserves. Because Marathon is smaller than many of its competitors, it has fewer reserves and will be at an even greater disadvantage to its competitors if it fails to acquire or find additional reserves.

### Marathon's Refined Product Margins Can Be Adversely Affected by Rising Crude Oil Prices and Environmental Regulations

Marathon conducts domestic refining, marketing and transportation operations primarily through its 62% owned consolidated subsidiary, Marathon Ashland Petroleum LLC ("MAP"). MAP's operations are conducted mainly in the Midwest, Southeast, Ohio River Valley and the upper Great Plains. The profitability of these operations depends largely on the margin between the cost of crude oil and other feedstocks refined and the selling prices of refined products. MAP is

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a purchaser of crude oil in order to satisfy its refinery throughput requirements. As a result, its overall profitability could be adversely affected by availability of supply and rising crude oil and other feedstock prices which are not recovered in the marketplace. Refined product margins have been historically volatile and vary with the level of economic activity in the various marketing areas, the regulatory climate, logistical capabilities and the available supply of refined products.

In addition, environmental regulations, particularly the 1990 Amendments to the CAA, have imposed, and are expected to continue to impose, increasingly stringent and costly requirements on refining and marketing operations which may have an adverse effect on margins.

### The Oil and Gas Exploration and Production Industry Is Very Competitive

There is strong competition relating to all aspects of the oil and natural gas industry, and in particular in the exploration and development of new oil and natural gas reserves. Marathon competes with major integrated

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and independent oil and gas companies for the acquisition of oil and gas properties and leases, for the equipment and labor required to develop and operate these properties, and in the marketing of natural gas to end-users. Many of these competitors have financial and other resources substantially greater than that available to Marathon. In addition, many of Marathon's larger competitors may be better able to respond to factors that affect the demand for oil and natural gas production, such as changes in worldwide oil and natural gas prices and levels of production, the cost and availability of alternative fuels and the application of government regulations. Marathon also competes in attracting and retaining personnel, including geologists, geophysicists and other specialists and generalists. Marathon may not be able to attract or retain technical personnel in the future.

### Many of Marathon's Competitors in Exploration and Production Have Greater Resources Than Marathon

The oil and gas industry is characterized by a large number of companies, none of which is dominant within the industry, but a number of which have greater resources than Marathon. As a consequence, Marathon may find itself at a competitive disadvantage in bidding for drilling rights and in completing projects.

### Environmental Compliance and Remediation Could Result in Increased Capital Requirements and Operating Costs

The businesses of Marathon are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations include: the CAA, with respect to air emissions; CWA, with respect to water discharges; RCRA, with respect to solid and hazardous waste treatment, storage and disposal; CERCLA, with respect to releases and remediation of hazardous substances; and the Oil Pollution Act of 1990, with respect to oil pollution and response. In addition, many states where Marathon operates have similar laws dealing with the same matters. These laws and their associated regulations are constantly evolving and many of them have become more stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for laws such as RCRA and the CAA have not yet been finalized or in certain instances are undergoing revision.

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These environmental laws and regulations, particularly the 1990 Amendments to the CAA, new water quality standards and stricter fuel regulations could result in increased capital, operating and compliance costs.

Marathon has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of Marathon's products and services, operating results will be adversely affected. The specific impact of these laws and regulations on each of Marathon's competitors may vary depending on a number of factors, including the age and location of its operating facilities, marketing areas, production processes and whether or not it is engaged in the petrochemical business or the marine transportation of crude oil or refined products.

Of particular significance to MAP are the new Tier II Fuels regulations proposed in late 1999. The gasoline rules, which were finalized by the U.S. Environmental Protection Agency ("EPA") in February 2000, and the diesel fuel rule which was finalized in January 2001, require substantially reduced sulfur levels. The combined capital cost to achieve compliance with the gasoline and diesel regulations could amount to approximately \$700 million between 2003 and 2005. This is a forward-looking statement and can be only a broad-based estimate due to the ongoing evolution of regulatory requirements. Some factors (among others) that could potentially affect gasoline and diesel fuel compliance costs include obtaining the necessary construction and environmental permits, operating considerations, and unforeseen hazards such as weather conditions. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of Marathon's products and services, operating results will be adversely affected.

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### Marathon's Reliance on Foreign Production of Oil and Gas Exposes Marathon to Risks From Abroad Which Could Negatively Affect Its Results of Operations

Marathon's oil and gas producing activities rely heavily upon production outside of the United States. For the years 2000, 1999 and 1998, international production accounted for 48%, 33% and 34%, respectively. Development of new production properties in countries outside the United States may require protracted negotiations with host governments, national oil companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, inflation, currency fluctuations, increased regulation and approval requirements and governmental regulation, which could adversely affect the economics of projects.

### Marathon's Exploration and Production Operations Are Subject to Business Interruptions and Casualty Losses

Exploration and production operations are subject to unplanned occurrences, including, without limitation, blowouts, explosions, fires, loss of well control and spills, adverse weather, labor disputes, and maritime accidents. To the extent not covered by insurance, Marathon's costs, revenues and cash flows could be adversely impacted.

### Marathon's Refining, Marketing and Transportation Operations Are Subject to Business Interruptions and Casualty Losses

Refining, marketing and transportation operations are subject to business interruptions due to unplanned events such as explosions, fires, pipeline

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interruptions, crude oil or refined product spills, inclement weather or labor disputes. They are also subject to the additional hazards of marine operations, such as capsizing, collision and damage or loss from severe weather conditions. To the extent not covered by insurance, Marathon's costs, revenues and cash flows could be adversely impacted.

### Marathon Does Not Insure Against All Potential Losses and Could Be Seriously Harmed by Unexpected Liabilities

As discussed above, both the exploration and production and the refining, marketing and transportation operations of Marathon are subject to business interruptions and casualty losses. Marathon maintains insurance against many, but not all, potential losses or liabilities arising from its operations in accordance with customary industry practices and in amounts that it believes to be prudent. Losses and liabilities arising from such events could reduce Marathon's revenues and increase its costs to the extent not covered by insurance. The occurrence of any of the aforementioned events and any payments made as a result of such events and the liabilities related thereto, would reduce the funds available for exploration, drilling and production and could have a material adverse effect on Marathon's financial position or results of operations.

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### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus includes "forward-looking statements," which are identified by the use of forward-looking words or phrases, including, but not limited to, "intended," "expects," "expected," "anticipates," and "anticipated." These forward-looking statements are based on (1) a number of assumptions made by management concerning future events and (2) information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other facts, many of which are outside USX's control, that could cause actual events to differ materially from such statements. All statements other than statements of historical factors included in this proxy statement/prospectus, including those regarding the financial position, results of operations, cash flows, business strategy, projected costs, growth opportunities, strategic and other benefits of the Separation, and plans regarding financing in connection with the Separation, are forward-looking statements. Although we believe that our expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations ("Cautionary Statements") include prices of oil and natural gas; refined product margins; prices and volumes of sale of steel products; levels of imports of steel products into the United States; prevailing interest rates; and general economic and financial market conditions, as well as those factors disclosed under "RISK FACTORS" on page 14 and elsewhere in this proxy statement/prospectus and in our SEC filings listed under "WHERE YOU CAN FIND MORE INFORMATION" on page 135. These forward-looking statements represent our judgment as of the date of this proxy statement/prospectus. All subsequent written and oral forward-looking statements are expressly qualified in their entirety by the Cautionary Statements. Unless otherwise required by law, we disclaim any intent or obligation to update the respective forward-looking statements.

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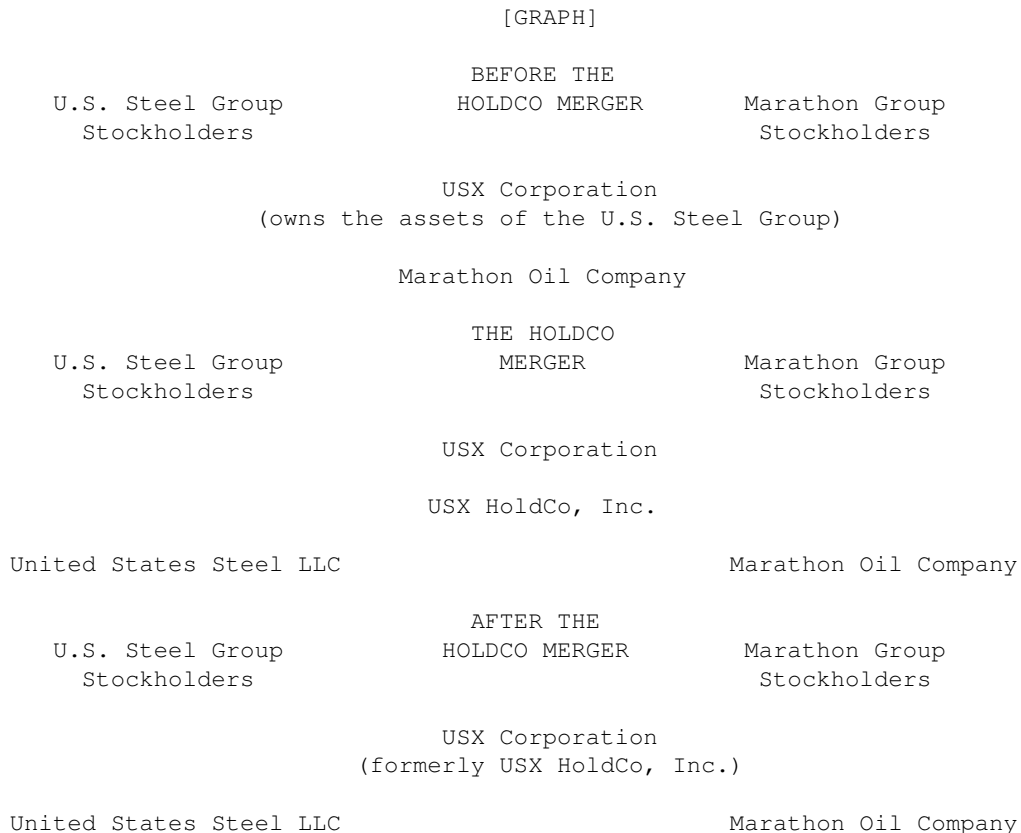
## RECENT DEVELOPMENTS

### The Holding Company Reorganization

On July 2, 2001, we completed a corporate reorganization to implement a new holding company structure. As a result, USX became a holding company that owns all of the outstanding equity of Marathon Oil Company, an Ohio corporation which, directly and indirectly, owns and operates the business of the Marathon Group, and of United States Steel LLC, a Delaware limited liability company which, directly and indirectly, owns and operates the business of the U. S. Steel Group.

No action is or was required to be taken by any stockholder in connection with the HoldCo Merger. Your stock certificates continue to represent Marathon Group Shares or U. S. Steel Group Shares, as applicable. No changes were made to the rights of any stockholder. References in this proxy statement/prospectus to "Old USX" refer to USX Corporation, as it existed prior to the HoldCo Merger.

The organization of USX before and after the HoldCo Merger is illustrated below:



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### Fairless Works Shutdown

On August 14, 2001, United States Steel announced its intention to



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permanently close the cold rolling and tin mill operations at Fairless Works, with a combined annual finishing capability of 1.5 million tons, on or after November 12, 2001. Under its labor agreement, United States Steel is required to discuss the proposed shutdown with the United Steel Workers of America before making a final decision. United States Steel also announced that, subject to market conditions, it currently intends to continue operating the hot dip galvanizing line at Fairless Works. The anticipated financial impact of the shutdown will be recorded in the second half of 2001 and is estimated to be a pretax charge of \$35 million to \$45 million. The near-term cash impact will be minimal since half of the charge is for depreciation or impairment of fixed assets and the balance is related to employee benefits that will be paid from trust funds which will be funded over a period of years if required.

### Voluntary Early Retirement Program

On August 14, 2001, USX and United States Steel informed their headquarters employees that, in connection with the Separation, a voluntary early retirement program will be offered to employees of most USX headquarters departments and to designated groups of United States Steel employees whose work is functionally related to USX. The financial impact of this program is being treated as a Separation Cost and an estimate of these costs has been included in the Separation Costs set forth in the pro forma financial information included in the "UNAUDITED PRO FORMA FINANCIAL STATEMENTS" in Annex C.

### Outlook of United States Steel

Over the last few months, domestic orders for steel have strengthened and prices have stabilized. In the third quarter, we expect Domestic Steel shipments to be somewhat higher and realized prices to be flat or modestly higher. On the cost side, there has been a declining trend in natural gas prices compared to the same period last year. Continuation of this trend could provide a significant positive impact on our costs over the balance of the year.

On May 31, 2001 a major fire damaged the cold-rolling mill at USS-POSCO, which is fifty percent owned by United States Steel. Damage was predominantly limited to the cold-rolling mill area of the plant. USS-POSCO maintains insurance coverage against such losses, including coverage for business interruption. The mill is expected to resume production in the first quarter of 2002, although full-production may not be achieved until mid-2002. Until such time, the plant will continue customer shipments using cold-rolled coils from United States Steel and POSCO as substitute feedstock.

For USSK, United States Steel expects third quarter shipments to be slightly lower than the second quarter and third quarter average realized prices to be flat compared to the second quarter. Based on continued improvement in production performance since acquisition, USSK raw steel production capability for the second half of 2001 will be increased to 2.5 million net tons, for an annualized rate of 5.0 million net tons.

For the full year 2001, total shipments are expected to be approximately 14.0 to 14.5 million net tons with Domestic Steel shipments of approximately 10.5 to 11 million net tons and USSK shipments of approximately 3.5 million net tons.

United States Steel owns a 16% equity method investment in Republic Technologies International, LLC ("Republic") through USX's ownership in Republic Technologies International Holdings, LLC, which is the sole owner of Republic. Republic is a major purchaser of raw materials from United States Steel and the primary supplier of rounds for Lorain Tubular. On April 2, 2001,

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Republic filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Republic has continued to supply the Lorain mill since filing for bankruptcy and no supply interruptions are anticipated. United States Steel's carrying value of this investment in Republic has been reduced to zero. Upon Republic's filing for bankruptcy, United States Steel accrued a charge for a

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substantial portion of the receivables due from Republic. At June 30, 2001, United States Steel's remaining pre-petition financial exposure to Republic, after recording various losses and reserves, totaled approximately \$30 million.

The above discussion includes forward-looking statements concerning shipments, pricing, and equity investee performance. These statements are based on assumptions as to future product demand, prices and mix, and production. Steel shipments and prices can be affected by imports and actions of the U.S. Government and its agencies pertaining to trade, domestic and international economies, domestic production capacity, and customer demand. Factors which may affect USSK results are similar to domestic factors, including excess world supply and foreign currency fluctuations, and also can be influenced by matters peculiar to international marketing such as tariffs. In the event these assumptions prove to be inaccurate, actual results may differ significantly from those presently anticipated.

### Outlook of Marathon

The outlook regarding the Marathon Group's upstream revenues and income is largely dependent upon future prices and volumes of liquid hydrocarbons and natural gas. Prices have historically been volatile and have frequently been affected by unpredictable changes in supply and demand resulting from fluctuations in worldwide economic activity and political developments in the world's major oil and gas producing and consuming areas. Any significant decline in prices could have a material adverse effect on the Marathon Group's results of operations. A prolonged decline in such prices could also adversely affect the quantity of crude oil and natural gas reserves that can be economically produced and the amount of capital available for exploration and development.

On August 23, 2001, Marathon announced plans to develop a strategic alliance with Yukos Oil Company, the second largest oil company in Russia. As part of the alliance, a joint business development group is planned to be located in London to evaluate international investment opportunities. We anticipate that this relationship could lead to investment by Marathon in energy opportunities in Russia. On August 29, 2001, Marathon announced agreements with Statoil, Norsk Hydro and TotalFinaElf, to acquire varied interests in five licenses in the Norwegian Sector of the North Sea. The portfolio additions include several undeveloped discoveries close to Marathon's existing infrastructure positions in the Heimdal and Brae areas of the North Sea. The transactions are subject to necessary approvals from the Norwegian authorities.

Marathon's third quarter and full year 2001 production is expected to be approximately 392 and 420 thousand barrels of oil equivalent per day, respectively. The full year estimate reflects reduced heavy oil investment in Canada, a higher than expected level of asset sales and delays in new project start-ups.

Marathon's high impact drilling program in the Gulf of Mexico will be delayed due to the cancellation of the contract for the Cajun Express rig. With the Cajun Express rig, Marathon expected to drill two deepwater Gulf of Mexico wells before year-end 2001. Marathon has contracted the Max Smith rig, which is

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on location, to drill the Deep Ozona prospect with the Paris Carver prospect expected to follow in the fourth quarter of 2001.

For the longer term, Marathon has targeted a 3% annual production growth rate at a time when we see worldwide production growth rates of 1% to 2%. We plan to continue our program of exploration and business development to meet our target. Our exploration program is targeted on high impact projects and our business development team is pursuing growth opportunities through purchases, exchanges and joint ventures. We also anticipate that at some point we will exceed the 3% annual growth rate which could present us with the opportunity of selling less attractive reserves and production thereby improving the production profile.

The above discussion includes forward-looking statements with respect to the expected levels of Marathon's worldwide liquid hydrocarbon and natural gas production and the drilling program. Some factors that could potentially affect worldwide liquid hydrocarbon and natural gas production include pricing, supply

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and demand for petroleum products, amount of capital available for exploration and development, regulatory constraints, timing of commencing production from new wells, and other geological, operating and economic considerations. Some factors that affect the drilling program include the timing and results of future development drilling and drilling rig availability.

Downstream income of the Marathon Group is largely dependent upon the refining and wholesale marketing margin for refined products and the retail gross margin for gasoline and distillates. The refining and wholesale marketing margin reflects the difference between the wholesale selling prices of refined products and the cost of raw materials refined, purchased product costs and manufacturing expenses. Refining and wholesale marketing margins have been historically volatile and vary with the level of economic activity in the various marketing areas, the regulatory climate, the seasonal pattern of certain product sales, crude oil costs, manufacturing costs, the available supply of crude oil and refined products, and logistical constraints. The retail gross margin for gasoline and distillates reflects the difference between the retail selling prices of these products and their wholesale cost. Retail gasoline and distillate margins have also been historically volatile, but tend to be counter cyclical to the refining and wholesale marketing margin. Factors affecting the retail gasoline and distillate margin include seasonal demand fluctuations, the available wholesale supply, the level of economic activity in the marketing areas and weather situations which impact driving conditions.

In June 2001, MAP acquired an interest in approximately 50 convenience stores located in Indiana and Michigan from Welsh, Inc. The acquisition of these retail outlets increases MAP's presence in these markets and should provide more than 80 million gallons of new annual gasoline sales.

On September 1, 2001, MAP and Pilot Corporation commenced operation of their previously announced transaction to form Pilot Travel Centers LLC. MAP and Pilot each have a 50 percent interest in Pilot Travel Centers LLC, in what is the largest travel center network in the nation with more than 235 locations. The new venture, based in Knoxville, Tennessee, has approximately 11,000 employees.

MAP is also working to improve its logistics network and has been designated operator of the Centennial Pipeline, owned jointly by Panhandle Eastern Pipe

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Line Company, a subsidiary of CMS Energy Corporation, MAP, and TE Products Pipe Line Company, Limited Partnership. All of the permits and rights-of-way have been obtained for the new pipeline, which will connect the Gulf Coast refiners with the Midwest market. The Centennial Pipeline system is expected to be operational in first quarter 2002.

A MAP subsidiary, Ohio River Pipe Line LLC ("ORPL"), plans to build a pipeline from Kenova, West Virginia to Columbus, Ohio. ORPL is a common carrier pipeline company and the pipeline will be an interstate common carrier pipeline. The pipeline will be named Cardinal Pipeline and is expected to initially move about 50,000 barrels per day of refined petroleum into the central Ohio region. MAP has secured over 95 percent of the rights-of-way required to build the pipeline and negotiations are continuing with most of the remaining landowners. Eminent domain proceedings are in progress in several cases as well. Permitting issues have been encountered which could delay the start-up of this pipeline until the first quarter of 2003. MAP continues to vigorously pursue the permits and remaining rights-of-way required to complete this project.

The Garyville, Louisiana coker project is nearing completion and is anticipated to be at full production during the fourth quarter of this year. The total cost of this major improvement program is approximately \$280 million.

In connection with the proposed Separation, described beginning on page 34, Standard & Poor's reported that they had assigned a BBB+ corporate credit rating, which is investment grade, to Marathon Oil Corporation with a stable outlook assuming the proposed Separation is completed.

The above discussion includes forward-looking statements with respect to the expected completion of the Centennial Pipeline system, the expected completion of the Cardinal Pipeline, the coker project and the Proposed Separation. Some factors which could impact the Centennial Pipeline system include delivery of

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equipment and materials, contractor performance and unforeseen hazards such as weather conditions. Some factors which could impact the Cardinal Pipeline include obtaining the necessary permits and remaining rights-of-way, and completion of construction. Some factors which could impact the coker project include unforeseen hazards such as weather conditions, and unanticipated commissioning and start-up issues. Some factors that could affect the Proposed Separation include approval of a majority of the outstanding shares of each class of the current USX common stock, receipt of a favorable tax ruling from the IRS on the tax-free nature of the transaction, completion of necessary financing arrangements, receipt of necessary regulatory and third party consents, any materially adverse changes in business conditions for the energy and/or steel businesses or other unfavorable circumstances. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

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### MARKET PRICE AND DIVIDEND INFORMATION OF MARATHON GROUP SHARES AND U. S. STEEL GROUP SHARES

The principal trading market for the Marathon Group Shares and the U. S. Steel Group Shares is the NYSE. Marathon Group Shares and U. S. Steel Group Shares are also listed on the Pacific Stock Exchange ("PSE") and the Chicago Stock Exchange ("CSE"). The following tables set forth, for the periods

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indicated, the high and low closing sale price per share on the NYSE, based on published financial sources.

	Marathon Group Shares		U. S. Steel Group Shares	
	High	Low	High	Low
1999:				
First Quarter.....	\$ 31.38	\$ 19.63	\$ 29.13	\$22.25
Second Quarter.....	32.75	25.81	34.25	23.50
Third Quarter.....	33.88	28.50	30.06	24.56
Fourth Quarter.....	30.63	23.63	33.00	21.75
2000:				
First Quarter.....	\$ 27.50	\$ 20.69	\$ 32.94	\$20.63
Second Quarter.....	29.19	22.81	26.88	18.25
Third Quarter.....	29.63	23.50	19.69	14.88
Fourth Quarter.....	30.38	25.25	18.31	12.69
2001:				
First Quarter.....	\$ 29.99	\$ 25.85	\$ 18.00	\$14.00
Second Quarter.....	33.73	26.23	22.00	13.72
Third Quarter (through September [ ])				

On November 29, 2000, the last full trading day prior to the announcement that our board of directors authorized an in-depth study of our targeted stock structure, the last reported sales prices of U. S. Steel Group Shares and Marathon Group Shares on the NYSE Composite Tape were \$13.81 per share and \$27.50 per share, respectively. On April 23, 2001, the last full trading day prior to the announcement that our board of directors authorized management to take steps necessary to implement the Separation, the last reported sales prices of U. S. Steel Group Shares and Marathon Group Shares on the NYSE Composite Tape were \$15.89 per share and \$31.37 per share, respectively. On July 30, 2001, the last full trading day prior to the announcement that our board of directors approved the Plan of Reorganization, the last reported sales of U. S. Steel Group Shares and Marathon Group Shares on the NYSE Composite Tape were \$19.61 per share and \$29.76 per share, respectively. On , 2001, the last full trading day prior to the printing of this proxy statement/prospectus, the last reported sales prices of U. S. Steel Group Shares and Marathon Group Shares on the NYSE Composite Tape were \$ per share and \$ per share, respectively. Stockholders are urged to obtain a current market quotation for the U. S. Steel Group Shares and the Marathon Group Shares.

In recent years, USX paid a quarterly dividend on the U. S. Steel Group Shares of \$0.25 per share. On April 24, 2001 and July 31, 2001, the USX board of directors declared reduced dividends on U. S. Steel Group Shares of \$0.10 per share.

For the periods indicated above through June 10, 2000, USX paid a quarterly dividend on the Marathon Group Shares of \$0.21 per share. Since September 9, 2000, USX has paid a quarterly dividend on the Marathon Group Shares of \$0.23 per share.

Current Dividend Policy. The USX board of directors declares and pays dividends on Marathon Group Shares and U. S. Steel Group Shares based on the

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financial condition and results of operations of the Marathon Group and the U. S. Steel Group, long-term earnings and cash flow capabilities of the Marathon Group and the U. S. Steel Group as well as the dividend policies of similar publicly traded oil and gas and steel companies.

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In determining its dividend policy with respect to Marathon Group Shares and U. S. Steel Group Shares, the USX board of directors has relied on the separate financial statements of the Marathon Group and the U. S. Steel Group.

As set forth in the USX Restated Certificate of Incorporation, dividends on Marathon Group Shares and U. S. Steel Group Shares are limited to legally available funds of USX, which are determined on the basis of the entire corporation. Dividends on U. S. Steel Group Shares are further limited to the "Available Steel Dividend Amount," an amount similar to the amount that would be legally available for the payment of dividends on the U. S. Steel Group Shares under Delaware law if the U. S. Steel Group were a separate company.

Post-Separation Dividend Policy. Following the Separation, the declaration of dividends on New U. S. Steel Shares and Marathon Shares will be at the discretion of the boards of directors of United States Steel Corporation and Marathon Oil Corporation, respectively, and will be determined after consideration of various factors, including, without limitation, in each case the earnings and financial condition of United States Steel Corporation and Marathon Oil Corporation and their subsidiaries. The boards of directors of United States Steel Corporation and Marathon Oil Corporation will have the right to change the amount of dividends at any time. The terms of indebtedness entered into and to be entered into in connection with the Separation will limit the ability of United States Steel Corporation to pay dividends following the Separation. See "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

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### PROPOSAL ONE: THE SEPARATION

#### Structure of the Separation

Under the Plan of Reorganization, the Separation will be implemented by merging a newly formed corporate subsidiary of USX ("Merger Sub") with and into USX, with USX continuing as the surviving corporation (the "Separation Merger").

As a result of the Separation Merger:

- . the business of the U. S. Steel Group will be owned and operated by United States Steel Corporation, which will be an independent, publicly traded company, wholly owned by the holders of the then outstanding U. S. Steel Group Shares;
- . the business of the Marathon Group will be owned and operated by Marathon Oil Corporation, which will be an independent, publicly traded company, wholly owned by the holders of the then outstanding Marathon Group Shares;
- . each issued and outstanding U. S. Steel Group Share will be converted into the right to receive one share of common stock, par value \$1.00 per share, of United States Steel Corporation ("New U. S. Steel Shares");

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- . Marathon Group Shares will remain outstanding and will be the sole outstanding shares of USX common stock ("Marathon Shares"), and USX will change its name to Marathon Oil Corporation; and
- . each outstanding share of 6.50% Cumulative Convertible Preferred Stock, no par value, of USX ("6.50% Preferred Stock") will be converted into the right to receive, in cash, \$50.00 plus accrued but unpaid dividends thereon.

For information regarding the material differences between the New U. S. Steel Shares and the U. S. Steel Group Shares and between the Marathon Shares and the Marathon Group Shares, see "COMPARISON OF THE RIGHTS OF STOCKHOLDERS" beginning on page 125.

In connection with the Separation, certain indebtedness and other obligations of USX will be repaid or retired and United States Steel Corporation will incur indebtedness and other obligations and agree to repay certain indebtedness and other obligations of USX, such that the amount of indebtedness and other obligations for which United States Steel Corporation is responsible immediately following the Separation is \$900 million less than the net amounts attributed to the U. S. Steel Group immediately prior to the Separation. Conversely, the amount of indebtedness and other obligations for which Marathon Oil Corporation will be responsible immediately following the Separation is \$900 million more than the net amounts attributed to the Marathon Group immediately prior to the Separation. For a more detailed description of the financial arrangements affected by the Value Transfer, see "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

In connection with the Separation, each outstanding share of the 6.75% Convertible Quarterly Income Preferred Security of USX Capital Trust I, a subsidiary of USX, will be redeemed for a cash payment of \$50.00 plus accrued but unpaid dividends thereon.

The Separation will become effective at such time after the satisfaction or waiver, to the extent permitted by law, of all of the conditions to the Separation set forth in the Plan of Reorganization, as determined by the USX board of directors, upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or such later time as specified in the certificate of merger (the "Separation Effective Time"). Completion of the Separation is subject to a number of conditions including the receipt of a private letter ruling from the IRS. For a description of such conditions, see "THE PLAN OF REORGANIZATION--Conditions to the Completion of the Separation" on page 66. Although we cannot predict the timing of receipt of such ruling or satisfaction of such other conditions, we presently expect to complete the Separation on or about December 31, 2001. The date upon which the Separation actually occurs is referred to in this proxy statement/prospectus as the "Separation Date."

Your board may terminate the Plan of Reorganization and determine not to proceed with the Separation at any time prior to its completion, even if it is approved by our stockholders and all of the other conditions to the Separation are satisfied. In the event that any of the conditions to the Separation are not satisfied, such as failure to receive the IRS private letter ruling, inability to complete the financing in amount, form and substance satisfactory

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to the board or failure to receive stockholder approval of the Separation, or if the board decides not to proceed with the Separation, USX will continue to exist in its present form with two classes of common stock outstanding representing the Marathon Group and the U. S. Steel Group.

### Background of the Separation

In May 1991, stockholders of Old USX approved an amendment to the certificate of incorporation of Old USX to provide for the issuance of two classes of common stock--sometimes referred to as targeted stock--intended to separately reflect the performance of our steel and energy businesses without diminishing the benefits of remaining a single corporation or restricting our future restructuring options. Our targeted stock structure was designed to give stockholders an opportunity to separately evaluate and invest in our steel and energy businesses while allowing Old USX to finance its extensive capital requirements on a consolidated basis.

Since that time, Old USX enjoyed lower capital and operating costs than it believes would have been incurred by the Marathon Group and the U. S. Steel Group had they been held by two separate corporations. Although our board of directors believes that the existing structure has benefitted both classes of our common stockholders over the past ten years, the board has, from time to time, reviewed our capital structure and the performance of our targeted stock and has considered alternative structures to enhance stockholder value for all of our stockholders. On November 30, 2000, we announced that our board of directors authorized management to retain financial, tax and legal advisors to perform an in-depth study of our targeted stock structure and all alternative structures which may be in the best interest of all of our stockholders.

In December 2000, we engaged CSFB and SSB as our financial advisors in connection with our review of the targeted stock structure and available alternative structures. Immediately thereafter, CSFB and SSB began their due diligence investigation of our business and capital structure and commenced their review of available alternatives. Since that time, your board has met five times with CSFB, SSB and other advisors to consider a number of matters impacting the Separation.

On February 27, 2001, at a meeting of the board of directors, CSFB and SSB reported to the board their preliminary findings with respect to their review of our targeted stock structure and its impact on stockholder value, as well as industry and business conditions facing the Marathon Group and the U. S. Steel Group. At that meeting, CSFB and SSB reviewed for the board potential restructuring alternatives available to USX. Such alternatives included a spin-off of Marathon or of United States Steel; a sale of Marathon or United States Steel to a third party for stock and/or cash; creation of a single class of USX stock for both Marathon and United States Steel; strategic acquisitions by Marathon or United States Steel; and a restructuring of Marathon. CSFB and SSB discussed the potential advantages and disadvantages of such alternatives. Management, together with legal counsel, then reviewed for the board issues to be considered in connection with any contemplated separation of the Marathon Group and the U. S. Steel Group, including tax implications and structural considerations.

On April 3, 2001, our board of directors again met with its financial, legal and tax advisors to discuss the proposed Separation. At this meeting, CSFB and SSB updated the board as to their preliminary advice that a separation of the Marathon Group and the U. S. Steel Group would establish two strong, independent companies and would create stockholder value for both classes of our stockholders, assuming an appropriate value transfer from the Marathon Group to the U. S. Steel Group. CSFB and SSB also advised the board that a value transfer of \$900 million would establish United States Steel as a financially independent company. CSFB and SSB described for the board the



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proposed capital structure of Marathon and United States Steel following the Separation. Legal counsel then reviewed with the board alternative separation structures and described for the board the considerations in selecting a separation structure, including the tax implications of the Separation, required stockholder approvals and corporate governance considerations.

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On April 23, 2001, at a meeting of our board of directors, its financial, legal and tax advisors, together with our management team, presented the board of directors with the conclusions drawn from their studies undertaken to review our targeted stock structure. Management presented the board with updated business plans for both businesses and revenue trends in the two businesses including, for the Marathon Group, an annual 3% production growth rate in exploration and production operations and a 1% growth in volume in refining and marketing operations and for U. S. Steel a continuation of the current weak commercial environment through mid-2002 with strengthening prices and volumes from mid-2002 through 2003. At that meeting, CSFB and SSB outlined business reasons for a separation, including increasing the ability of the Marathon Group and the U. S. Steel Group to focus on their core businesses, make critical investments and stock-based acquisitions and attract a broader range of research coverage and prospective investors, providing appropriate capital structures for each business, increasing financial flexibility and access to financial markets and aligning the liabilities of each business. At this meeting, CSFB and SSB confirmed that, in their experience, in transactions involving equity securities as a substantial part of the overall consideration, many parties, particularly international persons and corporations, strongly prefer a so-called "asset based" stock of an issuer that has a single class of common stock, as compared to a targeted stock. Among the reasons expressed by such parties are concerns about the impact of actual and contingent liabilities of the other business, concerns over whether one business is favored or disfavored by executive management and directors and the combination of different credit profiles into a single borrower. CSFB and SSB also confirmed that a value transfer of approximately \$900 million would be appropriate to establish United States Steel as a strong, independent company. CSFB and SSB each advised the board that, based on the information available as of the date thereof, it would be prepared to render a fairness opinion to the board of directors to the effect that the financial effects of the transactions, taken as a whole, contemplated by the Plan of Reorganization are fair to the holders of Marathon Group Shares and U. S. Steel Group Shares from a financial point of view, subject to the approval of its investment banking fairness committee and subject to completion and review of the definitive documents to effect the Separation.

Legal counsel then reviewed with the board the proposed structure of the Separation. CSFB and SSB then briefly outlined the proposed refinancing of a portion of our indebtedness and presented a proposed timetable to complete the Separation. After full discussion, the board of directors unanimously determined to authorize management to proceed with the necessary steps to implement the Separation, subject to the later approval by the board of the Separation and review and approval by the board of the terms of the definitive documents to effect the Separation. We issued a press release on April 24, 2001 announcing that our board had authorized management to take such steps.

On May 29, 2001, the board of directors met with its legal, tax and financial advisors. Legal counsel reviewed for the board the structure of the Separation and the terms of the draft Plan of Reorganization, and discussed the preliminary proxy statement/prospectus and the anticipated IRS private letter

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ruling request. The terms of the draft Plan of Reorganization resulted from discussions among management and our legal, tax and financial advisors and were not arrived at through negotiations. The amount of the \$900 million Value Transfer was determined by the board of directors, after review of all of the factors described under "THE SEPARATION--Factors Considered by the Board of Directors in Approving the Separation." After full discussion, the board of directors unanimously determined to approve the filing of the preliminary proxy statement/prospectus with the SEC and the private letter ruling request with the IRS.

On July 31, 2001, our board of directors again met with its legal, tax and financial advisors to review the final terms of the Separation and to consider and vote upon the Separation. Legal counsel reviewed for the board the structure of the Separation and the terms of the Plan of Reorganization. CSFB and SSB reviewed for the board their financial analysis of the Separation and delivered their opinions to the board that the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization, are fair, from a financial point of view, to the holders of Marathon Group Shares and the holders of U. S. Steel Group Shares. Management updated the board on the steel and energy businesses including the latest financial outlook for the two businesses. After full discussion, the board of directors unanimously approved the Separation, including the \$900 million Value Transfer, adopted the Plan of Reorganization and determined to recommend that our stockholders vote to adopt the Plan of Reorganization and approve the transactions contemplated thereby.

Based upon all of the above, the board believes that the businesses of the Marathon Group and the U. S. Steel Group will improve, and stockholder value will therefore increase, if both businesses grow and are

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positioned to participate in consolidation opportunities in their respective industries and markets. Over the past two years, the Marathon Group and the U. S. Steel Group have engaged in major growth transactions. Marathon acquired Pennaco Energy Inc. and acquired interests in producing properties from Shell U.K. Limited in exchange for its 37.5% interest in Sakhalin Energy Investment Company Ltd. MAP is participating in Centennial Pipeline, has acquired Midwest convenience stores from Welsh Inc. and formed a joint venture with Pilot Corporation to expand its nationwide participation in the travel center market. The U. S. Steel Group acquired an integrated steel facility in Kosice, Slovakia, tin mill operations of LTV Steel and the remaining 50% interest in Lorain Tubular Company, LLC. Each of the U. S. Steel Group and the Marathon Group has identified a need to participate in industry consolidation, but has found that our targeted stock structure has been an impediment to such participation, as many potential acquisition candidates are reluctant to accept a targeted stock as consideration.

In considering the Separation, the board was aware that the capital structure of each company and the availability and cost of borrowings would be a key factor for both companies. USX manages most financial activity on a centralized consolidated basis, including issuance, repayment and repurchase of debt. The financial impact of these centralized financial activities are then attributed to the two groups based upon their respective cash flows. Both businesses, but particularly the U. S. Steel Group, have benefited from the borrowing power of USX.

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The board believes that it is imperative that both companies going forward be strong and competitive in their respective industries. This, in turn, requires that each have adequate access to the capital markets. The board and management consulted with its financial advisors and credit rating agencies concerning the likely credit ratings of the two companies going forward and their ability to raise necessary capital on appropriate terms and rates. Based upon these discussions, the board concluded that if the U. S. Steel Group were separated into an independent company with the debt level currently attributed to it, it may be unable to raise necessary capital at competitive rates to allow it to accomplish its business objectives. The board also concluded that if the Marathon Group were separated with more debt than is currently attributed to it, it would not adversely impact its ability to raise necessary capital at competitive rates to allow it to accomplish its business objectives. The board concluded, therefore, to adjust the amount of debt that will be assumed by each company from amounts attributed to the two groups immediately prior to the Separation.

The board and its advisors considered a range of possible adjustments and evaluated each in the context of impact on business plans, possible business conditions and credit ratings, following consultations with Moody's and Standard & Poor's. Based upon these factors, the board determined that a value transfer of \$900 million is appropriate. To accomplish this, certain indebtedness and other obligations of USX will be repaid or retired and United States Steel Corporation will incur indebtedness and other obligations and agree to repay certain indebtedness and other obligations of USX, such that the amount of indebtedness and other obligations for which United States Steel Corporation is responsible immediately following the Separation is \$900 million less than the net amounts attributed to the U. S. Steel Group immediately prior to the Separation. Conversely, the amount of indebtedness and other obligations for which Marathon Oil Corporation will be responsible immediately following the Separation will be \$900 million more than the net amounts attributed to the Marathon Group immediately prior to the Separation. The board believes that the Value Transfer will help establish United States Steel Corporation as a strong, independent entity. After giving effect to this Value Transfer, United States Steel Corporation will have less debt and more stockholders' equity than U. S. Steel Group's current balance sheet and Marathon Oil Corporation will have more debt and less stockholders' equity than Marathon Group's current balance sheet.

Based upon our discussions with the two rating agencies, it was anticipated that the credit ratings of Marathon Oil Corporation would remain investment grade and United States Steel Corporation would have non-investment grade credit ratings following the Separation, which would be expected to reduce United States Steel's ability to access the credit markets, as compared to the access available to it currently as part of USX.

In considering the recommendation of the USX board to vote in favor of the Separation, you should be aware that directors and executive officers of USX have interests in the Separation that are in addition to or different

from the interests of stockholders generally, including disproportionate ownership of Marathon Group Shares and U. S. Steel Group Shares, ownership of options, stock appreciation rights and restricted shares, and contractual rights to severance payments in connection with a change in control and certain other contractual rights and payments. Additionally, certain directors will be directors of both Marathon Oil Corporation and United States Steel Corporation after the Separation and be entitled to receive directors' allowances and attendance fees from both companies, in the amounts set forth on pages 86 and 113. The USX board of directors was aware of these interests and considered

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them, among other things, in approving the Separation. See "THE SEPARATION-- Interest of Officers and Directors in the Separation" on page 56.

### Reasons for the Separation

Our board of directors believes that the Separation is in the best interest of all of USX's stockholders and will create two strong, independent companies.

We believe that the Separation will:

- . allow Marathon Oil Corporation and United States Steel Corporation to focus on their core businesses;
- . allow Marathon Oil Corporation and United States Steel Corporation to make critical acquisitions and investments needed to grow their respective businesses, including removing impediments to participation in industry consolidation;
- . provide each of Marathon Oil Corporation and United States Steel Corporation with an appropriate capital structure for its business and independent access to financial markets;
- . align the liabilities and risks of each business with the company that owns such business; and
- . facilitate broader equity research coverage of each company, thereby expanding the range of prospective investors in both the Marathon Shares and the New U. S. Steel Shares, as certain analysts focus on companies with businesses in one particular industry, such as steel, and do not cover companies that have a tracking stock structure.

### Factors Considered by the Board of Directors in Approving the Separation

In recommending that USX stockholders approve the Separation and adopt the Plan of Reorganization, our board of directors considered a number of factors which they believe support their recommendation, including:

- . the information and presentations regarding the historical and projected industry and business conditions facing each of Marathon and United States Steel.
- . the historical results of operations, financial condition, assets, liabilities, and cash flows of each of Marathon and United States Steel.
- . the internally generated business plans for Marathon and United States Steel prepared by our management and the assumptions underlying those business plans: Included in those business plans was a base case scenario and a down-side scenario, which assumed that business conditions would not improve due to a failure of the economy to regain momentum in the predicted time period.
- . the likelihood that the Separation will result in United States Steel Corporation and Marathon Oil Corporation, as independent companies, being more focused on their respective businesses.
- . the perceived impact of our targeted stock structure depressing the historical and projected trading prices of Marathon Group Shares and U.

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S. Steel Group Shares.

- . the likelihood that the Separation would create stockholder value for all of our stockholders and the opportunities to create similar value for all of our stockholders under the current or alternative structures.
- . the likelihood that the Separation would enable Marathon and United States Steel to participate in industry consolidation, thereby enhancing stockholder value.

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- . the opinions of CSFB and SSB that as of July 31, 2001, the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization, were fair, from a financial point of view, to the holders of the Marathon Group Shares and to the holders of the U. S. Steel Group Shares.
- . the portion of the information set forth on pages 27 through 31 under the caption "RECENT DEVELOPMENTS--Outlook of United States Steel" and "--Outlook of Marathon", which was available on July 31, 2001, the date of the board meeting.
- . the effect that the Value Transfer of \$900 million would have on the financial condition of United States Steel Corporation and Marathon Oil Corporation.
- . the opinion of American Appraisal Associates, Inc. (with respect to USX prior to the Separation and with respect to each of Marathon Oil Corporation and United States Steel Corporation after the Separation) that the present fair saleable value of its assets would exceed its probable liabilities; that its cash flows would be adequate to pay its debts as they come due; and that it has, and would have, adequate capital to conduct its business operations.
- . The terms of the Plan of Reorganization which provide that our board of directors has the right to terminate the Plan of Reorganization at any time prior to completion of the Separation, whether before or after stockholder approval.
- . The terms of the Plan of Reorganization which require the approval of the holders of a majority of the outstanding Marathon Group Shares and the holders of a majority of the outstanding U. S. Steel Group Shares, each voting as a separate class.

In its consideration of the proposed Separation, the board also considered the following potentially negative factors:

- . The continuation of contingent liability of each of Marathon and United States Steel for certain liabilities of the other company following the Separation.
- . The possibility that some or all of the desired benefits of the Separation may not be achieved.
- . Loss of potential benefits flowing from consolidation of Marathon and United States Steel for federal income and certain other tax purposes.
- . Loss of access by United States Steel to USX's borrowing capabilities

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and investment grade credit ratings.

- . Risk of potential tax liabilities relating to the Separation under Section 355(e) of the Code.

The board of directors also considered many of the other risks described under the caption "RISK FACTORS", beginning on page 14, as potentially negative factors in its evaluation of the proposed Separation. The board considered both the positive and the potentially negative factors described above as they relate to both the holders of Marathon Group Shares and the holders of U. S. Steel Group Shares. In particular, the effect of the \$900 million Value Transfer was considered by the board to be a positive factor for the U. S. Steel Group and important to provide for two strong, financially independent companies. Although the Value Transfer might be viewed as negative by some Marathon Group stockholders because Marathon's allocated debt will be increased by \$900 million, the board of directors believes that this potentially negative factor is outweighed by the potential advantages of the Separation, particularly in light of the fact that both groups are currently burdened by all of the debt of USX.

Our targeted stock structure was implemented to provide our stockholders with separate securities reflecting the performance of USX's steel and energy businesses, while retaining the benefits of a single corporation. While the interests of the holders of each targeted class of USX common stock may, under some circumstances, diverge or appear to diverge, under Delaware law, the USX board of directors must act with due care and in the best interest of all its common stockholders, including the holders of the shares of each class of USX common stock. The same standard applies to the discharge of the board's fiduciary duties in the context of matters having disparate impacts upon holders of Marathon Group Shares and U. S. Steel Group Shares. Accordingly, in approving the Separation, the board of directors considered the interests of all its stockholders as a whole and the separate interests of the holders of each class of its common stock.

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The foregoing discussion of the information and factors considered by the board of directors includes all of the material factors considered by the board in reaching its conclusions and recommendations but is not meant to be exhaustive. In view of the variety of factors considered in reaching its determination, the board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its conclusions and recommendations. In addition, individual members of the board of directors may have given different weights to different factors.

### Recommendation of the USX Board of Directors

The USX board of directors has determined that the Separation is advisable and in the best interests of USX and the holders of Marathon Group Shares and U. S. Steel Group Shares. Our board has unanimously approved the Separation and approved and declared the advisability of the Plan of Reorganization, and recommends that holders of Marathon Group Shares and U. S. Steel Group Shares vote FOR adoption of the Plan of Reorganization.

In considering the recommendation of the USX board to vote in favor of the Separation, you should be aware that directors and executive officers of USX have interests in the Separation that are in addition to or different from the

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interests of stockholders generally, including disproportionate ownership of Marathon Group Shares and U. S. Steel Group Shares, ownership of options, stock appreciation rights and restricted shares, and contractual rights to severance payments in connection with a change in control and certain other contractual rights and payments. Additionally, certain directors will become directors of both Marathon Oil Corporation and United States Steel after the Separation and become entitled to receive directors' allowances and attendance fees from both companies, in the amounts set forth on pages 86 and 113. The USX board of directors was aware of these interests and considered them, among other things, in approving the Separation. See "THE SEPARATION--Interest of Officers and Directors in the Separation" on page 56.

### Opinions of Financial Advisors

CSFB and SSB (the "Financial Advisors") have acted as USX's financial advisors in connection with the Separation. USX selected the Financial Advisors based on their experience, expertise, reputation and familiarity with USX's businesses. As the decision to separate the U. S. Steel Group and the Marathon Group into two independent companies was critical to the future of USX and its respective businesses, the USX board of directors determined that the analysis and advice of two internationally respected financial advisors was appropriate. Each of CSFB and SSB is an internationally recognized investment banking firm that is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, complex strategic transactions, negotiated underwritings, private placements and other purposes.

USX requested that the Financial Advisors evaluate the fairness, from a financial point of view, of the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization to each of (1) the holders of Marathon Group Shares and (2) the holders of U. S. Steel Group Shares. On July 31, 2001, at a meeting of the USX Board of Directors held to consider the Separation, each of CSFB and SSB delivered to the USX Board of Directors a written opinion to the effect that, as of that date and based on and subject to the matters described therein, the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization are fair, from a financial point of view, to the holders of Marathon Group Shares and to the holders of U. S. Steel Group Shares. The opinions of the Financial Advisors do not address any other aspect of the transaction or any related transaction and do not constitute a recommendation to any stockholders with respect to any matters relating to the proposed transaction. While each of CSFB and SSB provided USX with independent guidance and advice during the course of their engagement, CSFB and SSB worked together and jointly evaluated the fairness, from a financial point of view, of the financial effects, taken as a whole, of the transactions contemplated by the Plan of Reorganization and issued separate but identical fairness opinions to the USX board of directors with respect to the Separation.

The full text of the written opinions of the Financial Advisors dated July 31, 2001 to the USX board of directors is attached hereto as Annexes B-1 and B-2 and is incorporated into this proxy statement/prospectus by reference. Holders of Marathon Group Shares and holders of U. S. Steel Group Shares are urged to read the opinions carefully in their entirety. This summary of opinions of the Financial Advisors in this proxy statement/prospectus, including the summary of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by the Financial Advisors, which describes the material provisions of the opinions, is qualified in its entirety by reference to the full text of each opinion.

In arriving at its opinion, each of the Financial Advisors reviewed, among other things, (1) historical financial statements of USX, including the separate financial statements for the Marathon Group and the U. S. Steel Group, and certain other historical financial and operating data of USX, including the Marathon Group and the U. S. Steel Group, (2) certain publicly available information with respect to USX, including the Marathon Group and the U. S. Steel Group, (3) certain projected financial data with respect to USX, including the Marathon Group and the U. S. Steel Group, without giving effect to the Separation, and with respect to United States Steel Corporation and Marathon Oil Corporation, giving effect to the Separation, in each case as prepared by the management of USX, including the management of the Marathon Group and the management of the U. S. Steel Group (collectively, "Management"), (4) reported prices and trading activity for the Marathon Group Shares and the U. S. Steel Group Shares, (5) drafts of the Plan of Reorganization, the Financial Matters Agreement and the Tax Sharing Agreement, (6) the preliminary proxy materials filed by USX with the Securities and Exchange Commission in connection with the Separation, (7) the letter dated July 2, 2001 from USX to the Internal Revenue Service requesting a private letter ruling that the Separation will qualify as a tax-free distribution under Section 355 of the Internal Revenue Code and (8) the terms of the Marathon Group Shares and the U. S. Steel Group Shares as set forth in USX's certificate of incorporation as currently in effect.

In addition, the Financial Advisors held discussions with Management with respect to, among other things (1) the operations and financial condition of USX, including the Marathon Group and the U. S. Steel Group, and the plans of Management with respect to the business and affairs of USX, including the Marathon Group and the U. S. Steel Group, prior to the Separation, and of United States Steel Corporation and Marathon Oil Corporation after the Separation, (2) certain projected financial data with respect to USX, including the Marathon Group and the U. S. Steel Group, without giving effect to the Separation, and with respect to United States Steel Corporation and Marathon Oil Corporation, giving effect to the Separation, in each case as prepared by Management, (3) the benefits and detriments to USX of continued ownership of both the Marathon Group and the U. S. Steel Group, (4) the expected impact of the Separation and related transactions, including the \$900 million reduction in the net amounts of indebtedness and other obligations attributed to the U. S. Steel Group and the corresponding increase on the Marathon Group immediately prior to the Separation (collectively referred to as the "Transactions") on the operations and the financial and strategic flexibility of United States Steel Corporation and Marathon Oil Corporation after the Separation, (5) certain terms of the proposed Plan of Reorganization and (6) the effect of the Separation on the business, results of operations and financial condition of each of United States Steel Corporation and Marathon Oil Corporation.

In addition, each of the Financial Advisors undertook such other studies, analyses and investigations as it deemed appropriate for the purpose of rendering its opinion.

In arriving at its opinion, each of the Financial Advisors has assumed and relied upon the accuracy and completeness of all of the financial and other information used by it without assuming any responsibility for independent verification of such information and has further relied upon the assurances of Management that they are not aware of any facts that would make such information inaccurate or misleading. Each of the Financial Advisors has assumed that the Transactions will be consummated in accordance with the terms of the Plan of Reorganization, without waiver, amendment or modification of any material term, condition or agreement set forth therein. Each of the Financial Advisors has also assumed that the Plan of Reorganization, the Financial



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Matters Agreement and the Tax Sharing Agreement, when executed, will conform to the drafts reviewed by the Financial Advisors in all respects material to the analyses. With respect to the projected financial data of USX, including the Marathon Group and the U. S. Steel Group, and of United States Steel Corporation and Marathon Oil Corporation after the Separation prepared by Management, upon the advice of Management and with Management's consent each of the Financial Advisors has assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Management as to the expected future prospects and financial performance of USX, including the Marathon Group and the U. S. Steel Group, and of United States Steel Corporation and Marathon Oil Corporation after the Separation, and each of the Financial Advisors has relied on such projections in rendering its opinion. With respect to the estimates

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prepared by Management of the value of certain benefits and detriments of the Separation to each of United States Steel Corporation and Marathon Oil Corporation, with Management's consent, each of the Financial Advisors has relied on such estimates and assumed that they were reasonably prepared and reflected the best currently available judgments of Management as to such benefits and detriments.

The board of directors of USX may terminate the Plan of Reorganization and determine not to proceed with the Separation at any time prior to its completion. Although the board has not requested updated fairness opinions from our Financial Advisors, if a material event or development occurs that causes the board to question the appropriateness of the Separation, or the terms thereof, including the Value Transfer, the board will evaluate such information and determine if it is appropriate to seek additional or updated advice from our Financial Advisors.

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The following paragraphs contain a summary of the material financial and comparative analyses performed by the Financial Advisors in connection with the preparation of the fairness opinions. The Financial Advisors believe that the analyses must be considered as a whole and that selecting portions of the analyses and of the factors considered, without considering all such factors and analyses, could create an incomplete view of the processes underlying the opinions. The Financial Advisors did not assign relative weights to any of the analyses in preparing the opinions. The preparation of a fairness opinion is a complex process and is not readily susceptible to summary description. In performing the analyses, the Financial Advisors made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of USX, the Marathon Group, the U. S. Steel Group, United States Steel Corporation and Marathon Oil Corporation. In addition, certain elements of the Separation are not susceptible to precise quantification and, in preparing the opinions, the Financial Advisors made judgments and estimates that they considered reasonable and appropriate under the circumstances. Any estimates incorporated in the analyses performed by the Financial Advisors are not necessarily indicative of actual past or future values or results, which may be significantly more or less favorable than suggested by such estimates or analyses. Because such estimates are inherently subject to uncertainty, none of the Financial Advisors, USX Management, Marathon, United States Steel or any other person assumes responsibility for their accuracy. In addition, analyses relating to the value of businesses do not purport to be appraisals and do not necessarily reflect the prices at which businesses may be sold in the future or at which their shares of capital stock may trade in the future.

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The financial analyses summarized below include information presented in tabular format. In order to fully understand the following financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses of the Financial Advisors.

### Marathon Group Stock Performance

The Financial Advisors reviewed data regarding the stock price performance of the Marathon Group Shares relative to a group of selected companies the Financial Advisors deemed comparable to the Marathon Group or relevant to their analyses (the "Marathon Peer Group") from April 20, 2001, two trading days prior to the April 24 public announcement that the USX board of directors had authorized management to pursue the Separation, to July 25, 2001. Each of the companies considered as comparable to the Marathon Group and included in the Marathon Peer Group, Conoco, Inc., Phillips Petroleum Company and Amerada Hess Corporation, was selected because of its similar business (integrated petroleum), size and capital structure, U.S. domicile and scope of international operations. However, none of the public companies in the Marathon Peer Group is identical to the

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Marathon Group. The Financial Advisors noted that, during the period from April 20, 2001 to July 25, 2001, although the stock price per share of the Marathon Group declined from \$29.70 to \$28.85, the stock of the Marathon Group performed consistently with an index of the Marathon Peer Group, as illustrated below.

	Marathon Group	Marathon Peer Group
April 20, 2001.....	100.0%	100.0%
May 25, 2001.....	109.0%	110.5%
June 29, 2001.....	99.4%	100.0%
July 25, 2001.....	97.1%	98.4%

The Financial Advisors performed their analyses and rendered their opinions several weeks following the public announcement of the board's determination to proceed with the Separation, subject to final approval by the board of the Separation and review and approval by the board of definitive documents to effect the Separation, and the Financial Advisors deemed it relevant to consider the stock price per share of the Marathon Group relative to the Marathon Peer Group during the period from April 20, 2001 to July 25, 2001 in order to evaluate the potential market reaction to the Separation.

### Separation Impact on the Marathon Group--Comparable Company Trading Analysis

The Financial Advisors reviewed data regarding the following ratios, for the

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Marathon Group compared to the same ratios of the Marathon Peer Group for the 20 trading days ended July 25, 2001, using estimated earnings for 2001 and 2002:

- . adjusted market value (equity market value plus total debt, preferred stock and minority interest minus cash) to EBITDAX (earnings before interest, taxes, depreciation, amortization and exploration expense) ratio,
- . equity market value to after-tax cash flow (earnings plus depreciation and amortization) ratio and
- . equity market value to net income.

None of the public companies used in the comparable company trading analysis is identical to the Marathon Group. Accordingly, an analysis of comparable companies is not entirely mathematical. Rather, the analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies.

For the 20 trading days ended July 25, 2001, the ratios obtained for the Marathon Group and the mean ratios obtained for the Marathon Peer Group were as follows:

Ratio	Marathon Group	Marathon Peer Group Mean
-----	-----	-----
Adjusted Market Value/2001E EBITDAX...	3.2x	4.1x
Adjusted Market Value/2002E EBITDAX...	3.7x	4.5x
Market Value/2001E After-Tax Cash Flow.....	3.0x	3.9x
Market Value/2002E After-Tax Cash Flow.....	3.4x	4.2x
Market Value/2001E Net Income.....	6.0x	7.6x
Market Value/2002E Net Income.....	8.8x	10.2x

The Financial Advisors then selected ranges of multiples of estimated 2001 and 2002 EBITDAX, after-tax cash flow and net income derived from the Marathon Peer Group and applied these multiple ranges to the corresponding financial data of the Marathon Group. This analysis indicated an implied potential value benefit reference range of \$1,200,000,000 to \$2,700,000,000, which was derived by comparing the equity value implied by the above analysis to the equity value based on the historical 20-day public trading value of the Marathon Group. The Financial Advisors noted that this potential value benefit range did not reflect the change in value already realized in the market price of the Marathon Group Shares.

### Separation Impact on the Marathon Group--Precedent Premium Analysis

The Financial Advisors analyzed the implied transaction premiums paid in the following selected merger and acquisition transactions involving major integrated petroleum companies announced since 1998 (acquiror/target):

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Chevron/Texaco (October 2000), TOTAL Fina/Elf Aquitaine (July 1999), Repsol/YPF (April 1999), BP Amoco/Atlantic Richfield (April 1999), Exxon/Mobil (December 1998), TOTAL/PetroFina (December 1998) and British Petroleum/Amoco (August 1998). Each of the transactions listed for this analysis was selected because it was a corporate transaction involving major integrated petroleum companies and was announced within a three-year period prior to the analysis. None of the precedent transactions used in the precedent premiums analysis is identical to the Separation. Accordingly, an analysis of precedent transactions is not entirely mathematical. Rather, the analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in the precedent transactions and other factors that could affect the premiums paid in the precedent transactions. The Financial Advisors then selected a range of premiums derived from these transactions based on the closing stock prices of the target company one day and thirty days prior to the public announcement of the transaction and applied this premium range to:

- . the average equity market value of the Marathon Group for the 20 trading days ended July 25, 2001 and
- . an adjusted equity market value of the Marathon Group, computed by adding the mean implied potential benefit range from the Comparable Companies Trading Analysis to the average equity market value of the Marathon Group for the 20 trading days ended July 25, 2001.

In applying the premium range to the adjusted equity market value of the Marathon Group, the Financial Advisors discounted the resulting implied equity value by 10% per year over a one-year and a two-year period. This analysis indicated an implied potential value benefit reference range of \$1,600,000,000 to \$3,000,000,000, which was derived by comparing the equity value implied by the above analysis to the equity value based on the historical 20-day public trading value of the Marathon Group. The Financial Advisors noted that this potential value benefit range did not reflect the change in value already realized in the market price of the Marathon Group Shares. The Financial Advisors noted that the Separation may provide an increased opportunity for Marathon and its stockholders to participate in industry consolidation.

### Separation Impact on the Marathon Group--Discounted Cash Flow Analysis

Using discounted cash flow analysis, the Financial Advisors calculated a range of value of the Marathon Group based on the implied total net present value of the estimated future unlevered free cash flows (EBITDAX minus unlevered cash taxes minus capital expenditures and changes in working capital) that the Marathon Group could produce. The Financial Advisors performed the analysis based on two scenarios, a pre-Separation case and a post-Separation case. The pre-Separation case was based on internal estimates provided by and discussed with the Marathon Group's management to reflect the reasonable long-term growth prospect for the Marathon Group under the existing USX corporate structure. The pre-Separation case reflected a 3% annual production growth rate in the Marathon Group's exploration and production business. In developing the post-Separation case, the Financial Advisors used a 6% annual production growth rate in the Marathon Group's exploration and production business, a growth rate consistent with the publicly available production growth rate targets of the Marathon Group's peers. The Financial Advisors also increased capital spending to fund this increased production growth rate. The post-Separation case also assumed incremental debt for the Value Transfer and reflected the financial effects of the arrangements contained in the Separation Agreements. The Financial Advisors determined an implied total net present value reference range for each case based on the sum of the following:

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- . the discounted value (using discount rates ranging from 9.0% to 10.0% for the pre-Separation case and discount rates ranging from 8.5% to 9.5% for the post-Separation case) of the estimated free cash flows of the Marathon Group for the 10 year period of 2001 through 2010 and
- . the net present value of the estimated free cash flows of the Marathon Group after 2010 (using a terminal value multiple range of 3.5x to 4.5x TV/EBITDAX for both the pre-Separation and the post-Separation case).

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The difference in the discount rates applied in the pre- and post-Separation cases reflected the Financial Advisors' assessment of potential changes in the credit rating, cost of debt and capitalization at the Marathon Group before and after the Separation. This analysis resulted in an implied potential value benefit reference range of \$700,000,000 to \$1,200,000,000, which was derived by comparing the equity value produced by the pre-Separation case to the equity value produced by the post-Separation case of the Marathon Group.

### Separation Impact on the Marathon Group--Peer Credit Statistics Analysis

The Financial Advisors considered the capitalization of the Marathon Group pro forma for the Separation and compared it to its peers. The Financial Advisors reviewed data regarding the debt to book capitalization ratio and the debt to LTM (last twelve months) EBITDAX ratio of the Marathon Group and its peers. Pro forma for the Separation and inclusive of the Value Transfer, the Marathon Group's debt to book capitalization ratio was 41% and debt to LTM EBITDAX ratio was 1.2x. The Financial Advisors noted that these ratios were consistent with those of the Marathon Group's peers.

### U. S. Steel Group Stock Performance

The Financial Advisors reviewed data regarding the stock price performance of the U. S. Steel Group Shares relative to a group of selected companies the Financial Advisors deemed comparable to the U. S. Steel Group or relevant to their analyses (the "U. S. Steel Peer Group") from April 20, 2001 to July 25, 2001. Each of the companies in the U. S. Steel Peer Group, AK Steel Corporation, Bethlehem Steel Corporation, Dofasco Inc. and National Steel Corporation, was selected on the basis that it was in a similar business and similar location (North American integrated steel producers) as the U. S. Steel Group. None of the public companies in the U. S. Steel Peer Group is identical to the U. S. Steel Group. The Financial Advisors noted that, during that period, the U. S. Steel Group had outperformed the U. S. Steel Peer Group by approximately 23 percentage points. The Financial Advisors performed their analyses and rendered their opinions several weeks following the public announcement of the board's determination to proceed with the Separation, subject to final approval by the board of the Separation and review and approval by the board of definitive documents to effect the Separation, and the Financial Advisors deemed it relevant to consider the stock price per share of the U. S. Steel Group relative to the U. S. Steel Peer Group during the period from April 20, 2001 to July 25, 2001.

### Separation Impact on the U. S. Steel Group--Comparable Company Trading Analysis

The Financial Advisors reviewed data regarding the following ratios, in each case for the U. S. Steel Group compared to the same ratios of the U. S. Steel

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Peer Group for the 20 trading days ended July 25, 2001, using estimated earnings for 2001 and 2002:

- . the adjusted market value to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio and
- . the adjusted market value to EBIT (earnings before interest and taxes) ratio.

None of the public companies used in the comparable company trading analysis is identical to the U. S. Steel Group. Accordingly, an analysis of comparable companies is not entirely mathematical. Rather, the analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies.

For the 20 trading days ended July 25, 2001, the ratios obtained for the U. S. Steel Group and the mean ratios obtained for the U. S. Steel Peer Group were as follows:

Ratio	U. S. Steel Group	U. S. Steel Peer Group	Mean
-----	-----	-----	-----
Adjusted Market Value/2001E			
EBITDA.....	22.8x		6.5x
Adjusted Market Value/2002E			
EBITDA.....	4.5x		4.0x
Adjusted Market Value/2001E			
EBIT.....	Not Meaningful		18.1x
	-----		
Adjusted Market Value/2002E			
EBIT.....	9.8x		9.0x

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The Financial Advisors then selected a range of multiples of estimated 2002 EBITDA derived from the U. S. Steel Peer Group and applied this multiple range to the corresponding financial data of the U. S. Steel

Group. This analysis indicated an implied potential value (detriment)/benefit reference range of (\$300,000,000) to \$300,000,000, which was derived by comparing the equity value implied by the above analysis to the equity value based on the historical 20-day public trading value of the U. S. Steel Group. The Financial Advisors noted that this potential value benefit range did not reflect the change in value already realized in the market price of the U. S. Steel Group Shares.

### Separation Impact on the U. S. Steel Group--Precedent Transaction Analysis

The Financial Advisors analyzed the implied transaction multiples paid in the following selected merger and acquisition transactions involving major steel companies announced since 1995 (acquiror/target): Usinor/Aceralia (February 2001), Usinor/Arbed (February 2001), USX/steel assets of VSZ (March 2000), British Steel/Hoogovens (June 1999), Usinor/Cockerill (October 1998),

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Sambre Usinor/CST (May 1998), Ispat International/Inland Steel (March 1998), Bethlehem Steel/Lukens Steel (December 1997), Grupo Amazonia/Sidor (December 1997), Thyssen/Krupp (November 1997), Arbed/Aceralia (July 1997), Renco Group/WCI Steel (October 1996), Acesita/CST (June 1996), Watermill Ventures/Gulf States Steel (April 1995). Each of the precedent transactions was selected because it involved the acquisition of a global integrated or mini-mill steel producer. None of the precedent transactions is identical to the Separation. Accordingly, an analysis of precedent transactions is not entirely mathematical. Rather, the analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in the precedent transactions and other factors that could affect the multiples paid in the precedent transactions.

The Financial Advisors compared adjusted market values in the selected transactions as multiples of EBITDA and EBIT for the twelve-month period preceding the announcement of the transaction. Adjusted market values were calculated by multiplying the announced transaction price per share for the relevant transaction by the diluted number of target company shares outstanding, after taking into account option proceeds, plus total debt, preferred stock and minority interest, minus cash.

The Financial Advisors then selected ranges of multiples of LTM EBITDA and EBIT derived from these transactions and applied these multiple ranges to:

- . the LTM EBITDA of the U. S. Steel Group, adjusted to include an annualized twelve months of EBITDA of the U. S. Steel Group's Kosice business segment, acquired in November 2000 and
- . the average annual EBITDA and EBIT of the U. S. Steel Group for the calendar years 1994 to 2000, adjusted to include an annualized twelve months of EBITDA and EBIT, respectively, of the U. S. Steel Group's Kosice business segment.

This analysis indicated an implied potential value benefit reference range of \$700,000,000 to \$1,400,000,000, which was derived by comparing the equity value implied by the above analysis to the equity value based on the historical 20-day public trading value of the U. S. Steel Group. The Financial Advisors noted that this potential value benefit range did not reflect the change in value already realized in the market price of the U. S. Steel Group Shares.

### Separation Impact on the U. S. Steel Group--Discounted Cash Flow Analysis

Using a discounted cash flow analysis, the Financial Advisors calculated a range of value of the U. S. Steel Group based on the implied total net present value of the estimated future unlevered free cash flows that the U. S. Steel Group could produce. The Financial Advisors performed the analysis based on two scenarios, a pre-Separation case and a post-Separation case. The pre-Separation case and the post-Separation case were based on identical internal estimates provided by and discussed with the U. S. Steel Group's Management and reflecting the reasonable long-term prospect for the U. S. Steel Group under the existing USX corporate

structure and for United States Steel Corporation assuming completion of the Separation. The post-Separation case also assumed a reduction of debt from the Value Transfer and reflected the financial effects of the arrangements contained in the Separation Agreements. The Financial Advisors noted that post-Separation the U. S. Steel Group's weighted average cost of capital may increase by approximately 2.5 percentage points. The Financial Advisors

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determined an implied total net present value reference range for each case based on the sum of the following:

- . the discounted value (using discount rates ranging from 7.25% to 7.75% for the pre-Separation case and discount rates ranging from 9.50% to 10.50% for the post-Separation case) of the estimated free cash flows of the U. S. Steel Group for the 10 year period of 2001 through 2010 and
- . the net present value of the estimated free cash flows of the U. S. Steel Group after 2010 (using a terminal value multiple range of 4.0x to 5.0x TV/EBITDA for both the pre-Separation case and the post-Separation case).

The difference in the discount rates applied in the pre- and post-Separation cases reflected the Financial Advisors' assessment of potential changes in the credit rating, cost of debt and capitalization at the U. S. Steel Group before and after the Separation. This analysis resulted in an implied potential value benefit reference range of \$400,000,000 to \$450,000,000, which was derived by comparing the equity value produced by the pre-Separation case to the equity value produced by the post-Separation case of the U. S. Steel Group.

### Separation Impact on the U. S. Steel Group- Peer Credit Statistics Analysis

The Financial Advisors considered the capitalization of the U. S. Steel Group pro forma for the Separation and compared it to its peers. The Financial Advisors reviewed data regarding the debt to book capitalization ratio and the debt to 2002 estimated EBITDA ratio of the U. S. Steel Group and its peers. Pro forma for the Separation and inclusive of the Value Transfer, the U. S. Steel Group's debt to book capitalization ratio was 37.3% and debt to 2002 estimated EBITDA ratio was 2.4x. The Financial Advisors noted that these ratios were lower than with those of the U. S. Steel Group's peers.

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USX has agreed to pay a fee to each of the Financial Advisors for its services in connection with the Transactions. USX has agreed to pay \$8,000,000 to CSFB, \$2,000,000 of which is payable upon consummation of the Separation and \$2,000,000 of which is payable upon approval of the Separation by the stockholders of USX. Also, USX has agreed to pay \$8,000,000 to SSB, \$2,000,000 of which is payable upon consummation of the Separation and \$2,000,000 of which is payable upon approval of the Separation by the stockholders of USX. USX has further agreed to reimburse each of the Financial Advisors for its reasonable out-of-pocket expenses, including fees and expenses of legal counsel and any other advisor retained by each of the Financial Advisors, and to indemnify each of the Financial Advisors and related parties against liabilities, including liabilities under the U.S. federal securities law, arising out of its engagement.

Each of the Financial Advisors and its affiliates has performed and may perform other investment banking financial advisory services for USX, Marathon Oil Corporation, United States Steel Corporation and their respective affiliates, including in connection with the offering by United States Steel of the Senior Notes. For services performed in the past two years that are unrelated to its fairness opinion and advising on the Separation, CSFB has been or will be paid approximately \$5,300,000 and SSB has been or will be paid approximately \$1,400,000. In the ordinary course of business, each of the Financial Advisors and its affiliates may actively trade the debt and equity securities of the Marathon Group and the U. S. Steel Group for its own accounts and for the accounts of customers, and, accordingly, may at any time hold long



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or short positions in those securities.

### Financing Arrangements Relating to the Separation

#### Current USX Financial Arrangements

USX manages most of its financial activities on a centralized, consolidated basis. Such financial activities include the investment of surplus cash; the issuance, repayment and repurchase of short-term and long-term

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debt; the issuance, repurchase and redemption of preferred stock; and the issuance and repurchase of common stock. Transactions that relate primarily to invested cash, short-term and long-term debt (including convertible debt), related net interest and other financial costs, and preferred stock and related dividends are attributed to the Marathon Group and the U. S. Steel Group based upon the cash flows of each group for the periods presented and the initial capital structure of each group. However, transactions such as leases, certain collateralized financings, certain indexed debt instruments, financial activities of consolidated entities which are less than wholly owned by USX and transactions related to securities convertible solely into Marathon Group Shares or the U. S. Steel Group Shares are specifically attributed to and reflected in their entirety in the financial statements of the group to which they relate.

These are attributions for accounting purposes and do not reflect legal ownership of cash or legal obligation to pay and discharge such obligations. USX is the issuer of the 6.50% Preferred Stock, although it is attributed solely to the U. S. Steel Group, and subsidiaries of USX are the issuers of other Preferred Obligations. Subject to a limited number of exceptions, USX is the legal obligor of long-term debt and other financial instruments, including many--such as leases--that are not reflected as liabilities on the consolidated or group balance sheets.

After the Separation, United States Steel Corporation will own and operate the business of the U. S. Steel Group and United States Steel Corporation or its subsidiaries will incur indebtedness and other obligations in an amount approximately equal to all of the liabilities of or attributed to the U. S. Steel Group immediately prior to the Separation, both absolute and contingent, less the amount of the \$900 million Value Transfer. Upon consummation of the Separation, the name of USX Corporation will be changed to Marathon Oil Corporation, and Marathon Oil Corporation and its subsidiary Marathon Oil Company will own and operate the business of the Marathon Group and will remain responsible for all of the liabilities of or attributed to the Marathon Group immediately prior to the Separation, both absolute and contingent, plus \$900 million.

USX is presently the legal obligor for most of the obligations attributed to both groups, and, therefore, Marathon Oil Corporation will remain legally obligated for these obligations after the Separation. Accordingly, to effect the Value Transfer, United States Steel will incur new indebtedness in an amount equal to the net amount of indebtedness and other obligations attributed to the U.S. Steel Group immediately prior to the Separation, less \$900 million, and the proceeds of such indebtedness will be used to repay a portion of USX's indebtedness. The indebtedness and other obligations to be incurred by United States Steel in connection with the Separation are referred to herein as the "Financing." In addition to the Financing necessary to effect the Value Transfer, the indenture governing the Senior Notes requires United States Steel to have at least \$400 million of availability through cash and undrawn credit

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facilities at the time of the Separation.

After giving effect to the Financing required to complete the Separation, and assuming the Separation had occurred on June 30, 2001, United States Steel Corporation and its subsidiaries

- . would be the direct obligor of the \$325 million USSK Loan Facility;
- . would assume \$569 million of debt and capital leases of USX and \$133 million of certain guarantee and lease obligations (which guarantee and operating lease obligations are not reflected in the financial statements of Marathon Oil Corporation);
- . would incur new indebtedness in the amount of approximately \$897 million, including the Senior Notes, and would pay \$868 million of the net proceeds thereof to Marathon Oil Corporation to be used to repay a portion of the indebtedness attributed to United States Steel by USX prior to the Separation.

In addition, United States Steel expects to enter into new credit facilities, including a secured accounts receivable facility and a secured inventory facility. Undrawn amounts under these facilities will provide liquidity to United States Steel following the Separation.

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Assuming the Separation had occurred on June 30, 2001, and that United States Steel had completed all the financing required to complete the Separation, United States Steel's sources and uses would have been:

Sources:	(Dollars in millions)
-----	-----
Assumed industrial revenue	
bonds.....	\$ 479
Assumed capital leases.....	90
USSK Loan Facility.....	325
Senior Notes(/1/).....	530
Additional financing(/2/)...	367
Value Transfer.....	900
Invested cash(/3/).....	189
	-----
Total Sources.....	\$2,880
	=====

Uses:	(Dollars in millions)
-----	-----
Debt attributed to United	
States Steel.....	\$ 2,432
Preferred securities of	

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subsidiaries.....	249
6.5% Preferred Stock.....	121
Separation costs.....	29
Other.....	49
	-----
Total Uses.....	\$ 2,880
	=====

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- (1) On July 27 and September 11, 2001, United States Steel completed private placements in the aggregate of \$535 million principal amount (reduced by a \$5 million discount) of 10 3/4% Senior Notes due August 1, 2008.
- (2) We currently anticipate that United States Steel will satisfy the need for the \$367 million in additional financing using the preliminary tax settlement from Marathon, which is expected to be at least \$300 million and will be received on or before the Separation Effective Time, and a combination of financings which may include additional senior notes, lease financings and new preferred or other security offerings (including an exchange of existing securities for new securities). In addition, United States Steel expects to enter into new credit facilities, including a secured accounts receivable facility and a secured inventory facility. Undrawn amounts under these facilities are expected to be at least \$300 million in order to provide necessary liquidity. The amount of additional financing at Separation may vary as a result of a number of factors including the operating performance of United States Steel, its working capital position and the amount of the tax settlement with Marathon.
- (3) Invested cash represents amounts attributed to United States Steel by USX. This cash will be retained by Marathon and be used to reduce debt attributed to United States Steel.

Following the Separation, the annual weighted average interest rate of these obligations is estimated to be approximately 8.25%. A one-eighth ( 1/8) percent change in that rate is expected to have an annual impact of about \$2 million of interest expense. Completion of this Financing in amount, form and substance satisfactory to our board of directors is a condition to completion of the Separation.

Obligations for Which United States Steel Corporation or Its Subsidiaries Will Be the Direct Obligor

The following obligations of the U. S. Steel Group will continue as obligations of United States Steel Corporation or its subsidiaries following the Separation, and United States Steel or its subsidiaries will continue to be the obligor:

Senior Notes. On July 27 and September 11, 2001, United States Steel completed the sale of an aggregate of \$535 million principal amount of Senior Notes. The Senior Notes, which mature on August 1, 2008 and pay interest at an annual rate of 10.75%, represent an unsecured senior obligation of United States Steel. Interest on the Senior Notes is payable in cash on a semiannual basis, beginning on February 1, 2002. The Senior Notes rank equally in right of payment with all existing and future unsecured indebtedness of United States Steel and will rank senior in right of payment to all of its existing and future subordinated indebtedness. USX has initially guaranteed the Senior Notes, however USX will be released from the guarantee if the Separation occurs

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on or before December 31, 2002.

The indenture governing the Senior Notes (the "Senior Note Indenture") contains covenants which, among other things, limit or prevent United States Steel and its subsidiaries from collateralizing assets to secure indebtedness, borrowing additional funds, issuing or selling capital stock of its subsidiaries, making certain payments and distributions, paying dividends, transferring or selling assets and engaging in certain transactions, including mergers or sales of substantially all of its assets. After the Separation, if the Senior Notes receive and maintain an investment grade rating from both Standard & Poor's and Moody's, United States Steel will no

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longer be subject to certain of the covenants referred to above. The Senior Note Indenture also contains several conditions to the completion of the Separation, including, among others, a requirement that immediately following the Separation, United States Steel shall have at least \$400 million available in undrawn credit facilities and cash, of which at least \$300 million shall be available under facilities with terms extending at least three years after the date such facilities are put in place.

If the board of directors of USX decides not to proceed with the Separation or the Separation does not occur on or before December 31, 2002, the Senior Notes may be redeemed in whole or part at 101% of the principal amount plus accrued but unpaid interest. Up to 35% of the aggregate principal amount of the Senior Notes may be redeemed at any time prior to August 1, 2004, at a price of 110.75% of the principal amount plus accrued interest with the proceeds of public equity offerings.

USSK Loan Facility. On November 24, 2000, USX acquired USSK which has a loan facility with a group of financial institutions aggregating \$325 million. The facility, which is non-recourse to USX, bears interest at a fixed rate of 8.5% per year. The loan is subject to annual repayments of \$20 million beginning in 2003, with the balance due in 2010. Additional mandatory prepayments of the loan may be required based upon a cash flow formula or a change in control of USX. USSK also has a short-term \$50 million credit facility that expires in November 2001. The facility, which is non-recourse to USX, bears interest at prevailing short-term market rates plus 1%. USSK is obligated to pay a .25% commitment fee on undrawn amounts. At June 30, 2001, there were no borrowings against this facility.

Operating Lease Obligations. United States Steel is the lessee under several equipment leases and office building leases which, for accounting purposes, are treated as operating leases. Total future lease payments under these leases as of June 30, 2001 were approximately \$250 million, with varying maturities.

USX Obligations to Be Assumed by United States Steel Corporation

The following obligations of USX will continue as direct obligations of Marathon Oil Corporation, although United States Steel Corporation will agree in the Financial Matters Agreement to assume and pay all liabilities for these obligations following the Separation:

Industrial Revenue Bonds. As of June 30, 2001, USX had outstanding \$479 million of obligations under industrial revenue bonds related to environmental projects for current and former U. S. Steel Group facilities, \$9 million of which will be repaid on or prior to December 31, 2001. Pursuant to the Financial Matters Agreement, United States Steel Corporation will assume all obligations under these instruments. Only \$1.8 million of the industrial

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revenue bonds mature from 2002 to 2012. Pursuant to the Financial Matters Agreement, United States Steel must provide for the discharge of Marathon Oil Corporation from the remaining liability under the assumed industrial revenue bonds on or before the tenth anniversary of the Separation. Such discharge may be accomplished by refinancing, paying to Marathon Oil Corporation the then remaining principal amount of the obligations or a combination of the foregoing.

Fairfield Caster Lease. United States Steel Corporation is the lessee of a slab caster at the Fairfield Works facility in Alabama with a term through 2012. This lease is treated as a capitalized lease and, as of June 30, 2001, the amount of such obligation was \$84 million. USX is the obligor under this lease. Under the Financial Matters Agreement, United States Steel will assume and discharge all obligations under this lease. This lease is an amortizing financing with a final maturity of 2012, subject to additional extensions.

Operating Lease Obligations and Guarantees. In connection with past sales of various plants and operations, United States Steel assigned and the purchasers assumed certain leases of major equipment used in the divested plants and operations. In the event of a default by any of the purchasers, United States Steel remains contingently liable for payments under these leases. In addition, United States Steel is assuming certain other obligations and guarantees of USX related to the business of United States Steel. As of June 30, 2001, the total exposure for all of these matters totaled \$133 million.

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### New Financing Arrangements of United States Steel Corporation

United States Steel Corporation will incur additional indebtedness in connection with the Separation. Assuming the Separation occurred on June 30, 2001, United States Steel Corporation would have to incur new indebtedness in the amount of \$367 million (in addition to the indebtedness relating to the Senior Notes) and enter into new agreements to provide the liquidity required by the Senior Note Indenture. Such financings may include a combination of additional senior notes, lease financings and new preferred or other security offerings (including an exchange of existing securities for new securities) with terms and conditions consistent with United States Steel Corporation's credit rating. Approximately \$868 million of the proceeds from these financings and from the Senior Notes financing would have been paid to Marathon Oil Corporation upon the Separation, assuming the Separation had occurred on June 30, 2001. It is also expected that United States Steel Corporation will enter into new credit facilities, including a secured accounts receivable facility and a secured inventory facility. Undrawn amounts under these facilities are expected to be at least \$300 million in order to provide necessary liquidity. The Separation is conditioned upon the successful implementation of this financing.

### USX Obligations to Be Repaid or Retired

6.50% Preferred Stock Obligations. USX is the issuer of 2,404,487 shares of the 6.50% Preferred Stock, which is presently convertible into U. S. Steel Group Shares at a price of \$46.125 per share and is attributed entirely to the U. S. Steel Group. At the Separation Effective Time, each issued and outstanding share of 6.50% Preferred Stock will be converted in the Separation Merger into the right to receive, in cash, \$50.00 plus accrued but unpaid dividends thereon, or an aggregate of \$120,224,350 (assuming there are no unpaid dividends).

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Redeemable Convertible Stock of a Subsidiary Trust. USX Capital Trust I, a Delaware business trust and a subsidiary of USX, has outstanding 3,937,163 shares of 6.75% Convertible Quarterly Income Preferred Securities(TM) (the "Trust Preferred"). The Trust Preferred has an initial liquidation amount of \$50.00 per share and is convertible into U. S. Steel Group Shares at a price of \$46.25 per share. In connection with the Separation, each issued and outstanding share of Trust Preferred will be redeemed for \$50.00, in cash, plus accrued but unpaid dividends thereon, or an aggregate of \$196,858,150 (assuming there are no unpaid dividends).

### General Terms of the Financial Matters Agreement

The Financial Matters Agreement governs the assumption by United States Steel Corporation of the industrial revenue bonds and other financial obligations of USX specified above. The agreement provides that United States Steel Corporation will assume and discharge all principal, interest and other duties of USX under these assumed obligations, including any amounts due upon any defaults or accelerations of any of the obligations, other than defaults or accelerations caused by any action of Marathon Oil Corporation. The agreement also provides that on or before the tenth anniversary of the Separation, United States Steel Corporation will provide for the discharge of Marathon Oil Corporation from any remaining liability under any of the assumed industrial revenue bonds. Such discharge may be accomplished by refinancing, paying to Marathon Oil Corporation the then remaining principal amount of the obligations or a combination of the foregoing.

The Financial Matters Agreement prohibits Marathon Oil Corporation from taking any action that would create a default under the assumed obligations or otherwise accelerate the payment obligations thereunder. The agreement also obligates Marathon Oil Corporation to provide any letters of credit required under any of these obligations provided that United States Steel Corporation shall reimburse Marathon Oil Corporation in advance for the costs of such letters of credit and shall indemnify and hold Marathon Oil Corporation harmless against any draws under the letters of credit.

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The Financial Matters Agreement provides for a general unsecured obligation of United States Steel Corporation to Marathon Oil Corporation and ranks equal to accounts payable and other obligations. The Financial Matters Agreement does not contain any financial covenants and United States Steel Corporation and Marathon Oil Corporation will remain free to incur additional debt, grant mortgages or security interests in its property and sell or transfer assets without the consent of Marathon Oil Corporation. The Financial Matters Agreement also provides that Marathon Oil Corporation will indemnify United States Steel Corporation against any claims arising out of USX financings not assumed by United States Steel Corporation.

The Financial Matters Agreement is a contract between United States Steel Corporation and Marathon Oil Corporation. It does not grant any rights to the holders of the industrial revenue bonds or of any other obligation. Among other things, United States Steel Corporation and Marathon Oil Corporation may amend or modify the Financial Matters Agreement upon mutual agreement, and payments by United States Steel Corporation to Marathon Oil Corporation do not create an obligation on the part of Marathon Oil Corporation to redeem or repurchase any of these instruments.

### Financing Arrangements of USX to Be Continued by Marathon Oil Corporation

Revolving Credit Facility. In November 2000, USX entered into a \$1,354 million 5-year revolving credit agreement, expiring in November 2005, with a

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group of financial institutions. Interest on the facility is based on defined short-term market rates. During the term of the credit agreement, USX is obligated to pay a variable facility fee on total commitments, which at June 30, 2001 was 0.125%. On June 30, 2001, there were no borrowings against this facility. This facility will remain outstanding as an obligation of Marathon Oil Corporation following the Separation. USX also has a similar \$451 million short-term credit facility expiring on November 29, 2001 with the same financial institutions as the 5-year revolving credit agreement. On June 30, 2001, there were no borrowings under this facility. We expect that we will renew this facility in 2001.

USX has from time to time issued commercial paper which it has classified as long-term debt because it is supported by the unused and available credit on the \$1,354 million facility. On June 30, 2001, no commercial paper was outstanding. We anticipate that Marathon Oil Corporation may issue commercial paper in the future under similar circumstances.

Long and Short-Term USX Obligations to Be Continued. Marathon Oil Corporation will continue to be the obligor on the obligations of USX. The principal components of these obligations are:

Obligations	Interest Rates %	Maturity Range	Amount (in millions) as of June 30, 2001
Obligations relating to Industrial Revenue Bonds (1)...	3.30 to 6.875%	2009-2033	\$ 508
Fairfield Caster Lease(2).....	8.04%	2012	\$ 84
Bank Term Loan.....	6.57%	2006	\$ 29
Guaranteed Notes and Loans of Subsidiaries.....	7.00 to 9.05%	2002-2006	\$ 320
Preferred Obligations of a Subsidiary.....	8.75%	2044	\$ 250
Operating Leases and Guarantees.....	5.00 to 11.75%	2002-2017	\$ 747
Other long and short term obligations.....	6.65 to 9.80%	2001-2023	\$2,505

- (1) The rights and obligations pertaining to \$479 million of the industrial revenue bonds are being assigned to and assumed by United States Steel Corporation pursuant to the Financial Matters Agreement.
- (2) Fairfield Caster will be subleased to United States Steel Corporation under the Financial Matters Agreement.

Treatment of Employee Stock Options in the Separation

In the Separation, all outstanding and unexercised options to purchase U. S. Steel Group Shares will be converted into options to purchase New U. S. Steel Shares, subject to the same terms and conditions as the options to purchase U.

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S. Steel Group Shares immediately before the Separation Effective Time. All outstanding and unexercised options to purchase Marathon Group Shares will remain outstanding and represent an option to purchase Marathon Shares, subject to the same terms and conditions as the options to purchase Marathon Group Shares immediately before the Separation Effective Time. The options to purchase New U. S. Steel Shares and Marathon Shares will have the same expiration dates and will be subject to the same vesting requirements as the options to purchase U. S. Steel Group Shares and options to purchase Marathon Group Shares, respectively, and will cover the same number of shares as the options to purchase U. S. Steel Group Shares and Marathon Group Shares, respectively, provided that the number of shares and/or the exercise prices will be adjusted, if necessary, so that (i) the aggregate intrinsic value of the options to purchase New U. S. Steel Shares and options to purchase Marathon Shares immediately after the Separation Effective Time is not greater than the aggregate intrinsic value of the options being converted immediately before the Separation Effective Time, and (ii) the ratio of the exercise prices per share to the market values per share is not reduced. Any such adjustments will be based on the last closing price per share reported on the NYSE Composite Tape of U. S. Steel Group Shares or Marathon Group Shares immediately prior to the Separation Effective Time relative to the first opening price per share reported on the NYSE Composite Tape of New U. S. Steel Shares or Marathon Shares, respectively, immediately following the Separation Effective Time.

### Treatment of USX Corporate Employees in the Separation

Currently, USX personnel employed at the Pittsburgh corporate headquarters provide accounting, audit, corporate finance, government affairs, investor relations, public affairs, strategic planning, legal, stock transfer and tax services that primarily relate to corporate-wide matters and for which the costs are allocated between the Marathon Group and the U. S. Steel Group based upon USX's present allocation policy, which takes into account employment, investments and revenues. Effective upon the Separation, Marathon Oil Corporation and United States Steel Corporation will be responsible for their own needs in these areas, and USX corporate personnel will be assigned to, and will be employed by, either Marathon Oil Corporation or United States Steel Corporation. All such USX employees currently participate in the Steel Pension Plan as well as health and other insurance benefit programs. Following the Separation Effective Time, such USX corporate employees will participate in the pension plans, health and other insurance benefit programs of the corporation by which they are employed.

### Assignment of Other USX Corporate Assets and Certain Liabilities in the Separation

There are certain assets and liabilities of USX (which include such items as headquarters property, plant, and equipment; pension, health and life insurance and other employee benefit matters relating to employees of USX headquarters) which were used to support the businesses of both groups, as well as assets and liabilities relating to pension, insurance and other employee benefit matters for employees and retirees of one group who have prior service under plans that, after the Separation, will be maintained by the other company. However, for administrative and operational reasons, it is impractical to divide many of these assets and liabilities. Therefore, certain of these assets and liabilities as well as the ongoing requirement to maintain such assets have been designated by our board of directors for assignment to United States Steel Corporation and the remainder of which will be retained by Marathon Oil Corporation. The board believes that this division of these assets and liabilities is fair in the aggregate to both groups of stockholders. The impact of this assignment is reflected in the Unaudited Condensed Pro Forma Balance Sheets for United States Steel Corporation and Marathon Oil Corporation, included on pages C-2 and C-10 in Annex C.



#### Federal Securities Law Consequences

The issuance of the New U. S. Steel Shares in the Separation Merger to holders of U. S. Steel Group Shares has been registered under the Securities Act of 1933, as amended. Upon issuance, these New U. S. Steel Shares may be traded freely and without restriction, except that New U. S. Steel Shares received by persons who are deemed to be "affiliates" (as such term is defined under the Securities Act) of USX prior to the Separation may be resold by them only in transactions permitted by the resale provisions of Rule 145 promulgated under the Securities Act (or Rule 144, in the case of such persons who become affiliates of United States Steel Corporation) or as otherwise permitted under the Securities Act. Persons who may be deemed to be affiliates of USX or United States Steel Corporation are generally defined as individuals or entities that control, are controlled by, or are under common control with, USX or United States Steel Corporation and may include certain executive officers and directors of USX or United States Steel Corporation.

#### Accounting Treatment

Marathon Oil Corporation will account for the Separation as a discontinuance of the businesses comprising United States Steel. The measurement date for discontinued operations accounting purposes will be on or about the date when all conditions of the Separation have been satisfied. If the historical carrying value of USX's investment in United States Steel exceeds its fair value, as measured by the aggregate market value of the U. S. Steel Group Shares at the Separation Effective Time, a non-recurring, non-cash charge on the Separation will be recognized by Marathon Oil Corporation. Total costs relating to the Separation, including financing costs, lease termination costs, severance costs and fees and other expenses (collectively, "Separation Costs") are estimated at \$100 million, of which \$67 million will be paid by Marathon Oil Corporation and \$33 million will be paid by United States Steel Corporation. USX has paid \$11 million of these costs through June 30, 2001. Of the remaining \$89 million, the pro forma financial statements reflect that \$60 million will be paid by Marathon and \$29 million will be paid by United States Steel.

Annex C of this proxy statement/prospectus includes unaudited pro forma condensed financial information for Marathon Oil Corporation which gives effect to the discontinuance of the businesses of United States Steel, the \$900 million Value Transfer, the assignment of certain USX corporate assets and liabilities to United States Steel Corporation, the payment of Separation Costs, and the distribution of New U. S. Steel Shares to the holders of U. S. Steel Group Shares.

Following the Separation, United States Steel Corporation will account for its assets and liabilities based on the historical values at which they were carried by USX immediately prior to the Separation. Annex D of this proxy statement/prospectus includes historical combined financial information for United States Steel.

In addition, the unaudited pro forma condensed combined financial information for United States Steel Corporation included on pages C-1 to C-8 in Annex C of this proxy statement/prospectus gives effect to the \$900 million Value Transfer, new financing arrangements, the assignment of certain USX corporate assets and liabilities, and the payment of Separation Costs.

#### Material U.S. Federal Income Tax Consequences

The following discussion prepared by Miller & Chevalier, Chartered, special

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tax counsel to USX, summarizes the material U. S. federal income tax consequences of the Separation. It does not purport to cover all income tax consequences to USX and its stockholders and may not apply to stockholders who acquired their Marathon Group Shares or U. S. Steel Group Shares in connection with a grant of such shares as compensation, who are not citizens or residents of the United States, or who are otherwise subject to special treatment under the Code. In addition, this discussion does not address the tax consequences to stockholders who do not hold their Marathon Group Shares or U. S. Steel Group Shares as a capital asset. This discussion assumes that the U. S. Steel Group Shares and the Marathon Group Shares are treated as stock of USX for federal income tax purposes. This discussion is based on provisions of the Code and the regulations promulgated thereunder, and on current administrative rulings and court decisions, in effect as of the date of this proxy statement/prospectus, all of which are subject to change.

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We urge each USX stockholder to consult his or her own tax advisor as to the particular tax consequences of the Separation to such stockholder, including the application of state, local, and foreign tax laws, and the effect of possible changes in the tax law that may affect the tax consequences described below.

USX has requested a private letter ruling from the IRS that the exchange of U. S. Steel Group Shares for New U. S. Steel Shares in the Separation will qualify as a tax-free distribution of the New U. S. Steel Shares under Section 355 of the Code. The receipt of a private letter ruling to that effect, in form and substance satisfactory to the board, is a condition to completion of the Separation.

It is expected that the private letter ruling, if issued, will provide, in part, that for U.S. federal income tax purposes:

- . No gain or loss will be recognized by (and no amount will be included in the income of) a holder of U. S. Steel Group Shares as a result of the Separation;
- . The basis of New U. S. Steel Shares in the hands of a holder of U. S. Steel Group Shares will equal the basis of the holder's U. S. Steel Group Shares immediately before the Separation;
- . The holding period of the New U. S. Steel Shares in the hands of a holder of U. S. Steel Group Shares will include the holding period of the U. S. Steel Group Shares that are exchanged in the Separation;
- . Holders of Marathon Group Shares will have no tax consequences resulting from the Separation with respect to the Marathon Shares; and
- . No gain or loss will be recognized by USX on the distribution of New U. S. Steel Shares to the holders of U. S. Steel Group Shares.

Holders of U. S. Steel Group Shares who have blocks of U. S. Steel Group Shares with different per share tax bases are urged to consult their tax advisors regarding the possible tax basis consequences of the Separation to them.

The IRS private letter ruling, if issued, will be based on the facts presented and representations made by USX in the ruling request. Generally, an IRS private letter ruling will not be revoked or modified retroactively unless

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there has been an omission or misstatement of a material fact or a breach of a material representation. USX intends to present all relevant facts and is not aware of any facts or circumstances that would cause those representations to be incorrect or incomplete in a material respect. In addition, Marathon Oil Corporation and United States Steel Corporation will agree in the Tax Sharing Agreement not to take actions, or to fail to take actions, that are inconsistent with the representations upon which the IRS private letter ruling is based. If, however, in the remote circumstance that those facts or representations were found to be incorrect or incomplete in a material respect or if the facts at the time of the Separation were materially different from the facts upon which the IRS private letter ruling was based, USX could not rely on the IRS private letter ruling and the Separation might not qualify as a tax-free distribution under Section 355 of the Code.

If the IRS private letter ruling were determined to be inapplicable and the Separation were found to be a taxable distribution of New U. S. Steel Shares or Marathon Shares, the tax consequences to the USX stockholders would depend on which shares were deemed to be distributed for federal income tax purposes. The stockholders deemed to receive the distribution, either the holders of U. S. Steel Group Shares or the holders of Marathon Group Shares, as the case may be, would be treated as receiving a taxable distribution in an amount equal to the fair market value of the shares deemed to be received. The difference between the amount of the distribution and the stockholder's basis in the shares deemed to be exchanged would be treated as a capital gain or loss to such stockholder. The tax consequences to stockholders who hold both U. S. Steel Group Shares and Marathon Group Shares, however, may differ from those described above. Such stockholders may have dividend, return of capital, or capital gain/loss treatment and are urged to consult their tax advisors. Neither Marathon nor United States Steel Corporation will indemnify any USX stockholders with respect to taxes that may be incurred as a result of the Separation.

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If the IRS private letter ruling were determined to be inapplicable and the Separation were found to be a taxable distribution of New U. S. Steel Shares or Marathon Shares, a corporate-level tax would be payable by USX. Such tax would be based on the excess, if any, of the fair market value of the shares deemed to be distributed over USX's tax basis for such shares. The amount of USX's tax liability would be materially greater if the Separation were deemed to be a distribution of Marathon Shares. The party which would bear the burden of the corporate tax would be determined under the Tax Sharing Agreement. See the discussion below in "RELATIONSHIP BETWEEN UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION FOLLOWING THE SEPARATION--Tax Sharing Agreement" on page 118.

Even if the Separation otherwise qualifies for tax-free treatment under Section 355 of the Code, the Separation may become taxable to USX pursuant to Section 355(e) of the Code if 50% or more of either the Marathon Shares or New U. S. Steel Shares are acquired, directly or indirectly, as part of a plan or series of related transactions that include the Separation. For this purpose, acquisitions (including acquisitions which are neither planned nor accepted or recommended by the management of the company whose stock is acquired) of Marathon Shares or New U. S. Steel Shares within the two years before or after the Separation are presumed to be part of such a plan. Marathon Oil Corporation or United States Steel Corporation may be able to rebut that presumption, however, by establishing that the Separation and any preceding or subsequent acquisition were not part of a plan or series of related transactions. If an acquisition occurs pursuant to a plan or series of related transactions that

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includes the Separation, USX would have to pay a corporate tax based on the excess of the fair market value of the shares deemed to be distributed, either New U. S. Steel Shares or Marathon Shares, over USX's tax basis for such shares. The amount of such tax would be materially greater if the Separation were deemed to be a distribution of Marathon Shares. The party who would bear the burden of the corporate tax would be determined under the Tax Sharing Agreement. See the discussion below in "RELATIONSHIP BETWEEN UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION FOLLOWING THE SEPARATION--Tax Sharing Agreement" on page 118. Even if Section 355(e) were to apply to cause the Separation to be taxable to USX, it would remain tax-free to the USX stockholders.

United States Treasury regulations require each holder of U. S. Steel Group Shares that receives New U. S. Steel Shares in the Separation to attach to the stockholder's U.S. federal income tax return for the year in which such stock is received a detailed statement setting forth such data as may be appropriate to show the applicability of Section 355 of the Code to the Separation. Subsequent to the Separation, United States Steel Corporation will provide its stockholders who received New U. S. Steel Shares pursuant to the Separation with the information necessary to comply with such requirement.

### Stock Exchange Listing

We have applied to the NYSE, the PSE and the CSE for approval of the listing of the New U. S. Steel Shares to be issued in the Separation under the symbol "X" on the NYSE, the PSE and the CSE, and completion of the Separation is conditioned upon the approval of such listing. The Marathon Shares will continue to be listed and traded on the NYSE, the PSE and the CSE after the Separation under the symbol "MRO." The NYSE has approved the listing subject to stockholder approval of the Agreement and Plan of Reorganization and official notice of issuance.

### No Appraisal Rights

Stockholders of USX will not be entitled to exercise dissenter's or appraisal rights under Delaware law or to demand payment for their shares in connection with the Separation.

### Interests of Officers and Directors in the Separation

In considering the recommendation of the USX board to vote in favor of the Separation, stockholders of USX should be aware that directors and executive officers of USX have interests in the Separation, of which the only quantifiable interest is the payment to Mr. Usher (described below), that are in addition to or different from the interests of stockholders generally. The USX board of directors was aware of these interests and considered them, among other factors, in approving the Separation.

### Stock Ownership

All of our directors and executive officers currently own U. S. Steel Group Shares and/or Marathon Group Shares and will receive New U. S. Steel Shares and/or Marathon Shares in the Separation. Some of these individuals currently own a greater number of U. S. Steel Group Shares or Marathon Group Shares, as the case may be. Accordingly, these directors and executive officers will have a larger proportionate interest in United States Steel Corporation or Marathon

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Oil Corporation, as the case may be, after the Separation. See "SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS" on page 133.

### Treatment of Options, Stock Appreciation Rights and Restricted Shares

Some of our officers and directors hold options to purchase Marathon Group Shares and/or U. S. Steel Group Shares and/or own restricted Marathon Group Shares and/or U. S. Steel Group Shares issued under the USX Corporation 1990 Stock Plan. As of June 30, 2001, our executive officers and directors beneficially owned an aggregate of 3,871,179 Marathon Group Shares and 3,089,472 U. S. Steel Group Shares, including options to purchase Marathon Group Shares or U. S. Steel Group Shares. See "SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS" on page 133. Under the Plan of Reorganization, each unexercised and unexpired option to purchase U. S. Steel Group Shares will be converted into an option to purchase New U. S. Steel Shares and each unexercised and unexpired option to purchase Marathon Group Shares will remain outstanding and represent an option to purchase Marathon Shares. Each option to purchase New U. S. Steel Shares and Marathon Shares, will be subject to the same terms and conditions (including vesting) as the option to purchase U. S. Steel Group Shares and Marathon Group Shares, respectively.

In addition, some of our directors and executive officers hold stock appreciation rights ("SARs") with respect to Marathon Group Shares and U. S. Steel Group Shares. Such SARs will become SARs with respect to Marathon Shares and New U. S. Steel Shares, respectively, on the same terms and conditions as were applicable to the SARs immediately prior to the Separation.

In the Separation, each restricted U. S. Steel Group Share will be converted into a restricted New U. S. Steel Share and each restricted Marathon Group Share will remain outstanding and represent a restricted Marathon Share. After the Separation Effective Time, such restricted New U. S. Steel Shares and Marathon Shares will be subject to the same terms and conditions (including with respect to vesting) as were applicable to the restricted U. S. Steel Group Shares or restricted Marathon Group Shares, respectively, immediately prior to the Separation.

### Change in Control Agreements

USX has entered into change in control agreements, all of which are substantially the same, with its executive officers and with executive officers of the U. S. Steel Group and the Marathon Group. The agreements with the executive officers who will become employees of United States Steel Corporation in connection with the Separation will become obligations of United States Steel Corporation. The agreements with the other executive officers will remain obligations of USX, which, in connection with the Separation, will be renamed Marathon Oil Corporation. For a description of such arrangements, see "INFORMATION ABOUT UNITED STATES STEEL--Management of United States Steel Corporation Following the Separation: Change in Control Agreements" on page 90.

### Completion and Retention Agreement With Thomas J. Usher

In connection with the Separation, USX entered into a Completion and Retention Agreement with Thomas J. Usher, its current Chairman & Chief Executive Officer. To facilitate the Separation and to maintain continuity in both businesses, the board of directors asked Mr. Usher to serve as the Chairman & Chief Executive Officer and President of United States Steel Corporation, the Chairman of the board of directors of Marathon Oil Corporation and Chairman of the board of managers of MAP. In deciding to ask Mr. Usher to

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serve in these three roles, the board of directors determined that Mr. Usher's unique experience and talents will bring value to both groups of stockholders. Mr. Usher has over 35 years experience in the steel industry, and with the recent death of Paul Wilhelm, the former President of United States Steel, the board of directors believes that the stockholders will be best served if Mr. Usher becomes the full time Chief Executive Officer of United States Steel Corporation. The board of directors also believes that since Clarence Cazalot, Philip G. Behrman, and Steven Lowden all joined Marathon in 2000, there is a need to provide them, and the board of directors of Marathon Oil Corporation, with Mr. Usher's knowledge of past activities, decisions and developments concerning the business of Marathon Oil Company and the Marathon Group. As non-employee Chairman of the board of directors of Marathon Oil Corporation, Mr. Usher will be able to draw upon his experience as Chairman & Chief Executive Officer of USX and as a member of the board of directors of Marathon Oil Company to provide these insights. Similarly in his role as Chairman of the board of managers of MAP, Mr. Usher brings a familiarity with MAP. Among other things, Mr. Usher is the only Marathon appointed member to have served on the board of managers of MAP since its formation. He also has a working relationship with the members appointed by Ashland, the owner of 38% of MAP, and this relationship will benefit Marathon Oil Corporation and its stockholders after the Separation.

The Completion and Retention Agreement provides that Mr. Usher will receive, or has received:

- . A salary from USX of \$1,400,000 for 2001 and if the Separation occurs, a salary of \$1,100,000 annually from United States Steel Corporation for 2002-2004, subject to adjustment by the board of directors and the Compensation and Organization Committee of United States Steel Corporation. This \$300,000 reduction reflects the lower levels of salaries in the steel and metal industries as compared to the energy industry.
- . If the Separation occurs, a \$25,000 annual fee from Marathon Oil Corporation for serving as Chairman of the board of directors of Marathon Oil Corporation and of the board of managers of MAP. This fee is in addition to regular fees paid by Marathon Oil Corporation to non-employee directors.
- . A grant of 90,000 restricted shares of USX--Marathon Group Common Stock on August 8, 2001 with 30,000 shares vesting on August 8, 2002, May 1, 2003, and May 1, 2004, based upon the achievement of performance objectives for 2001, 2002 and 2003, respectively.
- . If the Separation occurs, a grant of stock appreciation rights for 500,000 shares of Marathon Oil Corporation common stock. The exercise price of 150,000 shares is based on the average of the high and low market price of USX--Marathon Group Common Stock on the last trading day before the Separation Effective Time and the exercise price of 350,000 shares is based on the average of the high and low market price of Marathon Oil Corporation common stock on the first trading day after the Separation Effective Time. The effective date of each grant is the same date as the determination of the exercise price. These stock appreciation rights vest on the effective date of the grant and expire on the earlier of ten years from the effective date of grant, nine years following retirement or three years following death while employed.

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- . A separation completion bonus, if the Separation occurs, of \$6,000,000 will be payable by Marathon Oil Corporation on the first business day after the Separation Effective Time and a retention bonus, of up to \$3,000,000, that is subject to a number of performance measures, will be paid by United States Steel Corporation on the third anniversary of the Separation.
- . If the Separation occurs, and if Mr. Usher elects to receive his non-qualified pension as a lump sum, the lump sum will be calculated using the interest rates and mortality tables in effect for retirements on December 31, 2001, instead of the rates and mortality tables in effect at Mr. Usher's retirement, which could result in a greater or lesser pension.

The Completion and Retention Agreement was negotiated on behalf of USX by the Compensation Committee of the board of directors which is composed solely of non-employee directors and is intended to provide an incentive to Mr. Usher to serve in his three roles. Among the factors considered by the Compensation Committee were the unique background Mr. Usher brings to each role, his past performance in

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guiding both the steel and energy businesses, compensation levels and practices at other steel and energy companies as well as other companies of similar size and complexity as USX, Marathon and United States Steel and the fact that as a non-employee director Mr. Usher will not be eligible to receive compensation (salary, bonuses, options or other stock based compensation) from Marathon Oil Corporation or MAP even though it is expected that he will make major contributions to the future success of Marathon Oil Corporation and MAP in his roles as chairman of the governing bodies of each.

### Dual Directorships

Upon completion of the Separation, Shirley Ann Jackson, Charles Lee, Seth Schofield and Douglas Yearley, each of whom is currently a director of USX, are expected to become directors of both United States Steel Corporation and Marathon Oil Corporation. As such, they will be entitled to receive directors' allowances and attendance fees from both United States Steel Corporation and Marathon Oil Corporation in the amount that each company provides to its other non-employee directors. For a description of such amounts to be paid by United States Steel Corporation and Marathon Oil Corporation, see "INFORMATION ABOUT UNITED STATES STEEL--Management of United States Steel Corporation Following the Separation" on page 85 and "INFORMATION ABOUT MARATHON--Management of Marathon Oil Corporation Following the Separation" on page 112.

Also, upon completion of the Separation, Thomas J. Usher, the present Chairman of the board of directors and Chief Executive Officer of USX, will be Chairman of the board of directors, Chief Executive Officer and President of United States Steel Corporation and will also serve as Chairman of the board of directors of Marathon Oil Corporation.

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### THE SPECIAL MEETING

This proxy statement/prospectus is being furnished in connection with the solicitation of proxies by our board of directors for use at a special meeting

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of USX stockholders in connection with the proposed Separation. This proxy statement/prospectus is first being mailed to USX stockholders on or about September [ ], 2001.

### Date, Time and Place of the Special Meeting

The special meeting of USX stockholders will be held on October 16, 2001 at 9:00 a.m., local time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801.

### Proposals to be Considered at the Special Meeting

At the special meeting, USX stockholders will be asked to consider and vote upon the following proposals:

- . A proposal to adopt the Agreement and Plan of Reorganization, which provides for the Separation of the U. S. Steel Group and the Marathon Group into two independent companies. The Separation will be effected by the merger of a wholly owned subsidiary of USX with and into USX, with USX continuing as the surviving corporation. Upon the effective time of the Separation:
  - the business of the U. S. Steel Group will be owned and operated by United States Steel Corporation, which will be wholly owned by the holders of the then outstanding U. S. Steel Group Shares;
  - the business of the Marathon Group will be owned and operated by USX, which will change its name to Marathon Oil Corporation and will be wholly owned by the holders of the then outstanding Marathon Group Shares;
  - each outstanding U. S. Steel Group Share will be converted into the right to receive one New U. S. Steel Share;
  - the Marathon Group Shares will remain outstanding, unaffected by the Separation, and will be the sole outstanding shares of common stock of USX, which will change its name to Marathon Oil Corporation; and
- . each outstanding share of 6.50% Preferred Stock will be converted into the right to receive, in cash, \$50.00 plus accrued but unpaid dividends thereon.
- . A proposal to approve the United States Steel Corporation 2002 Stock Plan.
- . A proposal to approve the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan.
- . A proposal to adjourn the special meeting, if necessary.

The proposals to approve the United States Steel Corporation 2002 Stock Plan and the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan are conditioned upon the adoption of the Plan of Reorganization by USX stockholders and the consummation of the Separation. If the Separation is not approved and consummated, the proposals to approve the United States Steel Corporation 2002 Stock Plan and the United States Steel Senior Executive Officer Annual Incentive Compensation Plan will not be implemented.

Record Date



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Our board of directors has established the close of business on August 31, 2001 as the record date for determination of USX stockholders entitled to notice of and to vote at the special meeting. As of the record

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date, there were 309,267,418 Marathon Group Shares outstanding, held by approximately 70,744 holders of record, and 89,196,332 U. S. Steel Group Shares outstanding, held by approximately 53,324 holders of record.

### Quorum

One-third of the voting power of the outstanding Marathon Group Shares and U. S. Steel Group Shares entitled to vote at the special meeting must be represented, either in person or by proxy, to constitute a quorum at the special meeting. Abstentions and "broker non-votes" will be counted for purposes of determining whether a quorum is present. Broker non-votes are shares held by brokers or nominees in "street name" that are represented at the meeting, but with respect to which the broker or nominee has not been instructed how to vote.

### Vote Required

Adoption of the Plan of Reorganization will require:

- . the affirmative vote of the holders of a majority of the outstanding Marathon Group Shares and U. S. Steel Group Shares as of the record date, voting together as a single class,
- . the affirmative vote of the holders of a majority of the outstanding Marathon Group Shares as of the record date, voting as a separate class, and
- . the affirmative vote of the holders of a majority of the outstanding U. S. Steel Group Shares as of the record date, voting as a separate class.

The proposals to approve the United States Steel Corporation 2002 Stock Plan and the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan will each require the affirmative vote of a majority of votes cast at the special meeting by holders of Marathon Group Shares and U. S. Steel Group Shares, voting together as a single class, and the affirmative vote of a majority of the votes cast at the special meeting by holders of U. S. Steel Group Shares, voting as a separate class.

The proposal to approve an adjournment of the special meeting will require the affirmative vote of a majority of the votes cast by holders of Marathon Group Shares and U. S. Steel Group Shares at the special meeting, voting together as a single class.

See "SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS" on page 133 for information concerning stock ownership of the current USX officers and directors.

### Voting Rights

Only holders of Marathon Group Shares and U. S. Steel Group Shares at the close of business on August 31, 2001 are entitled to vote at the special

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meeting. In the separate class votes described above, each holder of Marathon Group Shares or U. S. Steel Group Shares is entitled to one vote per share at the special meeting. In the combined votes described above of Marathon Group Shares and U. S. Steel Group Shares, voting together as a single class, holders of Marathon Group Shares are entitled to one vote per share and holders of U. S. Steel Group Shares are entitled to 0.653 votes per share. We calculated the number of votes to which each U. S. Steel Group Share is entitled by using the formula required by the USX Restated Certificate. It is based on the ratio of the market value of one U. S. Steel Group Share to one Marathon Group Share over the 20 business-day period ending on August 24, 2001, the fifth business day prior to the record date.

Under the rules of the NYSE, brokers who hold shares in "street name" for customers are precluded from exercising their voting discretion with respect to the approval of non-routine matters, such as the Separation, and, therefore, absent specific instructions from the beneficial owner of such shares, brokers may not vote such shares at the special meeting. Your broker will vote your shares only if you provide instructions on how to vote by following the instructions provided to you by your broker.

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Because the required vote for the adoption of the Plan of Reorganization is based on a percentage of the shares outstanding, abstentions and broker non-votes will have the same effect as a vote against the proposal to adopt the Plan of Reorganization.

### Voting and Revocation of Proxies

There are three ways to vote your proxy:

- . Vote by telephone--toll free--1-888-216-1303

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week. You will be prompted to enter your control number, which appears on the enclosed proxy card. Follow the simple instructions the voice provides you.

- . Vote by Internet--<https://www.proxyvotenow.com/usx>

Access the above Internet site to vote your proxy 24 hours a day, 7 days a week. You will be prompted to enter your control number, which appears on the enclosed proxy card, and your complete address, exactly as it appears on the enclosed proxy card, to create an electronic ballot.

- . Vote by mail

Mark, sign and date your proxy card and return it in the enclosed postage-paid envelope. If you vote by telephone or Internet, please do not return your proxy card.

Your telephone or Internet vote authorizes the proxies to vote your shares in the same manner as if you had marked, signed and returned your proxy card.

All shares represented by properly executed proxies received before or at the special meeting will, unless the proxies are revoked, be voted in accordance with the instructions indicated thereon. If no instructions are

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indicated on a properly executed proxy card, the shares will be voted FOR adoption of the Plan of Reorganization, approval of the United States Steel Corporation 2002 Stock Plan, approval of the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan and approval of the proposal to adjourn the special meeting. You are urged to mark the box on the proxy to indicate how to vote your shares.

If your shares are held in "street name" by your broker, do not follow the above instructions. Rather, follow the separate instructions provided by your broker.

### Revocation

If you are a stockholder of record, you may revoke your proxy or change your vote at any time before it is voted at the special meeting by:

- . voting again by telephone or the Internet;
- . completing and mailing us a proxy card dated later than your last vote;
- . submitting a written revocation to the Secretary of USX at 600 Grant Street, Pittsburgh, Pennsylvania 15219-4776; or
- . appearing in person and voting at the special meeting.

If your shares are held in "street name" by your broker, you may only revoke your proxy or change your vote by following the separate instructions provided by your broker.

In order to vote in person at the special meeting, stockholders of record must attend the meeting and cast their votes in accordance with the voting provisions established for the special meeting. Attendance at the

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special meeting without voting in accordance with the voting procedures will not in and of itself revoke a proxy.

### Solicitation of Proxies

All expenses incurred in connection with solicitation of the enclosed proxy will be paid by USX. Officers and employees of USX may solicit proxies by telephone or in person, but they will not be paid for soliciting proxies. We also will request that brokerage houses and other nominees holding shares in their names or in the names of their nominees that are beneficially owned by others send proxy materials to and obtain proxies from those beneficial owners, and we will reimburse those brokerage houses and nominees for their reasonable expenses in performing those services. We have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies, at an anticipated cost of \$50,000, plus reimbursement of out-of-pocket expenses.

### Adjournments

Although it is not expected, the special meeting may be adjourned for the purpose of soliciting additional proxies. Any adjournment of the special meeting may be made without notice, other than by an announcement made at the special meeting, by approval of the holders of a majority of the votes cast by holders of Marathon Group Shares and U. S. Steel Group Shares at the special meeting (voting together as a single class). Any proxies received by USX will be voted in favor of an adjournment of the special meeting if the purpose of

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the adjournment is to provide additional time to solicit votes to approve the Plan of Reorganization, unless the stockholder directs otherwise by voting against or abstaining from voting on the adjournment proposal included in the enclosed proxy card or by voting against the adoption of the Plan of Reorganization. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow USX stockholders who have already sent in their proxies to revoke them at any time prior to their use.

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### THE PLAN OF REORGANIZATION

The following summary describes the material terms of the Plan of Reorganization, but does not purport to describe all terms of the Plan of Reorganization. Because the Plan of Reorganization is the legal document that governs the Separation, we recommend that you read carefully the complete text of the Plan of Reorganization for its precise legal terms and other information that may be important to you. The Plan of Reorganization is included as Annex A to this proxy statement/prospectus and is incorporated by reference in this document.

#### Transactions

The Plan of Reorganization provides for the conversion of United States Steel LLC from a Delaware limited liability company into a Delaware corporation and provides for the Separation. The conversion of United States Steel LLC into a Delaware corporation does not require stockholder approval.

#### Conversion of United States Steel LLC into United States Steel Corporation

Pursuant to the Plan of Reorganization, at the Separation Effective Time, United States Steel LLC will convert from a Delaware limited liability company into a Delaware corporation named "United States Steel Corporation."

The United States Steel Corporation Certificate and the United States Steel Corporation By-Laws, which will be the certificate of incorporation and by-laws of United States Steel Corporation from and after the Separation Effective Time, are substantially the same as the USX Restated Certificate and the USX By-Laws. The only differences between the United States Steel Corporation Certificate and the USX Restated Certificate are that the United States Steel Corporation Certificate provides for the authorization of two hundred million shares of common stock and fourteen million shares of preferred stock and does not provide for classes of targeted common stock, as currently provided for in the USX Restated Certificate. The directors and officers of United States Steel Corporation immediately following the Separation Effective Time are expected to consist of the individuals named under "INFORMATION ABOUT UNITED STATES STEEL--Management of United States Steel Corporation Following the Separation" on page 85.

#### The Separation Merger

Subject to the terms and conditions of the Plan of Reorganization, Merger Sub will merge with and into USX at the Separation Effective Time. The separate corporate existence of Merger Sub will cease. USX will be the surviving corporation in the Separation Merger and will change its name to "Marathon Oil Corporation" and continue to be governed by the laws of the State of Delaware.

Effective Time. Merger Sub and USX will complete the Separation Merger by filing a certificate of merger with the Secretary of State of the State of Delaware at such time as is determined by the USX board of directors following

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the satisfaction or waiver of the conditions to the Separation Merger. The Separation Merger will become effective on the date and time the certificate of merger is filed or such later time as specified in the certificate of merger.

**Certificate of Incorporation and By-Laws.** At the Separation Effective Time, the USX Restated Certificate will continue to be the restated certificate of incorporation of the surviving corporation, but will be amended to change the name of USX to Marathon Oil Corporation, to provide for the authorization of five hundred and fifty million shares of common stock and twenty-six million shares of preferred stock, and to delete the references to the classes of targeted common stock, currently provided for in the USX Restated Certificate. The by-laws of USX will be the by-laws of the surviving corporation.

**Directors and Officers.** The directors of USX immediately prior to the Separation Effective Time (who are expected to consist of the individuals listed on page 112) will be the initial directors of the surviving

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corporation, and the officers of Merger Sub immediately prior to the Separation Effective Time will be the initial officers of the surviving corporation.

**Conversion of Securities.** The Plan of Reorganization provides that, at the Separation Effective Time, and without any action on the part of any holders of any of the securities listed below:

- . Each U. S. Steel Group Share issued and outstanding or held in the treasury of USX or by any subsidiary of USX immediately prior to the Separation Effective Time will be converted into the right to receive one duly issued, fully paid and nonassessable New U. S. Steel Share;
- . Each Marathon Group Share issued and outstanding or held in the treasury of USX or by any subsidiary of USX immediately prior to the Separation Effective Time will remain outstanding, unaffected by the Separation Merger and will be the sole outstanding shares of common stock of USX, which will change its name to Marathon Oil Corporation;
- . Each outstanding share of 6.50% Preferred Stock will be converted into the right to receive, in cash, \$50.00, plus accrued but unpaid dividends thereon;
- . Each share of common stock, par value \$1.00 per share, of Merger Sub issued and outstanding immediately prior to the Separation Effective Time will automatically be cancelled and retired and shall cease to exist, without payment of any consideration therefor;
- . Each option to purchase U. S. Steel Group Shares, each stock appreciation right with respect to U. S. Steel Group Shares and each restricted U. S. Steel Group Share, which has been granted by USX and is outstanding immediately prior to the Separation Effective Time, will be converted as of the Separation Effective Time into an option to purchase New U. S. Steel Shares, a stock appreciation right of United States Steel Corporation with respect to New U. S. Steel Shares, or a restricted New U. S. Steel Share, respectively, subject to the same terms and conditions as were applicable to such options, stock appreciation rights or restricted shares being converted. With respect to options to purchase New U. S. Steel Shares, each new option will have the same expiration date and be subject to the same vesting requirements as the option being converted, and will cover the same number of shares and have the same exercise price as the option being converted, provided

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that the number of shares and/or the exercise price will be adjusted, if necessary, so that (i) the aggregate intrinsic value of the new option immediately after the Separation Effective Time is not greater than the aggregate intrinsic value of the option being converted immediately before the Separation Effective Time, and (ii) the ratio of the exercise price per share to the market value per share is not reduced. Any such adjustments will be based on the closing price per share of U. S. Steel Group Shares immediately prior to the Separation Effective Time relative to the first opening price per share of New U. S. Steel Shares immediately following the Separation Effective Time; and

- . Each option to purchase Marathon Group Shares, each stock appreciation right with respect to Marathon Group Shares and each restricted Marathon Group Share which has been granted by USX and is outstanding immediately prior to the Separation Effective Time will remain outstanding as of the Separation Effective Time and represent an option to purchase Marathon Shares, a stock appreciation right of Marathon Oil Corporation with respect to Marathon Shares or a restricted Marathon Share, respectively, subject to the same terms and conditions as were applicable to such options, stock appreciation rights or restricted shares, respectively, prior to the Separation Merger. The number of shares and/or the exercise price of the options to purchase Marathon Shares will be adjusted, if necessary, so that (i) the aggregate intrinsic value of the option immediately after the Separation Effective Time is not greater than the aggregate intrinsic value of the option immediately before the Separation Effective Time, and (ii) the ratio of the exercise price per share to the market value per share is not reduced. Any such adjustments will be based on the closing price per share of Marathon Group Shares immediately prior to the Separation Effective Time relative to the first opening price per share of Marathon Shares immediately following the Separation Effective Time.

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Exchange of U. S. Steel Group Stock Certificates. USX will appoint an exchange agent in connection with the Plan of Reorganization. Promptly after the Separation Effective Time, the exchange agent will mail a letter of transmittal and instructions for use in effecting the surrender of certificates and exchange of stock certificates to each registered holder of physical stock certificates representing U. S. Steel Group Shares. Only holders of U. S. Steel Group Shares holding physical stock certificates will receive such letter of transmittal from the exchange agent and be required to surrender their stock certificates in exchange for New U. S. Steel Shares. We request that you not surrender your certificates for exchange until you receive the letter of transmittal and instructions. No dividends or other distributions declared or made after the Separation Effective Time with respect to New U. S. Steel Shares will be paid to the holder of any unsurrendered certificates. However, the holder will be paid, without interest, upon surrender of such certificate, any dividends or distributions with a record date after the Separation Effective Time but a payment date between the Separation Effective Time and the time of surrender. No transfers of U. S. Steel Group Shares will be made after the Separation Effective Time.

No Exchange of Marathon Group Stock Certificates

Certificates representing shares of Marathon Group Shares will not be exchanged in connection with the Separation and will represent Marathon Shares for all corporate purposes following the Separation.

Redemption of Shares of Trust Preferred in Connection with the Separation

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In connection with the Separation, each outstanding share of Trust Preferred will be redeemed for the right to receive, in cash, \$50.00 plus accrued but unpaid dividends thereon.

### Listing of New U. S. Steel Shares and Marathon Shares

United States Steel LLC and USX have agreed to use their reasonable efforts to cause the New U. S. Steel Shares to be issued in the Separation Merger to be approved for listing, under the symbol "X", on the NYSE, PSE and CSE, subject to official notice of issuance. The NYSE has approved the listing subject to stockholder approval of the Agreement and Plan of Reorganization and official notice of issuance. The listing of the New U. S. Steel Shares on the NYSE, PSE and CSE is a condition to the consummation of the Separation Merger.

Marathon Shares will continue to be listed on the NYSE, PSE and CSE under the symbol "MRO", and USX has agreed to amend its listing applications with the NYSE, PSE and CSE to provide for its name change to Marathon Oil Corporation.

### Conditions to the Completion of the Separation

The consummation of the Separation is subject to the satisfaction or waiver (to the extent permitted by law) of each of the following conditions:

- . Adoption of the Plan of Reorganization by the required votes of USX stockholders;
- . Receipt of a private letter ruling from the IRS that the Separation will qualify as a tax-free transaction within the meaning of Section 355 of the Code, in a form and substance satisfactory to the USX board of directors;
- . United States Steel LLC and USX having completed the Financing (in amount, form and substance satisfactory to the USX board) and the Value Transfer;
- . Approval of the New U. S. Steel Shares to be issued in the Separation for listing on the NYSE, the PSE and the CSE, subject to official notice of issuance;
- . This document having been declared effective by the SEC and not being the subject of any stop order or proceedings seeking a stop order;

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- . USX and United States Steel LLC having entered into the Separation Documents, including the Tax Sharing Agreement, Financial Matters Agreement, and Transition Services Agreement (in form and substance satisfactory to the USX board of directors);
- . All of the actions and transactions required by the Plan of Reorganization to be performed or consummated prior to the Separation Effective Time having been performed or consummated (in form and substance satisfactory to the USX board of directors);
- . Receipt of all material consents, authorizations and approvals required in connection with the Separation (in form and substance satisfactory to the USX board of directors); and

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- . No order, injunction or decree having been issued and remaining in effect which prohibits or prevents the consummation of the Separation;

All determinations as to satisfaction or waiver of the conditions to consummation of the Separation are to be made by the USX board, in its sole and absolute discretion. In addition, the Senior Note Indenture requires, as a condition to the Separation, that United States Steel must have at least \$400 million available in undrawn credit facilities and cash, of which at least \$300 million must be available under facilities with terms extending at least three years after the date such facilities are put in place.

On July 2, 2001, USX filed a request with the IRS for a private letter ruling as to the tax free status of the Separation. As of the date of this proxy statement/prospectus, none of the conditions to the Separation has been satisfied except that this proxy statement/prospectus has been declared effective by the SEC.

### Stockholders' Meeting and Board Recommendation

USX has agreed to take all actions necessary to call, give notice of, convene and hold a special meeting of its stockholders (the "Stockholders' Meeting") as promptly as practicable to:

- . obtain the approval and adoption of the Plan of Reorganization by the stockholders of USX;
- . obtain the approval of the United States Steel Corporation 2002 Stock Plan by the stockholders of USX;
- . obtain the approval of the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan by the stockholders of USX; and
- . vote to adjourn the Stockholders' Meeting, if necessary.

USX has agreed to include in the proxy statement/prospectus the recommendation of the USX board of directors that stockholders of USX vote in favor of the adoption of the Plan of Reorganization.

In considering the recommendation of the USX board of directors to vote in favor of the Separation, you should be aware that directors and executive officers of USX have interests in the Separation that are in addition to or different from the interests of stockholders generally, including disproportionate ownership of Marathon Group Shares and U. S. Steel Group Shares, ownership of options, stock appreciation rights and restricted shares, contractual rights to severance payments in connection with a change in control and certain other contractual rights and payments. Additionally, certain directors will become directors of both Marathon Oil Corporation and United States Steel Corporation after the Separation and become entitled to receive directors' allowances and attendance fees from both companies, in the amounts set forth on pages 86 and 113. The USX board of directors was aware of these interests and considered them, among other things, in approving the Separation. See "THE SEPARATION--Interest of Officers and Directors in the Separation" on page 56.

USX has agreed to use its reasonable efforts to solicit from USX stockholders proxies in favor of the adoption of the Plan of Reorganization and to take all other actions necessary or advisable to secure, at the Stockholders' Meeting, the vote required to approve and adopt the Plan of Reorganization.



## Indemnification

Marathon Oil Corporation has agreed to indemnify, defend and hold harmless United States Steel Corporation, and its directors, officers, employees, representatives, advisors, agents and affiliates from, against and in respect of any and all losses arising out of, relating to or resulting from, directly or indirectly:

- . except as otherwise provided in the Tax Sharing Agreement or the Financial Matters Agreement (or any other Separation Document), any and all liabilities to the extent arising out of or relating to the business, assets or liabilities of the Marathon Group;
- . Marathon Oil Corporation's failure to observe its obligations under the Plan of Reorganization or any of the Separation Documents; and
- . except as otherwise provided in the Tax Sharing Agreement or the Financial Matters Agreement (or any other Separation Document), sixty-five percent (65%) of any and all (i) joint liabilities relating to USX corporate assets, liabilities or businesses not related to the businesses of the Marathon Group or the U. S. Steel Group and (ii) liabilities arising from or related to the Separation or the related transactions or agreements, including, but not limited to, the filing of this proxy statement/prospectus with the SEC (together, (i) and (ii) are referred to as "Joint Liabilities").

United States Steel Corporation has agreed to indemnify, defend and hold harmless Marathon Oil Corporation, and its directors, officers, employees, representatives, advisors, agents and affiliates, from, against and in respect of any and all losses arising out of, relating to or resulting from, directly or indirectly:

- . except as otherwise provided in the Tax Sharing Agreement or the Financial Matters Agreement (or any other Separation Document), any and all liabilities to the extent arising out of or relating to the business, assets or liabilities of the U. S. Steel Group, which includes any businesses owned or previously owned by USX that do not fall within the definition of the Marathon Group (as determined pursuant to the USX Restated Certificate);
- . United States Steel Corporation's failure to observe its obligations under the Plan of Reorganization or any of the Separation Documents; and
- . except as otherwise provided in the Tax Sharing Agreement or the Financial Matters Agreement (or any other Separation Document), thirty-five percent (35%) of any and all Joint Liabilities.

## Expenses

Except to the extent otherwise provided in the Separation Documents, all Separation Costs incurred in connection with the transactions contemplated by the Plan of Reorganization, including, without limitation the Financing, (i) incurred prior to the Separation Effective Time are to be borne thirty-five percent (35%) by United States Steel Corporation and sixty-five percent (65%) by Marathon Oil Corporation and (ii) incurred following the Separation Effective Time shall be borne by the party incurring such expenses. The Separation Costs are expected to total approximately \$100 million.

## Amendment

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The terms of the Separation may be amended, modified or supplemented at any time as determined by the USX board of directors, and will be evidenced by a written agreement signed by all of the parties to the Plan of Reorganization. In the event that the board determines that any such amendments, modifications or supplements are material to the stockholders of USX, we will distribute supplemental proxy materials and resolicit proxies from our stockholders.

### Termination

The Separation may be terminated and abandoned for any reason at any time prior to the Separation, whether prior to or following the Stockholders' Meeting, by and in the sole discretion of the USX board of directors. In the event of such termination, none of the parties to the Separation shall have any liability by reason of the Plan of Reorganization.

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## INFORMATION ABOUT UNITED STATES STEEL

### DESCRIPTION OF THE BUSINESS OF UNITED STATES STEEL

United States Steel, through its Domestic Steel segment, is engaged in the production, sale and transportation of steel mill products, coke, taconite pellets and coal; the management of mineral resources; real estate development; and engineering and consulting services and, through its U. S. Steel Kosice segment, primarily located in the Slovak Republic, in the production and sale of steel mill products and coke for the central European market. Certain business activities are conducted through joint ventures and partially owned companies, such as USS-POSCO Industries ("USS-POSCO"), PRO-TEC Coating Company ("PRO-TEC"), Clairton 1314B Partnership, Republic Technologies International, LLC ("Republic") and Rannila Kosice, s.r.o.

A three-year summary of financial highlights for United States Steel is provided below.

	Revenues and Other Income (a)	Income from Operations (b)	Net Income (Loss)	Assets at Year-End	Capital Expenditures
-----					
(Millions)					
United States Steel					
2000.....	\$6,132	\$104	\$(21)	\$8,711	\$244
1999.....	5,470	150	44	7,525	287
1998.....	6,477	579	364	6,749	310

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

### Revenues and Other Income

2000	1999	1998
-----	-----	-----
(Millions)		

Revenues by product:

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Sheet and semi-finished steel products.....	\$3,288	\$3,433	\$3,598
Tubular, plate, and tin mill products.....	1,731	1,140	1,546
Raw materials (coal, coke and iron ore).....	626	549	744
Other(a).....	445	414	490
Income (loss) from affiliates.....	(8)	(89)	46
Gain on disposal of assets.....	46	21	54
Other income (loss).....	4	2	(1)
	-----	-----	-----
Total revenues and other income.....	\$6,132	\$5,470	\$6,477
	=====	=====	=====

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(a) Includes revenue from the sale of steel production by-products, real estate development, resource management, and engineering and consulting services.

Steel Industry Background and Competition

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

United States Steel is the largest integrated steel producer in North America and, through its subsidiary USSK, the largest integrated flat-rolled producer in Central Europe. United States Steel competes with many domestic and foreign steel producers. Competitors include integrated producers which, like United States Steel, use iron ore and coke as primary raw materials for steel production, and mini-mills which primarily use steel scrap and, increasingly, iron bearing feedstocks as raw materials. Mini-mills generally produce a narrower range of steel products than integrated producers, but typically enjoy certain competitive advantages such as

lower capital expenditures for construction of facilities and non-unionized work forces with lower employment costs and more flexible work rules. An increasing number of mini-mills utilize thin slab casting technology to produce flat-rolled products. Through the use of thin slab casting, mini-mill competitors are increasingly able to compete directly with integrated producers of flat-rolled products. Depending on market conditions, the additional production generated by flat-rolled mini-mills could have an adverse effect on United States Steel's selling prices and shipment levels.

Steel imports to the United States accounted for an estimated 23%, 27%, 26% and 30% of the domestic steel market demand for the first six months of 2001, and for the years 2000, 1999 and 1998, respectively. Steel imports of pipe increased 37% and hot-rolled steel increased 19% in 2000, compared to 1999. Foreign competitors typically have lower labor costs and are often owned, controlled or subsidized by their governments, allowing their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions. High levels of imported steel are expected to continue to have an adverse effect on future market prices and demand levels for domestic steel.

On November 13, 2000, United States Steel joined with eight other producers and the Independent Steelworkers Union to file trade cases against hot-rolled carbon steel flat products from 11 countries (Argentina, India, Indonesia, Kazakhstan, the Netherlands, the People's Republic of China, Romania, South

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Africa, Taiwan, Thailand and Ukraine). Three days later the USWA also entered the cases as a petitioner. Antidumping ("AD") cases were filed against all the countries and countervailing duty ("CVD") cases were filed against Argentina, India, Indonesia, South Africa and Thailand. On December 28, 2000, the ITC made a preliminary determination that there is a reasonable indication that the domestic industry is materially injured by the imports in question. As a result, both the ITC and Commerce will continue their investigations in these cases.

United States Steel believes that the remedies provided by U.S. law to private litigants are insufficient to correct the widespread dumping and subsidy abuses that currently characterize steel imports into our country. United States Steel, nevertheless, intends to file additional AD and CVD petitions against unfairly traded imports that adversely impact, or threaten to adversely impact, the results of United States Steel and is urging the U.S. government to take additional steps.

On July 3, 2000, Commerce and the ITC initiated mandatory five-year "sunset" reviews of AD orders issued in 1995 against seamless pipe from Argentina, Brazil, Germany and Italy and oil country tubular goods ("OCTG") from Argentina, Italy, Japan, Mexico and South Korea. The reviews also encompass the 1995 CVD orders against the same two products from Italy. The "sunset" review procedures require that an order must be revoked after five years unless Commerce and the ITC determine that, if the orders would be discontinued, dumping or countervailing subsidies would be likely to continue or recur. In all of the cases, Commerce determined that dumping or countervailing subsidies would be likely to continue or recur if the orders are discontinued. In the seamless pipe cases, the ITC voted on June 7, 2001 to continue the orders as to Argentina, Brazil and Germany and to discontinue the orders pertaining to Italy. The ITC voted on June 15, 2001 to continue the orders against all five countries pertaining to OCTG other than drill pipe. The ITC's votes on drill pipe will continue the order in effect against Japan and discontinue the orders against Argentina and Mexico.

United States Steel's domestic businesses are subject to numerous federal, state and local laws and regulations relating to the storage, handling, emission and discharge of environmentally sensitive materials. United States 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 other 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 United States Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. For further information, see "United States Steel Legal Proceedings" on page 80, and INFORMATION ABOUT UNITED STATES STEEL--Management's Discussion and Analysis of Financial Condition and Results of Operations on page 96.

On June 5, 2001, President Bush announced a three-part program to address the excessive imports of steel that have been depressing markets in the United States. The program involves (1) negotiations with foreign governments seeking near-term elimination of inefficient excess steel production capacity throughout the world; (2) negotiations with foreign governments to establish rules that will govern steel trade in the future and eliminate subsidies; and (3) an investigation by the ITC under section 201 of the Trade Act of 1974 to determine whether steel is being imported into the United States in such

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quantities as to be a substantial cause of serious injury to the United States steel industry. The timing of and parties to the negotiations remain to be determined.

On June 22, 2001, the Bush Administration requested that the ITC initiate investigations under section 201 of the Trade Act of 1974. Products included in the request are in the following categories, subject to exclusion of certain products:

- (1) Carbon and alloy flat products;
- (2) Carbon and alloy long products;
- (3) Carbon and alloy pipe and tube; and
- (4) Stainless steel and alloy tool steel products.

USSK does business primarily in Central Europe and is subject to market conditions in this area which are similar to domestic factors, including excess world supply, and also can be influenced by matters peculiar to international marketing such as tariffs.

### Business Overview

United States Steel produces raw steel at Gary Works in Indiana, Mon Valley Works in Pennsylvania, Fairfield Works in Alabama, and, through USSK, in Kosice, Slovak Republic.

United States Steel has responded to competition resulting from excess steel industry capability by eliminating less efficient facilities, modernizing those that remain and entering into joint ventures, all with the objective of focusing production on higher value-added products, where superior quality and special characteristics are of critical importance. These products include bake hardenable steels and coated sheets for the automobile and appliance industries, laminated sheets for the manufacture of motors and electrical equipment, higher strength plate products, improved tin mill products for the container industry and oil country tubular goods. Several recent modernization projects support United States Steel's objectives of providing value-added products and services to customers. These projects include, for the automotive industry--the degasser facility at Mon Valley Works, the second hot-dip galvanizing line at PRO-TEC, the Fairless Works galvanizing line upgrade and the cold reduction mill upgrades at Gary Works and Mon Valley Works; for the construction industry--the dual coating lines at Fairfield Works and Mon Valley Works; for the tubular market--the Fairfield Works pipemill upgrade and acquiring full ownership of Lorain Tubular Company LLC; and for the plate market--the heat treat facility at the Gary Works plate mill. Also, a new pickle line was built at the Mon Valley Works which replaced three older and less efficient facilities located at Fairless Works and Mon Valley Works.

Through its November 2000 purchase of USSK, which owns the steel producing operations and related assets formerly held by VSZ a.s. in the Slovak Republic, United States Steel took a major strategic step by expanding offshore and following many of its customers into the European market. The objective is to advance USSK to become a leader among European steel producers and the prime supplier of flat-rolled steel to the growing central European market. This globalization strategy is also being pursued through our Acero Prime joint venture in Mexico. The location of this joint venture allows for easy servicing and just-in-time delivery to customers throughout Mexico.

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Effective March 1, 2001, United States Steel acquired from LTV Corporation ("LTV") the tin mill products business of LTV for the assumption of \$66 million of employee-related liabilities. United States Steel is leasing the land and acquired title to the buildings, facilities and inventory at LTV's former tin mill operation in Indiana which we are operating as East Chicago Tin. United States Steel intends to operate these facilities as an ongoing business and East Chicago Tin employees became United States Steel employees. United States Steel and LTV also entered into 5-year agreements for LTV to supply United States Steel with pickled hot bands and for United States Steel to provide LTV with processing of cold-rolled steel.

On August 14, 2001, United States Steel announced its intention to permanently close the cold rolling and tin mill operations at Fairless Works, with a combined annual finishing capability of 1.5 million tons, on or after November 12, 2001. Under its labor agreement, United States Steel is required to discuss the proposed shutdown with the United Steelworkers of America before making a final decision. United States Steel also announced that, subject to market conditions, it currently intends to continue operating the hot dip galvanizing line at Fairless Works. The anticipated financial impact of the shutdown will be recorded in the second half of 2001 and is estimated to be a pretax charge of \$35 million to \$45 million. The near-term cash impact will be minimal since about half of the charge is for depreciation or impairment of fixed assets and the balance is related to employee benefits that will be paid from trust funds which will be funded over a period of years if required.

In addition to the modernization of its production facilities, United States Steel has entered into a number of joint ventures with domestic and foreign partners to take advantage of market or manufacturing opportunities in the sheet, tin mill, tubular, bar and plate consuming industries.

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

Domestic Steel	
Gary.....	Sheets; Tin Mill; Plates; Coke
Fairfield.....	Sheets; Tubular
Mon Valley/Fairless.....	Sheets
USS-POSCO(a).....	Sheets; Tin Mill
East Chicago Tin.....	Tin Mill
Lorain Tubular Company LLC.....	Tubular
Republic Technologies	
International, LLC(a) ..	Bar
PRO-TEC(a).....	Galvanized Sheet
Clairton.....	Coke
Clairton 1314B	
Partnership(a).....	Coke
Transtar.....	Transportation
Minntac.....	Taconite Pellets
U. S. Steel Mining.....	Coal
Resource Management.....	Administration of Mineral, Coal and Timber Properties
Realty Development.....	Real estate sales, leasing and management
Engineers and Consultants.....	Engineering and Consulting Services
USSK	
U. S. Steel Kosice.....	Sheets; Tin Mill; Plates; Coke

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Walzwerke Finow..... Precision steel tubes; specialty shaped sections  
 Rannila Kosice (a)..... Color coated profile and construction products

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 (a) Equity investee

Domestic Operations

United States Steel domestic operations includes plants which produce steel products in a variety of forms and grades. Raw steel production was 11.4 million tons in 2000, compared with 12.0 million tons in 1999 and 11.2 million tons in 1998. Raw steel produced was nearly 100% continuous cast in 2000, 1999 and 1998. Raw steel production averaged 89% of capability in 2000, compared with 94% of capability in 1999 and 88% of capability in 1998. United States Steel's stated annual domestic raw steel production capability was 12.8 millions tons for 2000 (7.5 million at Gary Works, 2.9 million at Mon Valley Works, and 2.4 million at Fairfield Works).

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Steel shipments were 10.8 million tons in 2000, 10.6 million tons in 1999 and 10.7 million tons in 1998. United States Steel shipments comprised approximately 9.8% of domestic steel shipments in 2000. Exports accounted for approximately 5% of United States Steel shipments in 2000, 3% in 1999 and 4% in 1998.

The following tables set forth significant United States Steel domestic operations shipment data by major markets and products for each of the last three years. Such data does not include shipments by joint ventures and other affiliates of United States Steel accounted for by the equity method.

Steel Shipments By Market and Product (United States Production Only)

	Sheets & Semi-finished Steel	Tubular, Plate & Tin Mill Products	Total
	----- (Thousands of Net Tons) -----		
Major Market--2000			
Steel Service Centers.....	1,636	679	2,315
Further Conversion:			
Trade Customers.....	742	432	1,174
Joint Ventures.....	1,771	--	1,771
Transportation (Including Automotive).....	1,206	260	1,466
Containers.....	182	520	702
Construction and Construction Products.....	778	158	936
Oil, Gas and Petrochemicals.....	--	973	973
Export.....	346	198	544
All Other.....	748	127	875
	-----	-----	-----
Total.....	7,409	3,347	10,756
	=====	=====	=====
Major Market--1999			
Steel Service Centers.....	1,867	589	2,456
Further Conversion:			
Trade Customers.....	1,257	376	1,633
Joint Ventures.....	1,818	--	1,818

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Transportation (Including Automotive).....	1,280	225	1,505
Containers.....	167	571	738
Construction and Construction Products.....	660	184	844
Oil, Gas and Petrochemicals.....	--	363	363
Export.....	246	75	321
All Other.....	819	132	951
	-----	-----	-----
Total.....	8,114	2,515	10,629
	=====	=====	=====
Major Market--1998			
Steel Service Centers.....	1,867	696	2,563
Further Conversion:			
Trade Customers.....	706	434	1,140
Joint Ventures.....	1,473	--	1,473
Transportation (Including Automotive).....	1,438	347	1,785
Containers.....	222	572	794
Construction and Construction Products.....	809	178	987
Oil, Gas and Petrochemicals.....	--	509	509
Export.....	226	156	382
All Other.....	867	186	1,053
	-----	-----	-----
Total.....	7,608	3,078	10,686
	=====	=====	=====

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United States Steel's sheet business produces hot-rolled, cold-rolled and galvanized products. We are committed to increasing our value-added shipments of cold-rolled, galvanized and other products processed from hot-rolled band. Value-added products comprised 78% of domestic shipments in 2000, including finishing performed by joint ventures. United States Steel's sheet customer base includes automotive, appliance, service center, industrial and construction customers. United States Steel has a long-standing relationship with many of them, as do the USS-POSCO, PRO-TEC and Acero Prime joint ventures.

In the last three years, United States Steel has made a number of key investments directed toward the automotive industry, including upgrades to our steel-making facilities to increase our capacity for both high strength and highly formable steels, upgrades to United States Steel's Fairless galvanizing line to produce automotive quality product and constructing an automotive technical center in Michigan. In addition, a number of United States Steel's joint ventures expanded their automotive capacity, most notably PRO-TEC, which added 400,000 tons of annual hot-dipped galvanized capacity to bring its total capacity to 1.0 million tons per year.

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

United States Steel's tubular operations are located at Fairfield, Alabama, Lorain, Ohio, and McKeesport, Pennsylvania and produce both seamless and electric resistance weld ("ERW") tubular products. United States Steel enjoys over a 50% share of the domestic market for seamless standard and line pipe and a 25% share of the domestic market for oil country tubular goods ("OCTG"). With the successful conversion in 2000 of the Fairfield piercing mill to process rounds plus the acquisition of the remaining 50% interest in Lorain Tubular, United States Steel has the capability to produce 1.6 million tons of tubular products in the 5 million ton market for the tubular products it produces. With the continued high demand for energy, United States Steel believes it is well positioned to supply the oil and gas industry with OCTG.



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With the recent acquisition of East Chicago Tin operations, United States Steel is one of the two largest tin mill products producers in North America. United States Steel supplies a full line of tin plate and tin-free steel ("TFS") products, primarily used in the container industry. United States Steel believes its reputation in the marketplace is enhanced through its attention to quality and customer service reliability and expects its acquisition of East Chicago Tin will provide significant operating synergies while providing it the opportunity to better serve its existing and newly acquired customers. United States Steel currently supplies over 25% of the domestic market, and coupled with USSK's tin capability, it anticipates being in a prime position to service customers who have a global presence.

United States Steel's plate business is located within the Gary Works complex and is a major supplier to the transportation market, and to the industrial, agricultural, and construction equipment market. United States Steel's modern plate heat-treating facilities allow it to offer its customers specialized plates for critical applications.

United States Steel and its wholly owned entity, U. S. Steel Mining LLC, have domestic coal properties with bituminous coal reserves of approximately 787 million net tons at year-end 2000 and at year-end 1999. The reserves are of metallurgical and steam quality in approximately equal proportions. They are located in Alabama, Illinois, Indiana, Pennsylvania, Tennessee and West Virginia. Approximately 93% of the reserves are owned, and the rest are leased. The leased properties are covered by leases which expire in 2005 and 2012. During 2000, United States Steel recorded \$71 million of impairments relating to coal assets located in West Virginia and Alabama. The impairment was recorded as a result of a reassessment of long-term prospects after adverse geological conditions were encountered. U. S. Steel Mining's coal production was 5.5 million tons in 2000, compared with 6.2 million tons in 1999 and 7.3 million tons in 1998.

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United States Steel controls domestic iron ore properties having iron ore reserves in grades subject to beneficiation processes in commercial use by United States Steel domestic operations of approximately 710 million tons at year-end 2000, substantially all of which are iron ore concentrate equivalents available from low-grade iron-bearing materials. All reserves are located in Minnesota. Approximately 31% of these reserves are owned and the remaining 69% are leased. Most of the leased reserves are covered by a lease expiring in 2058 and the remaining leases have expiration dates ranging from 2021 to 2026. United States Steel's iron ore operations at Mt. Iron, Minnesota ("Minntac") produced 16.3 million net tons of taconite pellets in 2000, 14.3 million net tons in 1999 and 15.8 million net tons in 1998. Taconite pellet shipments were 15.0 million tons in 2000, compared with 15.0 million tons in 1999 and 15.4 million tons in 1998.

On March 23, 2001, Transtar, Inc. ("Transtar") completed its previously announced reorganization with its two voting shareholders, USX and Transtar Holdings, L.P. (Holdings), an affiliate of Blackstone Capital Partners L. P. As a result of this transaction, United States Steel became the sole owner of Transtar and certain of its subsidiaries, namely, the Birmingham Southern Railroad Company; the Elgin, Joliet and Eastern Railway Company; the Lake Terminal Railroad Company; the McKeesport Connecting Railroad Company; the Mobile River Terminal Company, Inc.; the Union Railroad Company; the Warrior & Gulf Navigation Company; and Tracks Traffic Management Services, Inc. and their subsidiaries. Holdings became the owner of the other subsidiaries.

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A subsidiary of United States Steel sells technical services worldwide to the steel, mining, chemical and related industries. Together with its subsidiary companies, it provides engineering and consulting services for facility expansions and modernizations, operating improvement projects, integrated computer systems, coal and lubrication testing and environmental projects.

United States Steel develops real estate for sale or lease and manages retail and office space, business and industrial parks and residential and recreational properties. United States Steel also administers the remaining mineral lands and timber lands of United States Steel domestic operations and is responsible for the lease or sale of these lands and their associated resources, which encompass approximately 270,000 acres of surface rights and 1,500,000 acres of mineral rights in 13 states.

United States Steel participates directly and through subsidiaries in a number of joint ventures included in the Domestic Steel segment. All of the joint ventures are accounted for under the equity method. Certain of the joint ventures and other investments are described below, all of which are at least 50% owned except Republic, Acero Prime and the Clairton 1314B Partnership.

United States Steel and Pohang Iron & Steel Co., Ltd. ("POSCO") of South Korea participate in a joint venture, USS-POSCO, which owns and operates the former U. S. Steel Pittsburg, California plant. The joint venture markets high quality sheet and tin products, principally in the western United States. USS-POSCO produces cold-rolled sheets, galvanized sheets, tin plate and tin-free steel, with hot bands principally provided by United States Steel and POSCO. Total shipments by USS-POSCO were approximately 1.5 million tons in 2000. On May 31, 2001, a fire damaged USS-POSCO's facilities. Damage was predominantly limited to the cold-rolling mill. USS-POSCO maintains insurance coverage against such losses, including coverage for business interruption. The mill is expected to resume production in the first quarter of 2002, although full production may not be achieved until mid-2002. Until such time, the plant will continue customer shipments using cold-rolled coils from United States Steel and POSCO as substitute feedstock.

United States Steel has a 16% investment in Republic Technologies International LLC (Republic) which was accounted for under the equity method of accounting. During the first quarter of 2001, United States Steel discontinued applying the equity method since investments in and advances to Republic had been reduced to zero. Also, United States Steel has recognized certain debt obligations of \$14 million previously assumed by Republic. On April 2, 2001, Republic filed a voluntary petition with the U.S. Bankruptcy Court to reorganize its operations under Chapter 11 of the U.S. Bankruptcy Code. In the first quarter of 2001, as a result of

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Republic's actions, United States Steel recorded a pretax charge of \$74 million for the potentially uncollectible receivables from Republic.

United States Steel and Kobe Steel, Ltd. ("Kobe") participate in a joint venture, PRO-TEC, which owns and operates two hot-dip galvanizing lines in Leipsic, Ohio. The first galvanizing line commenced operations in early 1993. In November 1998, operations commenced on a second hot-dip galvanized sheet line which expanded PRO-TEC's capacity nearly 400,000 tons a year to 1.0 million tons annually. Total shipments by PRO-TEC were approximately 1.0 million tons in 2000.

United States Steel and Worthington Industries Inc. participate in a joint venture known as Worthington Specialty Processing which operates a steel

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processing facility in Jackson, Michigan. The plant is operated by Worthington Industries, Inc. The facility contains state-of-the-art technology capable of processing master steel coils into both slit coils and sheared first operation blanks including rectangles, trapezoids, parallelograms and chevrons. It is designed to meet specifications for the automotive, appliance, furniture and metal door industries. In 2000, Worthington Specialty Processing shipments were approximately 300 thousand tons.

United States Steel and Rouge Steel Company participate in Double Eagle Steel Coating Company ("DESCO"), a joint venture which operates an electrogalvanizing facility located in Dearborn, Michigan. This facility enables United States Steel to supply the automotive demand for steel with corrosion resistant properties. The facility can coat both sides of sheet steel with zinc or alloy coatings and has the capability to coat one side with zinc and the other side with alloy. Availability of the facility is shared equally by the partners. In 2000, DESCO produced approximately 800 thousand tons of electrogalvanized steel.

United States Steel and Olympic Steel, Inc. participate in a 50-50 joint venture to process laser welded- sheet steel blanks at a facility in Van Buren, Michigan. The joint venture conducts business as Olympic Laser Processing. Startup began in 1998. In February 2000 an expansion project was announced adding two manually operated welding lines. The expansion will create the needed flexibility and capacity to service current and growing requirements for automotive laser weld applications. Laser welded blanks are used in the automotive industry for an increasing number of body fabrication applications. United States Steel is the venture's primary customer and is responsible for marketing the laser-welded blanks. In 2000, Olympic Laser Processing shipments were approximately 676 thousand parts.

United States Steel, through its subsidiary, United States Steel Export Company de Mexico, along with Feralloy Mexico, S.R.L. de C.V. and Intacero de Mexico, S.A. de C.V., participate in a joint venture, Acero Prime, for a slitting and warehousing facility in San Luis Potosi, Mexico. In May 2000, an expansion project was announced for the joint venture. The expansion project involved the construction of a 60,000 square-foot addition that doubled the current facility's size and total warehousing capacity. A second slitting line and an automatic packaging system were installed as part of the project. Also, a new 70,000 square-foot, in-bond warehouse facility was built in Coahuilla state in Ramos Arizpe. The warehouse stores and manages coil inventories. Startup began in the first quarter of 2001. In 2000, the joint venture processed approximately 95 thousand tons.

United States Steel's purchases of transportation services from Transtar and its subsidiaries and semi-finished steel from Republic, totaled \$566 million, \$361 million and \$331 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, U. S. Steel's payables to these investees totaled \$66 million and \$60 million, respectively. United States Steel's revenues for steel and raw material sales to equity investees, primarily PRO-TEC, USS-POSCO and Republic, totaled \$958 million, \$831 million and \$725 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, United States Steel's receivables from these investees were \$177 million. These transactions were conducted under long-term, market-based contractual arrangements.

### U. S. Steel Kosice

In November 2000, United States Steel acquired U. S. Steel Kosice, s.r.o. ("USSK"), headquartered in Kosice in the Slovak Republic, which owns the steel-

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making operations and related assets formerly held by VSZ, a.s., making United States Steel the largest flat-rolled producer in Central Europe. Currently, USSK has annual raw steel-making capability of 5.0 million tons and produces and sells sheet, tin, tubular, precision tube and specialty products, as well as coke. United States Steel's strategy is to serve its existing customers in Central Europe and to grow its customer base in this region.

USSK produces steel products in a variety of forms and grades. In the first half of 2001, USSK raw steel production was 2.1 million tons. USSK has three blast furnaces, two steel shops with two vessels each, a dual strand caster attached to each steel shop, a hot strip mill, cold rolling mill, pickling lines, galvanizing line, tin coating line and two coke batteries.

USSK shipped 1.8 million tons for the first half of 2001. These shipments included sheet products, galvanized sheet products and tin mill products. In addition, USSK owns Walzwerke Finow GmbH, located in eastern Germany, which produces about 90,000 tons per year of welded precision steel tubes from both cold rolled and hot rolled product as well as cold rolled specialty shaped sections. USSK also has facilities for manufacturing heating radiators and spiral weld pipe.

A majority of product sales by USSK are denominated in euros while only a small percent of expenditures are in euros. In addition, most interest and debt payments are in U.S. dollars and the majority of other spending is in U.S. dollars and Slovak crowns. This results in exposure to currency fluctuations.

Ranilla Kosice, s.r.o, which is 49% owned by USSK, processes coated sheets, both galvanized and painted, into various forms which are primarily used in the construction industry.

### Employees

On December 31, 2000, the total number of active United States Steel domestic employees was 18,784, and the total number of active USSK employees was 16,244. Currently, substantially all domestic hourly employees of United States Steel's steel, coke and taconite pellet facilities are covered by a collective bargaining agreement with the United Steelworkers of America which expires in August 2004 and includes a no-strike provision. Other hourly employees (for example, those engaged in coal mining and transportation activities) are represented by the United Mine Workers of America, United Steelworkers of America and other unions. In addition, hourly employees of USSK are represented by the union OZ Metalurg under a collective bargaining agreement expiring February 2004, which is subject to annual wage negotiations.

### Environmental Matters

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

The businesses of United States Steel are subject to numerous federal, state and local laws and regulations relating to the protection of the environment.

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These environmental laws and regulations include the Clean Air Act ("CAA") with respect to air emissions; the Clean Water Act ("CWA") with respect to water discharges; the Resource Conservation and Recovery Act ("RCRA") with respect to solid and hazardous waste treatment, storage and disposal; and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") with respect to releases and remediation of hazardous substances. In addition, all states where

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United States Steel operates have similar laws dealing with the same matters. These laws are constantly evolving and becoming increasingly stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for laws such as RCRA and the CAA have not yet been promulgated or in certain instances are undergoing revision. These environmental laws and regulations, particularly the CAA, could result in substantially increased capital, operating and compliance costs.

For a discussion of environmental capital expenditures and the cost of compliance for air, water, solid waste and remediation, see "--United States Steel Legal Proceedings" on page 80 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 96.

United States Steel has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. In recent years, these expenditures have been mainly for process changes in order to meet CAA obligations, although ongoing compliance costs have also been significant. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of United States Steel's products and services, operating results will be adversely affected. United States 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 United States Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods. For further information, see "--United States Steel Legal Proceedings" on page 80, and "--Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 96.

The 1997 Kyoto Global Climate Change Agreement ("Kyoto Protocol") produced by the United Nations convention on climate change, if ratified by the U. S. Senate, would require restrictions on greenhouse gas emissions in the United States. Options that could be considered by federal regulators to force the reductions necessary to meet these restrictions could escalate energy costs and thereby increase steel production costs. Until action is taken by the U. S. Senate to ratify or reject the Kyoto Protocol, it is not possible to estimate the effect of regulations that may be considered for implementation of emissions restrictions in the United States.

Air

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

The CAA requires the regulation of hazardous air pollutants and development and promulgation of Maximum Achievable Control Technology ("MACT") Standards. The amendment to the Chrome Electroplating MACT to include the chrome processes at Gary and Fairless is expected sometime in the next couple years. The EPA is also promulgating MACT standards for integrated iron and steel plants and taconite iron ore processing which are expected to be finalized in 2002. The impact of these new standards could be significant to United States Steel, but the cost cannot be reasonably estimated until the rules are finalized.

The CAA specifically addressed the regulation and control of coke oven batteries. The National Emission Standard for Hazardous Air Pollutants for coke oven batteries was finalized in October 1993, setting forth the MACT standard and, as an alternative, a Lowest Achievable Emission Rate ("LAER") standard. Effective

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January 1998, United States Steel elected to comply with the LAER standards. United States Steel believes it will be able to meet the current LAER standards. The LAER standards will be further revised in 2010 and additional health risk-based standards are expected to be adopted in 2020. EPA is in the process of developing the Phase II Coke MACT for pushing, quenching and battery stacks which is scheduled to be finalized in 2002. This MACT will impact United States Steel, but the cost cannot be reasonably estimated at this time.

The CAA also mandates the nationwide reduction of emissions of acid rain precursors (sulfur dioxide and nitrogen oxides) from fossil fuel-fired electrical utility plants. United States Steel, like all other electricity consumers, will be impacted by increased electrical energy costs that are expected as electric utilities seek rate increases to comply with the acid rain requirements.

In September 1997, the EPA adopted revisions to the National Ambient Air Quality Standards for ozone and particulate matter which are significantly more stringent than prior standards. EPA has issued a Nitrogen Oxide ("NOx") State Implementation Plan ("SIP") call to require certain states to develop plans to reduce NOx emissions focusing on large utility and industrial boilers. The impact of these revised standards could be significant to United States Steel, but the cost cannot be reasonably estimated until the final revised standards and the NOx SIP call are issued and, more importantly, the states implement their SIPs covering their standards.

In 2000, all of the coal production of U. S. Steel Mining was metallurgical coal, which is primarily used in coke production. While USX believes that the new environmental requirements for coke ovens will not have an immediate effect on U. S. Steel Mining, the requirements may encourage development of steelmaking processes that reduce the usage of coke. The new ozone and particulate matter standards could be significant to U. S. Steel Mining, but the cost is not capable of being reasonably estimated until rules are proposed or finalized.

Water

United States Steel maintains the necessary discharge permits as required

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under the National Pollutant Discharge Elimination System ("NPDES") program of the CWA, and it is in compliance with such permits. In 1998, USX entered into a consent decree with the Environmental Protection Agency ("EPA") which resolved alleged violations of the Clean Water Act NPDES permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, USX 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, USX 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, United States Steel will pay the public trustees \$1 million at the end of the remediation project for future monitoring costs and United States Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works and is expected to cost approximately \$36.4 million over the next five years. Estimated remediation and monitoring costs for this project have been accrued.

### Solid Waste

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

### Remediation

A significant portion of United States Steel's currently identified environmental remediation projects relate to the remediation of former and present operating locations. These projects include the remediation of the

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Grand Calumet River (discussed above), and the closure and remediation of permitted hazardous and non-hazardous waste landfills.

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

### PROPERTIES OF UNITED STATES STEEL

United States Steel or its predecessor USX has owned the vast majority of the domestic properties in excess of thirty years with no material adverse claim asserted. In the case of the real property and buildings of USSK, certified copies of the property registrations were obtained and examined by local counsel prior to the acquisition.

Several steel production facilities are leased. The caster facility at Fairfield, Alabama is subject to a lease expiring in 2012 with an option to purchase or to extend the lease. A coke battery at Clairton, Pennsylvania, which is subleased to the Clairton 1314B Partnership, is subject to a lease through 2004 with an option to purchase. The office space in Pittsburgh,

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Pennsylvania used by USX and United States Steel is leased through 2007.

For property, plant and equipment additions, including capital leases, see "--Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 96.

### UNITED STATES STEEL LEGAL PROCEEDINGS

After the Separation, United States Steel will be a party to the following litigation:

**Inland Steel Patent Litigation.** In July 1991, Inland Steel Company ("Inland") filed an action against United States Steel and another domestic steel producer in the U.S. District Court for the Northern District of Illinois, Eastern Division, alleging defendants had infringed two of Inland's steel-related patents. Inland seeks monetary damages of up to approximately \$50 million and an injunction against future infringement. United States Steel, in its answer and counterclaim, alleges the patents are invalid and not infringed and seeks a declaratory judgment to such effect. In May 1993, a jury found United States Steel to have infringed the patents. The District Court has yet to rule on the validity of the patents. In July 1993, the U.S. Patent Office rejected the claims of the two Inland patents upon a reexamination at the request of United States Steel and the other steel producer. A further request was submitted by United States Steel to the Patent Office in October 1993, presenting additional questions as to patentability which was granted and consolidated for consideration with the original request. In 1994, the Patent Office issued a decision rejecting all claims of the Inland patents. On September 21, 1999, the Patent Office Board of Appeals affirmed the decision of the Patent Office. Inland filed a notice of appeal with the Court of Appeals for the Federal Circuit on November 17, 1999. A hearing was held before the court on January 10, 2001, and the decision is pending.

**Asbestos Litigation.** United States Steel has been and is a defendant in a large number of cases in which plaintiffs allege injury resulting from exposure to asbestos. Many of these cases involve multiple plaintiffs and most have multiple defendants. These claims fall into three major groups: (1) claims made under certain federal and general maritime law by employees of the Great Lakes or Intercoastal Fleets, former operations of United States Steel; (2) claims made by persons who performed work at United States Steel facilities; and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by United States Steel. To date, all actions resolved have been either dismissed or settled for immaterial amounts. It is not possible to predict with certainty the outcome of these matters; however, based upon present knowledge, management believes that it is unlikely that the resolution of the remaining actions will have a material adverse effect on its financial condition. This statement of belief is a forward-looking statement. Predictions as to the

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outcome of pending litigation are subject to substantial uncertainties with respect to (among other things) factual and judicial determinations, and actual results could differ materially from those expressed in this forward-looking statement.

**Environmental Proceedings.** The following is a summary of the proceedings of United States Steel that were pending or contemplated as of June 30, 2001, under federal and state environmental laws. Except as described herein, it is not possible to accurately predict the ultimate outcome of these matters.



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Claims under CERCLA and related state acts have been raised with respect to the cleanup of various waste disposal and other sites. CERCLA is intended to expedite the cleanup of hazardous substances without regard to fault. Primary Responsible Parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several. Because of various factors including the ambiguity of the regulations, the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques and the amount of damages and cleanup costs and the time period during which such costs may be incurred, it is impossible to reasonably estimate its ultimate cost of compliance with CERCLA.

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

At June 30, 2001, United States Steel had been identified as a PRP at a total of 22 CERCLA sites. Based on currently available information, which is in many cases preliminary and incomplete, management believes that United States Steel liability for cleanup and remediation costs in connection with eight of these sites will be between \$100,000 and \$1 million per site and eight will be under \$100,000.

At the remaining 6 sites, management expects that United States Steel share in the remaining cleanup costs at any single site will not exceed \$5 million, although it is not possible to accurately predict the amount of sharing in any final allocation of such costs. The following is a summary of the status of these sites:

- . At the former Duluth, Minn. Works, United States Steel spent a total of approximately \$11.2 million through 2000. The Duluth Works was listed by the Minnesota Pollution Control Agency under the Minnesota Environmental Response and Liability Act on its Permanent List of Priorities. The Environmental Protection Agency ("EPA") has consolidated and included the Duluth Works site with the St. Louis River and Interlake sites on the EPA's National Priorities List. The Duluth Works cleanup has proceeded since 1989. United States Steel is conducting an engineering study of the estuary sediments and the construction of a breakwater in the estuary. Depending upon the method and extent of remediation at this site, future costs are presently unknown and indeterminable.
- . The Buckeye Reclamation Landfill, near St. Clairsville, Ohio, has been used at various times as a disposal site for coal mine refuse and municipal and industrial waste. United States Steel was one of 15 PRPs that have entered into an agreed order with the EPA to perform a remediation of the site. Implementation of the remedial design plan, resulting in a long-term cleanup of the site, is estimated to cost approximately \$28.5 million.

One of the PRPs filed suit against the EPA, the Ohio Environmental Protection Agency, and 13 PRPs including United States Steel. The EPA, in turn, filed suit against the PRPs to recover \$1.5 million in oversight costs. In May 1996, United States Steel entered into a final settlement agreement to resolve this litigation and the overall allocation. United States Steel agreed to pay 4.8% of the estimated costs which would result in United States Steel paying an additional amount of approximately \$1.1 million over a two- to three-year period.

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Through June 30, 2001, United States Steel has spent \$982,000 at the site. Remediation commenced in 1999 and should be substantially completed in 2001.

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- . The D'Imperio and Ewan sites in New Jersey are waste disposal sites where a former subsidiary allegedly disposed of used paint and solvent wastes. USX has entered into a settlement agreement with the major PRPs at the sites which fixes USX's share of liability at approximately \$1.2 million, \$605,000 of which United States Steel has already paid. The balance, which is expected to be paid over the next several years, has been accrued.
  
- . The Berks Associates/Douglassville Site ("Berks Site") is situated on a 50-acre parcel located on the Schuylkill River in Berks County, Pa. Used oil and solvent reprocessing operations were conducted on the Berks Site between 1941 and 1986. In September 1997, United States Steel signed a consent decree to conduct a feasibility study at the site relating to the alternative remedy. In 1999, a new Record of Decision was approved by EPA and the DOJ. On January 19, 2001, United States Steel signed a consent decree with the EPA to remediate this site. On April 6, 2001, United States Steel paid its share of the consent decree obligation, which was \$0.4 million. The only remaining outstanding claim is the natural resource damages claim filed by the Commonwealth of Pennsylvania.
  
- . In 1988, United States Steel and three other PRPs agreed to the issuance of an administrative order by the EPA to undertake emergency removal work at the Municipal & Industrial Disposal Co. site in Elizabeth, Pa. The cost of such removal, which has been completed, was approximately \$4.2 million, of which United States Steel paid \$3.4 million. The EPA has indicated that further remediation of this site may be required in the future, but it has not conducted any assessment or investigation to support what remediation would be required. In October 1991, the Pennsylvania Department of Environmental Resources ("PaDER") placed the site on the Pennsylvania State Superfund list and began a Remedial Investigation ("RI") which was issued in 1997. It is not possible to estimate accurately the cost of any remediation or the shares in any final allocation formula; however, based on presently available information, USX may have been responsible for as much as 70% of the waste material deposited at the site. On October 10, 1995, the DOJ filed a complaint in the U.S. District Court for Western Pennsylvania against United States Steel and other Municipal & Industrial Disposal Co. defendants to recover alleged costs incurred at the site. In June 1996, United States Steel agreed to pay \$245,000 to settle the government's claims for costs against it, American Recovery, and Carnegie Natural Gas. In 1996, United States Steel filed a cost recovery action against parties who did not contribute to the cost of the removal activity at the site. United States Steel reached a settlement in principle with all of the parties except the site owner. The PRPs are awaiting issuance of the State's Feasibility Study ("FS").

In addition, there are 16 sites related to United States Steel where information requests have been received or there are other indications that United States Steel may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability.

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There are also 29 additional sites related to United States Steel where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. Based on currently available information, which is in many cases preliminary and incomplete, management believes that liability for cleanup and remediation costs in connection with 4 of these sites will be under \$100,000 per site, another 3 sites have potential costs between \$100,000 and \$1 million per site, and 7 sites may involve remediation costs between \$1 million and \$5 million. Another 3 sites, including the Grand Calumet River remediation at Gary Works, the Peters Creek Lagoon remediation at Clairton, and the potential claim for investigation, restoration and compensation of injuries to sediments in the East Branch of the Grand Calumet River near Gary Works, have or are expected to have costs for remediation, investigation, restoration or compensation in excess of \$5 million. Potential costs associated with remediation at the remaining 12 sites are not presently determinable.

The following is a discussion of remediation activities at the major domestic United States Steel facilities:

Gary Works. In 1998, United States Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System ("NPDES")

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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, United States 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. United States Steel will pay the public trustees \$1 million at the end of the remediation project for future monitoring costs and United States Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. In 1999, United States 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, United States Steel purchased properties which were conveyed to the trustees. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works and is expected to cost approximately \$36.4 million over the next five years. Estimated remediation and monitoring costs for this project have been accrued.

In October 1996, United States Steel was notified by the Indiana Department of Environmental Management ("IDEM") acting as lead trustee, that IDEM and the U.S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a preassessment screen pursuant to federal regulations and have determined to perform a Natural Resource Damages Assessment. United States Steel was identified as a PRP along with 15 other companies owning property along the river and harbor canal. United States Steel and eight other PRPs have formed a joint defense group. In 2000, the trustees concluded their assessment of sediment injuries, which included a technical review of environmental conditions. The PRP joint defense group has proposed terms for the settlement of this claim which have been endorsed by representatives of the trustees and the EPA, to be included in a consent decree that United States Steel expects will resolve this claim. A reserve has been established for United States

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Steel's share of the anticipated settlement.

On October 23, 1998, a final Administrative Order on Consent was issued by EPA addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires United States Steel to perform a RCRA Facility Investigation ("RFI") and a Corrective Measure Study ("CMS") at Gary Works. The Current Conditions Report, United States Steel's first deliverable, was submitted to EPA in January 1997 and was approved by EPA in 1998. The Phase I RFI work plan was submitted to the EPA in July 1999.

IDEM issued notices of violations ("NOVs") relating to Gary Works in 1994 alleging various violations of air pollution requirements. In early 1996, United States Steel paid a \$6 million penalty and agreed to install additional pollution control equipment and programs and implement programs costing over \$100 million over a period of several years. In 1999, United States Steel entered into an Agreed Order with IDEM to resolve outstanding air issues. United States Steel paid a penalty of \$207,400 and installed equipment at the No. 8 Blast Furnace and the No. 1 BOP to reduce air emissions. In November 1999, IDEM issued an NOV alleging various air violations at Gary Works. An agreed order is being negotiated.

Clairton. In 1987, USX and the PaDER entered into a Consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pa. That Consent Order required USX to pay a penalty of \$50,000 and a monthly payment of \$2,500 for five years. In 1990, USX and the PaDER reached agreement to amend the Consent Order. Under the amended Order, USX 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. As of June 30, 2001, remediation costs have amounted to \$9.5 million with another \$489,000 projected to complete the project.

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

Fairfield Works. In December 1995, United States Steel reached an agreement in principle with the EPA and the DOJ with respect to alleged RCRA violations at Fairfield Works. A consent decree was signed by United States Steel and the United States and filed with the court on December 11, 1997, under which United States Steel will pay a civil penalty of \$1 million, implement two SEPs costing a total of \$1.75 million and implement a RCRA corrective action at the facility. One SEP was completed during 1998 at a cost of \$250,000. The second SEP is under way. The first RFI work plan for the site will be submitted for agency approval in the first quarter of 2001.

Mon Valley Works/Edgar Thomson Plant. In September 1997, USX received a draft consent decree addressing issues raised in an NOV issued by the EPA in January 1997. The NOV alleged air quality violations at United States Steel's Edgar Thomson Plant, which is part of Mon Valley Works. The draft consent decree addressed these issues, including various operational requirements,

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which EPA believed were necessary to bring the plant into compliance. USX has completed implementing the compliance requirements identified by EPA. USX has paid a cash penalty of \$550,000 and implemented five SEPs valued at approximately \$1.5 million in settlement of the government's allegations. On February 1, 2000, the U.S. District Court for Western Pennsylvania entered the consent decree.

In November 2000, an NOV was issued by the Jefferson County Health Department ("JCHD") alleging violation of the Halogenated Solvent National Emission Standards for Hazardous Air Pollutants and the JCHD volatile organic compound ("VOC") regulations at the sheet mill stretch leveler at Fairfield Works. United States Steel proposed a civil penalty of \$100,000 and a VOC emission limit, which have been agreed to by JHCD. A consent order was executed and approved by the court in May 2001. The penalty was paid by United States Steel in June 2001.

MANAGEMENT OF UNITED STATES STEEL CORPORATION FOLLOWING THE SEPARATION

Directors of United States Steel Corporation Following the Separation

Under Delaware law, the business and affairs of United States Steel Corporation will be managed under the direction of its board of directors. The certificate of incorporation and by-laws of United States Steel Corporation provide that the number of directors may be fixed by the board from time to time provided that there are always at least three directors. Upon the Separation, the board of directors of United States Steel Corporation is expected to consist of the individuals listed below (ages as of June 30, 2001). The present principal occupation or employment and five-year employment history of each individual follows the list below. Each of the individuals listed below is a citizen of the United States.

Name -----	Age --- ---	Position -----
J. Gary Cooper(1).....	64	Director
Robert J. Darnall.....	63	Director
Roy G. Dorrance.....	55	Vice Chairman and Chief Operating Officer
Dr. Shirley Ann Jackson(1)(2).....	54	Director
Charles R. Lee(1)(2).....	61	Director
Paul E. Lego(1).....	71	Director
John F. McGillicuddy(1).....	70	Director
Dan D. Sandman.....	53	Vice Chairman and Chief Legal & Administrative Officer
Seth E. Schofield(1)(2).....	61	Director
John W. Snow(1).....	61	Director
John P. Surma, Jr.....	47	Vice Chairman and Chief Financial Officer
Thomas J. Usher(1)(2).....	58	Chairman of the Board, Chief Executive Officer and President
Douglas C. Yearley(1)(2)....	65	Director

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(1) Current director of USX  
(2) Is also expected to be a director of Marathon Oil Corporation following the Separation

J. Gary Cooper is Chairman and Chief Executive Officer, Commonwealth

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National Bank. He was the United States Ambassador to Jamaica from 1994 to 1997. Ambassador Cooper is a director of Gen Corp Inc. and Protective Life Corporation.

Robert J. Darnall is Chairman of Prime Advantage Corporation. From 1992 through 1998, he served as the Chairman and Chief Executive Officer at Inland Steel Industries and, in 1998, he joined Ispat International N.V. as head of its North American operations upon its acquisition of Inland Steel. He retired from that position. Mr. Darnall is a member of the board of directors of Household International, Inc., Cummins, Inc., Pactiv Corp., Sunoco, Inc., and the Federal Reserve Bank of Chicago, where he currently serves as Deputy Chairman.

Roy G. Dorrance is Executive Vice President of United States Steel. In January, 2001 he was named to this position. From 1997 to January 2001, he served as United States Steel's Executive Vice President with responsibility for production, sales and marketing of United States Steel's sheet product business. In 1995, he was appointed Vice President--Operations of United States Steel.

Dr. Shirley Ann Jackson is President of Rensselaer Polytechnic Institute. She was appointed President in 1999 and was Chairman of the U.S. Nuclear Regulatory Commission from 1995 to 1999. Dr. Jackson is a director of Albany Molecular Research, Inc., Federal Express Corporation, Newport News Shipbuilding, Sealed Air Corporation and UtiliCorp United, Inc. She is a member of the National Academy of Engineering, a Fellow of the American Academy of Arts and Sciences, and a Fellow of the American Physical Society.

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Charles R. Lee is Chairman of the Board and Co-CEO, Verizon Communications since his election on June 30, 2000. Mr. Lee was elected Chairman of the Board and Chief Executive Officer of GTE, a predecessor of Verizon, in May 1992. Mr. Lee is a director of The Procter & Gamble Company, United Technologies Corporation, the Stamford Hospital Foundation, and the New American Schools Development Corporation.

Paul E. Lego is Retired Chairman and CEO Westinghouse Electric Corporation. Mr. Lego retired as Chairman and CEO of Westinghouse Electric Corporation in January 1993 after serving in that position since 1990. He is also Chairman of the Board of Commonwealth Industries, Inc. and a director of Dominion Resources Inc., Lincoln Electric Holdings, Inc. and Orlimar Golf Company.

John F. McGillicuddy is Retired Chairman Chemical Banking Corporation. Mr. McGillicuddy retired as Chairman and Chief Executive Officer of Chemical Banking Corporation in 1994, having served as Chairman and Chief Executive Officer of Chemical Banking Corporation and its predecessor Manufacturer's Hanover Corporation since 1979. He is a director of Empire HealthChoice, Inc., Southern Peru Copper Corporation, and UAL Corporation.

Dan D. Sandman is General Counsel, Secretary, and Senior Vice President--Human Resources & Public Affairs of USX Corporation. Mr. Sandman was elected to this post in 1998. He was elected General Counsel and Secretary of USX Corporation in 1993. In 1996, Mr. Sandman's duties were expanded to include overall responsibility for human resources corporate wide, as well as direct responsibility for executive compensation as Senior Vice President--Human Resources for USX. Mr. Sandman is a director of Roppe Corporation.

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Seth E. Schofield is Retired Chairman and Chief Executive Officer--USAir Group. Mr. Schofield retired as Chairman and Chief Executive Officer in 1996 after having served in such position since 1992. He is a director of Calgon Carbon Corp.

John W. Snow is Chairman, President and Chief Executive Officer, CSX Corporation, since 1991. He is a director of Circuit Cities Stores Inc., Verizon Communications and Johnson & Johnson.

John P. Surma, Jr. is Assistant to the Chairman of USX Corporation effective September 1, 2001 and has been the President of Marathon Ashland Petroleum LLC (MAP) since January 2001. Prior to that Mr. Surma served as the Senior Vice President, Supply & Transportation for MAP, the President of Speedway SuperAmerica LLC, and was named Senior Vice President, Finance & Accounting for Marathon Oil Company in 1997. Immediately prior to joining Marathon Oil Company, he was the Pittsburgh Price Waterhouse office leader for Audit and Business Advisory Services. Mr. Surma joined Price Waterhouse LLP in 1976 and was admitted to the partnership in 1987. He is a director of Calgon Carbon Corp.

Thomas J. Usher is Chairman of the Board & Chief Executive Officer of USX Corporation. Mr. Usher was elected to his current posts in July 1995 after being elected President and Chief Operating Officer of USX Corporation in 1994. In addition, he is on the board of directors of H. J. Heinz Company, PPG Industries, and PNC Financial Services Group.

Douglas C. Yearley is Chairman Emeritus of Phelps Dodge Corporation. Mr. Yearley retired in May, 2000 from Phelps Dodge Corporation after being elected President in 1991 and Chief Executive Officer in 1989. He is a director of Lockheed Martin Corporation.

The by-laws of United States Steel Corporation require that each non-employee director be paid allowances and attendance fees as the board may from time to time determine. Directors who are employees of United States Steel Corporation receive no compensation for their service on the board. It is expected that United States Steel Corporation will pay its non-employee directors as follows:

Annual Retainer.....	\$ 60,000
Committee Membership Fee.....	\$ 5,000 (\$6,000 for Committee Chairman)
Meeting Fee (for each board or committee meeting).....	\$ 2,000

### Committees of United States Steel Corporation's Board of Directors Following the Separation

United States Steel Corporation is expected to have four standing committees: an Audit Committee, a Compensation and Organization Committee, a Financial Policy Committee and a Corporate Governance and Public Policy Committee. Each of these committees will consist of three or more directors who meet all requirements imposed by SEC rules and regulations or rules and regulations of any exchange or trading system on which United States Steel

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Corporation securities are listed.

### The Audit Committee

All the members of the Audit Committee will be independent (as independence is defined in Sections 303.01(B)(2)(a) and (3) of the NYSE's listing standards, as may be modified or supplemented).

The Audit Committee is, among other things, responsible for:

- . ensuring the integrity of United States Steel Corporation's financial reports,
- . recommending to the board the independent accountants to be nominated for election by the stockholders,
- . reviewing the independence of the independent accountants,
- . reviewing the scope of the audit activities of the independent accountants and our internal auditors,
- . providing direction to the internal audit staff and the independent accountants,
- . approving the independent accountants' fees,
- . reviewing audit results,
- . reviewing and approving the annual financial statements, the annual report to stockholders, and the Annual Report on Form 10-K to be filed with the Securities and Exchange Commission,
- . determining that appropriate controls are in place to ensure that United States Steel operates in accordance with its procedures and codes of conduct,
  - . reviewing compliance with business conduct policies,
  - . reviewing significant accounting, auditing and SEC pronouncements,
- . reviewing, on an annual basis, a report outlining the activities undertaken by the committee over the past year to meet the requirements of the committee's charter, and
- . assessing, and reporting annually to the United States Steel board on the activities of the committee and on the adequacy of the committee's charter.

### The Compensation and Organization Committee

The Compensation and Organization Committee will be composed solely of directors who satisfy all criteria for independence under applicable rules of the New York Stock Exchange and who, in the opinion of the United States Steel Corporation board, are free of any relationship that would interfere with their exercise of independent judgment as members of the committee.

The Compensation and Organization Committee will be responsible for:

- . making recommendations to the United States Steel Corporation board and to the boards of subsidiaries on all matters of policy and procedures relating to executive compensation,



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- . approving the salaries of officers (other than the officer-directors, whose salaries are approved by the United States Steel Corporation board),
- . administering the Annual Incentive Compensation Plan and the Senior Executive Officer Annual Incentive Compensation Plan,

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- . administering the plans under which long-term incentives are granted and approving grants of options, stock appreciation rights, restricted stock and other incentives under those plans,
- . the timely certification as to the meeting of applicable performance levels under the foregoing plans,
- . approving the annual report on executive compensation for the proxy statement, and
- . such other duties and responsibilities as may be assigned to the committee by the United States Steel board or as designated in plans approved by the shareholders.

The Compensation and Organization Committee will also be authorized to:

- . adopt and amend employee benefit plans,
- . review the activities of the United States Steel Corporation Pension Fund as administrator of certain benefit plans,
- . make recommendations to the United States Steel Corporation board concerning policy matters relating to employee benefits,
- . make recommendations to the United States Steel Corporation board concerning the appropriate size and composition of the United States Steel board, including
  - candidates for election as directors,
  - the composition and functions of United States Steel board committees,
  - the compensation of non-employee directors, and
  - all matters relating to the development and effective functioning of the United States Steel board,
- . confer with management concerning plans for succession to executive management positions, and
- . consider nominees recommended by stockholders for election as directors.

In recommending candidates for election as directors, the committee, among other considerations, will study the composition of the United States Steel Corporation board and try to identify candidates with broad knowledge and experience in business and society in general. Recommendations of candidates by stockholders of record must be sent, together with the nominee's qualifications and consent to be considered as a nominee, to the Secretary of United States Steel Corporation for presentation to the committee.

The Financial Policy Committee

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The Financial Policy Committee will provide oversight with respect to the appropriate capital structure and financial policies of United States Steel. Its key responsibility in that role will be to make recommendations to the board concerning dividends. The board will also delegate to the committee the authority to:

- . approve financings by United States Steel Corporation (except financings which involve the issuance of common stock), including the recommendation of action to subsidiaries, partnerships and joint ventures,
- . authorize loans to outside entities, guarantees by United States Steel Corporation of the credit of others, and other uses of United States Steel Corporation credit, and
- . approve United States Steel Corporation's funding policy for its pension and other post-employment benefit plans.

In addition, the committee is responsible for reviewing the performance of the United States Steel Pension Fund as investment manager and/or trustee of our employee benefit plans. It also receives reports and makes recommendations to the board on various financial matters.

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### The Corporate Governance and Public Policy Committee

The Corporate Governance and Public Policy Committee will concentrate on the following areas of emphasis: ownership of United States Steel Corporation, stockholder attitudes toward United States Steel Corporation, political-legislative developments affecting United States Steel Corporation, United States Steel Corporation policies on major public issues and corporate governance matters.

The committee will review the following matters and report to the board such observations and information thereon as the committee deems appropriate:

- . matters bearing on the relationship between management and present or potential stockholders with emphasis on policy and major programs affecting ownership of United States Steel Corporation,
- . communications to and from the investment community, particularly United States Steel Corporation's stockholders,
- . legislative and regulatory issues affecting United States Steel Corporation's businesses and operations,
- . public issues identified by United States Steel Corporation as likely to generate expectations of United States Steel Corporation by its constituencies, including stockholders, employees, customers, vendors, governments and the public, and United States Steel Corporation's position regarding identified public issues including, but not limited to, employee health and safety, environmental, energy and trade matters,
- . United States Steel Corporation's efforts to affect identified public issues through research, analysis, lobbying efforts and participation in business and government programs, and
- . codes of conduct applicable to employees of United States Steel Corporation and its principal operating units.

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The committee also will assess and make recommendations concerning overall corporate governance to the extent specific matters are not the assigned responsibility of other board committees.

The board may establish other committees from time to time to facilitate the management of the business and affairs of United States Steel Corporation.

### Officers of United States Steel Corporation Following the Separation

Upon completion of the Separation, the individuals listed below (with their ages as of June 30, 2001) are expected to be officers of United States Steel Corporation. Unless otherwise indicated, the business address of each of the individuals listed below is: 600 Grant Street, Pittsburgh, Pennsylvania 15219-4776. Each of the individuals listed below is a citizen of the United States.

Name ----	Age ---	Position -----
Charles G. Carson, III.....	59	Vice President--Environmental Affairs
John J. Connelly.....	54	Vice President--Strategic Planning
Roy G. Dorrance.....	55	Vice Chairman and Chief Operating Officer
Albert E. Ferrara, Jr.....	52	Senior Vice President and Treasurer
James D. Garraux.....	48	Vice President--Employee Relations
Charles C. Gedeon.....	60	Executive Vice President--Raw Materials & Diversified Business
Gretchen R. Haggerty.....	45	Senior Vice President and Controller
J. Paul Kadlic.....	59	Executive Vice President--Sheet Products
Dan D. Sandman.....	53	Vice Chairman and Chief Legal & Adminstrative Officer
Larry G. Schultz.....	51	Vice President--Investor Relations and Financial Analysis
Terrance D. Straub.....	55	Vice President--Governmental Affairs (Washington, D.C.)
John P. Surma, Jr.....	47	Vice Chairman and Chief Financial Officer
Stephan K. Todd.....	55	Deputy General Counsel
Thomas J. Usher.....	58	Chairman of the Board, Chief Executive Officer and President

For biographical information regarding Messrs. Dorrance, Sandman, Surma and Usher, see "Directors of United States Steel Corporation Following the Separation" on page 85.

Charles G. Carson, III, current United States Steel Vice President--Environmental Affairs, was appointed to this position in January 1993.

John J. Connelly, current United States Steel Vice President--Business Development and Long Range Planning. From 1999 until January of 2001, Mr. Connelly served as United States Steel's Vice President-- Long Range Planning and International Business. In 1994, he was named Vice President--International Business for the U. S. Steel Group and served as President of USX Engineers and

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Consultants, Inc. from October 1994 to September 1996.

Albert E. Ferrara, Jr., is currently Vice President--Strategic Planning of USX, having assumed this position in 1997, and from 1994 to 1997 he was President of the USX Realty Division of the U. S. Steel Group.

James D. Garraux, current United States Steel Vice President--Employee Relations, assumed his position on August 1, 2000. He was appointed General Manager--Employee Relations in April of 1996.

Charles C. Gedeon, current United States Steel Executive Vice President--Raw Materials and Diversified Businesses, has served in this position since 1992. Mr. Gedeon is a member of the Board of Directors of RTI International Metals, Inc.

Gretchen R. Haggerty, current United States Steel Vice President--Accounting and Finance, was named to this position in 1998 after serving as Vice President & Treasurer of USX Corporation from 1991 to 1998.

J. Paul Kadlic, current United States Steel Executive Vice President--Sheet Products, assumed this position on January 1, 2001. He was named Vice President--Sales for sheet products in 1997. Prior to that, he served as General Manager of Sales for almost 15 years.

Larry G. Schultz, current USX Vice President--Accounting since 2000, after serving as Comptroller of U. S. Steel Group from 1992.

Terrance D. Straub, current USX Vice President--Governmental Affairs since 1991.

Stephan K. Todd, current United States Steel General Counsel, was elected to his current post in June 1998. He was named Assistant General Counsel in 1995.

### Change in Control Agreements

USX has entered into change in control agreements, all of which are substantially the same, with its executive officers and with the executive officers of the U. S. Steel Group and the Marathon Group. The agreements with the executive officers who will become employees of United States Steel Corporation (the "United States Steel Agreements") will become obligations of United States Steel Corporation.

The United States Steel Agreements provide that, if an officer's employment is terminated under certain circumstances following a change in control, or after certain events associated with a change in control, the officer will be entitled to the following severance benefits:

- . a cash payment of up to three times the sum of the officer's salary plus bonus,
- . life and health insurance benefits for up to 3 years after termination,
- . 3 years of additional credit towards eligibility for retiree medical and life insurance,

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- . a cash payment equal to the difference between amounts receivable by the officer under our pension plans and those which would be payable if the officer had worked for 3 more years at current pay rates,

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- . a cash payment equal to the difference between amounts receivable under our savings and thrift plans and amounts which would have been received if the officer's savings had been fully vested, and
- . additional payments sufficient to compensate the officer for certain federal excise taxes.

The severance benefits are payable if the officer's employment is terminated by the officer for good reason or is terminated by United States Steel Corporation for other than cause or disability. Severance benefits are not payable if termination is due to the officer's death or occurs after the officer reaches age 65.

In addition, the United States Steel Agreements provide that upon a change in control all outstanding options, restored options, and stock appreciation rights previously granted to the officer will be fully vested and exercisable, and all restricted stock held by the officer will be fully vested.

Each United States Steel Agreement is automatically extended each year unless the officer is notified that United States Steel Corporation does not wish it extended. In any event, however, each agreement continues for two years after a change in control.

The definition of a change in control for purposes of these agreements is complex but is summarized as follows. It includes any change in control required to be reported in response to Item 6 (e) of Schedule 14A under the Securities Exchange Act of 1934 and provides that a change in control will have occurred if:

- . any person not affiliated with United States Steel Corporation acquires 20 percent or more of the voting power of its outstanding securities,
- . the United States Steel Corporation board of directors no longer has a majority made up of (1) individuals who were directors on the date of the agreements and (2) new directors (other than directors who join the board in connection with an election contest) approved by two-thirds of the directors then in office who (a) were directors on the date of the agreements or (b) were themselves previously approved by the board in this manner,
- . United States Steel Corporation merges with another company and United States Steel Corporation's stockholders end up with less than 50 percent of the voting power of the new entity,
- . stockholders approve a plan of complete liquidation of United States Steel Corporation, or
- . there is a sale of all or substantially all of United States Steel Corporation's assets.

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Neither the approval and adoption of the Agreement and Plan of Reorganization, nor the completion of the Separation will constitute a change in control for purposes of these agreements.

Compensation of United States Steel Corporation Executive Officers

The following table sets forth certain information concerning the compensation awarded to, earned by or paid to the chief executive officer and the other four most highly compensated individuals who are expected to serve as executive officers of United States Steel Corporation following the Separation for services rendered to USX or its subsidiaries in all capacities during 2000.

Summary Compensation Table

Name & Position	Salary (\$)	Bonus (\$)	Salary and Bonus Total (\$)	Other Annual Compensation (\$)	Restricted Stock Award(s) (\$)(1)	Options SARs (#)(2)	All Other Compensation (\$)
T. J. Usher..... Chairman of the Board, Chief Executive Officer and President	1,325,000	2,500,000	3,825,000	7,729	4,925,000	400,000	112
D. D. Sandman ..... Vice Chairman and Chief Legal and Administrative Officer	459,167	650,000	1,109,167	4,597	923,438	80,000	47
J. P. Surma, Jr. .... Vice Chairman and Chief Financial Officer	350,000	650,000	1,000,000	1,781	0	30,000	41
R. G. Dorrance..... Vice Chairman and Chief Operating Officer	328,333	340,000	668,333	1,677	345,000	50,000	32
C. C. Gedeon..... Executive Vice President-Raw Materials & Diversified Businesses	336,000	340,000	676,000	1,677	345,000	50,000	28

(1) Grants of restricted stock under the USX Corporation 1990 Stock Plan are valued as of the date of grant. Grants are subject to conditions including continued employment and achievement of business performance standards. Dividends are paid on restricted stock. Shown below is the vesting schedule for restricted stock scheduled to vest less than three years from the date of grant, together with the number and value, as of December 31, 2000, of the aggregate holdings of restricted stock for each of the executive officers named in the Summary Compensation Table. Vesting shown assumes achievement of business performance at peer-group standard.

(2) All option shares listed except those granted to Mr. Surma were granted with tandem stock appreciation rights ("SARs").

(3) This column includes amounts contributed by USX under the USX Savings Fund Plan or the Marathon Thrift Plan and the related supplemental savings plans. Such amounts for 2000 are \$79,500, \$27,550, \$39,375, \$19,700 and

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\$18,480 for Messrs. Usher, Sandman, Surma, Dorrance and Gedeon, respectively. Also included are amounts attributable to split-dollar life insurance provided by USX. (Marathon Oil Company does not provide split-dollar life insurance.) For 2000, these amounts are \$30,906, \$18,143, \$10,415 and \$7,715 for Messrs. Usher, Sandman, Dorrance and Gedeon, respectively. Also included are amounts attributable to a mandatory tax compliance program. For 2000, these amounts were \$2,000 each for Messrs. Usher, Sandman, Surma, Dorrance and Gedeon.

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Options/SARs and Restricted Stock Granted in 2000

The following table sets forth certain information concerning restricted stock, stock options and stock appreciation rights ("SARs") granted during 2000 to each executive officer named in the Summary Compensation Table under the USX 1990 Stock Plan:

Name	Class of Stock	Restricted Stock		Stock Options			
		Number of Shares Granted	% of Restricted Stock Shares Granted	Number of Shares Granted	% of Stock Option Shares Granted	Exercise Price per Share	Expiration Date
T.J. Usher.....	Marathon Steel	130,000	31.7%	260,000*	14.4%	\$25.5000	May 30, 201
		70,000	22.9%	140,000*	15.3%	\$23.0000	May 30, 201
D.D. Sandman....	Marathon Steel	24,375	5.9%	52,000*	2.9%	\$25.5000	May 30, 201
		13,125	4.3%	28,000*	3.1%	\$23.0000	May 30, 201
J.P. Surma, Jr.....	Marathon Steel	0	0	30,000	1.7%	\$25.5000	May 30, 201
		0	0	0	0	--	--
R.G. Dorrance...	Marathon Steel	0	0	0	0	--	--
		15,000	4.9%	50,000*	5.5%	\$23.0000	May 30, 201
C.C. Gedeon.....	Marathon Steel	0	0	0	0	--	--
		15,000	4.9%	50,000*	5.5%	\$23.0000	May 30, 201

\* These options were granted with tandem SARs, which have the same exercise date as the underlying options. Upon the exercise of an SAR, an optionee receives an amount, in cash and/or shares, equal to the excess, for a specified number of shares, of (a) the fair market value of a share on the date the SAR is exercised (except that for any SAR exercised during the 10-business-day period beginning on the third business day following the release of quarterly earnings, the Compensation Committee may, in its sole discretion, establish a uniform fair market value of a share for such period which shall not be more than the highest daily fair market value and shall not be less than the lowest daily fair market value during such 10-business-day period) over (b) the exercise price per share.

Vesting Schedule for Restricted Stock Unvested Restricted Shares  
Aggregate Holdings

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	Date Granted	Class of Stock	May 2002 (Shares)	May 2003 (Shares)	Class of Stock	Shares	Value as of
							December 31, 2000 (\$)
T.J. Usher.....	May 30, 2000	Marathon Steel	26,000	26,000	Marathon Steel	130,000	3,684,694
	May 30, 2000		14,000	14,000		70,000	1,255,625
						200,000	4,940,319
D.D. Sandman.....	May 30, 2000	Marathon Steel	4,875	4,875	Marathon Steel	24,375	690,880
	May 30, 2000		2,625	2,625		13,125	235,430
						37,500	926,310
R.G. Dorrance.....	May 30, 2000	Steel	3,000	3,000	Steel	15,000	269,063
C.C. Gedeon.....	May 30, 2000	Steel	3,000	3,000	Steel	15,000	269,063

Options/SARs Exercised in 2000

Name	No. of Shares Underlying Options/SARs Exercised(1)	Total Value Realized for Both Classes of Stock (\$)(1)	No. of Unexercised Options/SARs at December 31, 2000(1)	Value of Unexercised In-The-Money Options/SARs at December 31, 2000 for all Classes of Stock (\$)(1)
T.J. Usher.....	0	--	1,499,000	1,421,472
D.D. Sandman.....	0	--	260,725	147,878
J.P. Surma, Jr.....	0	--	120,000	85,314
C.C. Gedeon.....	0	--	162,500	0
R.G. Dorrance.....	0	--	150,300	0

Note: All options listed above are currently exercisable. Except for 50,000 shares held by Mr. Surma, the listed options were granted with SARs.

(1) Figures by class of stock are as follows:

	Class of Stock	No. of Shares Underlying Options/SARs Exercised	Value Realized (\$)	No. of Unexercised Options/SARs at December 31, 2000
T.J. Usher.....	Marathon	0	0	892,600
	Steel	0	0	606,400
D.D. Sandman.....	Marathon	0	0	153,400
	Steel	0	0	107,325
J.P. Surma, Jr.....	Marathon	0	0	120,000



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	Steel	0	0	0
C.C. Gedeon.....	Marathon	0	0	0
	Steel	0	0	162,500
R.G. Dorrance.....	Marathon	0	0	0
	Steel	0	0	150,300

Pension Benefits

The United States Steel Plan for Non-Union Employee Pension Benefits ("Steel Pension Plan") is comprised of two defined benefits. One is based on final earnings and the other on career earnings. Directors who have not been employees of United States Steel do not receive any benefits under the plan. The following table shows the annual final earnings pension benefits for retirement at age 65 (or earlier under certain circumstances) for various levels of eligible earnings which would be payable to employees retiring with the years of service shown. The benefits are based on a formula of a specified percentage (dependent on years of service) of average annual eligible earnings in the five consecutive years of the ten years prior to retirement in which such earnings were highest. As of the date of this proxy statement/prospectus Messrs. Usher, Sandman, Dorrance and Gedeon have 35, 8, 30 and 15 years of service, respectively. As of June 30, 2001, Mr. Surma had not accrued a benefit under any pension plan or program sponsored by United States Steel. If Mr. Gedeon retires with at least 16 credited years of service, he will receive from United States Steel Corporation an amount equivalent to a final earnings and a supplemental pension calculated as though he had an additional 14 years of service. In connection with the Separation and in order to induce Dan D. Sandman to serve as Vice Chairman and Chief Legal & Administrative Officer of United States Steel Corporation, USX and Mr. Sandman have entered into an agreement that provides if Mr. Sandman is employed by United States Steel Corporation for five years after the Separation, upon his retirement, Mr. Sandman will be offered the same enhanced retirement benefits as are being offered to USX employees under the Voluntary Early Retirement Benefits Package described on page 28 hereof.

Final Earnings	15 Years	20 Years	25 Years	30 Years	35 Years	40 Years	45 Years
\$ 100,000	17,325	23,100	28,875	34,650	40,950	47,250	53,550
\$ 300,000	51,975	69,300	86,625	103,950	122,850	141,750	160,650
\$ 500,000	86,625	115,500	144,375	173,250	204,750	236,250	267,750
\$ 700,000	121,275	161,700	202,125	242,550	286,650	330,750	374,850
\$ 900,000	155,925	207,900	259,875	311,850	368,550	425,250	481,950
\$1,100,000	190,575	254,100	317,625	381,150	450,450	519,750	589,050
\$1,300,000	225,225	300,300	375,375	450,450	532,350	614,250	696,150
\$1,500,000	259,875	346,500	433,125	519,750	614,250	708,750	803,250

Annual career earning benefits are equal to 1% of total career earnings plus a 30 percent supplement. The estimated annual career earnings benefits payable at normal retirement age 65, assuming no increase in annual earnings, will be \$233,400 for Mr. Usher, \$114,420 for Mr. Sandman, \$80,902 for Mr. Dorrance and \$69,562 for Mr. Gedeon. Earnings for the purpose of calculating both the final earnings and career earnings pensions are limited to base salary as reflected in the Summary Compensation table. They do not include any awards under any bonus programs.

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As of June 30, 2001, Mr. Surma had 4.5 years of service with Marathon Oil Company and its subsidiaries and no service with USX or its other subsidiaries. In connection with his employment by Marathon in 1997, Marathon agreed to provide Mr. Surma with additional pension benefits by treating him as though he had an additional 15 years of pension service. As a result of this provision, if Mr. Surma retires at age 65, his total pension benefits from Marathon and its subsidiaries, assuming no pay increases, will be \$19,631 monthly.

As of June 30, 2001, Mr. Sandman had 19 years of service under Marathon's pension plans. If Mr. Sandman retires at age 65, his total pension benefits from Marathon and its subsidiaries will be \$25,181 monthly.

In addition to the pension benefit described above, Messrs. Usher, Sandman, Surma, Dorrance and Gedeon participate in the United States Steel Corporation Executive Management Supplemental Pension Plan and are entitled, upon retirement after age 60, or before age 60 with United States Steel's consent, to the benefits shown in the table below based on bonuses paid under applicable United States Steel plans. These bonuses are reported in the bonus column of the Summary Compensation Table.

Annual Bonus	15 Years	20 Years	25 Years	30 Years	35 Years	40 Years	45 Years
\$ 100,000	\$ 23,100	\$ 30,800	\$ 38,500	\$ 46,200	\$ 53,900	\$ 61,600	\$ 69,300
300,000	69,300	92,400	115,500	138,600	161,700	184,800	207,900
500,000	115,500	154,000	192,500	231,000	269,500	308,000	346,500
700,000	161,700	215,600	269,500	323,400	377,300	431,200	485,100
900,000	207,900	277,200	346,500	415,800	485,100	554,400	623,700
1,100,000	254,100	338,800	423,500	508,200	592,900	677,600	762,300
1,300,000	300,000	400,400	500,500	600,600	700,700	800,800	900,900
1,500,000	346,500	462,200	577,500	693,000	808,500	924,000	1,039,500
1,700,000	392,700	523,600	654,500	785,400	916,300	1,047,200	1,178,100
1,900,000	438,900	585,200	731,500	877,800	1,024,100	1,170,400	1,316,700

For information regarding compensation to be paid to Mr. Usher following the Separation, see "THE SEPARATION--Completion and Retention Agreement with Thomas J. Usher" on page 57.

UNITED STATES STEEL

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

United States Steel, through its Domestic Steel segment, is engaged in the production, sale and transportation of steel mill products, coke, taconite pellets and coal; the management of mineral resources; real estate development; and engineering and consulting services and, through its U. S. Steel Kosice ("USSK") segment, primarily located in the Slovak Republic, in the production and sale of steel mill products and coke for the central European market. Certain business activities are conducted through joint ventures and partially

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owned companies, such as USS-POSCO Industries ("USS-POSCO"), PRO-TEC Coating Company ("PRO-TEC"), Clairton 1314B Partnership, Republic Technologies International, LLC ("Republic") and Rannila Kosice, s.r.o. Management's Discussion and Analysis should be read in conjunction with United States Steel's Combined Financial Statements and Notes to Combined Financial Statements.

Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of United States Steel. 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 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 additional risk factors affecting the businesses of United States Steel, see "RISK FACTORS" on page 14.

### Results of Operations

Revenues and other income for the first six months of 2001 and 2000 and the years 2000, 1999 and 1998 are set forth in the following table:

	Six Months Ended June 30				
	2001	2000	2000	1999	1998
(Dollars in Millions)					
Revenues by product:					
Sheet and semi-finished steel products.....	\$1,601	\$1,790	\$3,288	\$3,433	\$3,598
Tubular, plate, and tin mill products.....	1,096	884	1,731	1,140	1,546
Raw materials (coal, coke and iron ore).....	254	268	626	549	744
Other(a).....	292	269	445	414	490
Income (loss) from affiliates.....	40	7	(8)	(89)	46
Gain on disposal of assets.....	16	28	46	21	54
Other income (loss).....	2	(2)	4	2	(1)
Total revenues and other income.....	\$3,301	\$3,244	\$6,132	\$5,470	\$6,477

-----  
(a) Includes revenue from the sale of steel production by-products, real estate development, resource management, and engineering and consulting services.

Revenues and other income increased by \$57 million in the first six months of 2001 compared with the first six months of 2000. The increase primarily reflected the inclusion of USSK revenues, partially offset by lower domestic shipment volumes (domestic steel shipments decreased 841,000 tons) and lower average domestic steel product prices (average prices decreased \$11 per ton).

Revenues and other income increased by \$662 million in 2000 from 1999 primarily due to the consolidation of Lorain Tubular Company LLC, ("Lorain

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Tubular") effective January 1, 2000, higher average

UNITED STATES STEEL

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

realized prices, particularly tubular product prices, and lower losses from investees, which, in 1999, included a \$47 million charge for the impairment of United States Steel's previous investment in USS/Kobe Steel Company and costs related to the formation of Republic. Total revenues and other income in 1999 decreased by \$1,007 million from 1998 primarily due to lower average realized prices and lower income from investees.

Income (loss) from operations for the first six months of 2001 and 2000 and the years 2000, 1999 and 1998 are set forth in the following table:

	Six Months Ended June 30				
	2001	2000	2000	1999	1998
	(Dollars in millions)				
Segment income (loss) for Domestic Steel (a) (b).....	\$ (220)	\$ 122	\$ 23	\$ 91	\$ 517
Segment income for U. S. Steel Kosice(c).....	82	--	2	--	--
Income (loss) for reportable segments.....	\$ (138)	\$ 122	\$ 25	\$ 91	\$ 517
Items not allocated to segments:					
Net pension credits.....	72	132	266	228	186
Administrative expenses.....	(15)	(11)	(25)	(17)	(24)
Costs related to former business activities(d).....	(38)	(40)	(91)	(83)	(100)
Costs related to the Separation.....	(9)	--	--	--	--
Asset impairments--Coal.....	--	--	(71)	--	--
Impairment of United States Steel's investment in USS/Kobe and costs related to formation of Republic.....	--	--	--	(47)	--
Loss on investment in RTI stock used to satisfy indexed debt obligation.....	--	--	--	(22)	--
Total income (loss) from operations.....	\$ (128)	\$ 203	\$ 104	\$ 150	\$ 579

- (a) The first six months of 2001 include a favorable \$68 million for United States Steel's share of gain on the Transtar reorganization and a \$74 million charge for a substantial portion of accounts receivable from Republic. The first six months of 2000 include charges totaling \$15 million for certain environmental and legal accruals.
- (b) Includes income from the sale, domestic production and transportation of steel products, coke, taconite pellets and coal; the management of mineral resources; real estate development; engineering and consulting services; and equity income from joint ventures and partially owned companies.
- (c) Includes the sale and production of steel products and coke from facilities

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primarily located in the Slovak Republic.

- (d) Primarily represents postretirement costs other than pension (OPEB costs) related to all retirees prior to January 1, 1987, and related to former employees and retirees from the businesses sold or closed after January 1, 1987. Also includes certain other expenses (primarily litigation and environmental remediation costs) associated to lines of business in which USX is no longer engaged as a result of sale or closure.

Segment income for Domestic Steel

Segment income for Domestic Steel operations decreased \$342 million in the first six months of 2001, compared with the first six months of 2000, primarily due to lower average steel prices, higher costs from operating inefficiencies primarily due to lower throughput for sheet products, higher energy costs, lower shipment volumes and lower results at iron ore and coal operations.

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

Domestic Steel operations recorded segment income of \$23 million in 2000 versus segment income of \$91 million in 1999, a decrease of \$68 million. The 2000 segment income included \$36 million for certain environmental and legal accruals, a \$34 million charge to establish reserves against notes and receivables from financially distressed steel companies and a \$10 million charge for United States Steel's share of Republic special charges. Results in 1999 included \$17 million in charges for certain environmental and legal accruals and \$7 million in various non-recurring investee charges. Excluding these items, the decrease in segment income for Domestic Steel was primarily due to higher costs related to energy and inefficient operating levels due to lower throughput, lower income from raw materials operations, particularly coal operations, and lower sheet shipments resulting from high levels of imports that continued in 2000.

Segment income for Domestic Steel operations in 1999 decreased \$426 million from 1998. Results in 1998 included a net favorable \$30 million for an insurance litigation settlement and charges of \$10 million related to a voluntary workforce reduction plan. Excluding these items, the decrease in segment income for Domestic Steel was primarily due to lower average steel prices, lower income from raw materials operations, a less favorable product mix and lower income from investees.

Segment income for U. S. Steel Kosice

Segment income for USSK was \$82 million for the first six months of 2001 and \$2 million for the period following the November 24, 2000 acquisition through year-end 2000.

Items not allocated to segments

Net pension credits associated with all of United States Steel's domestic pension plans are not included in segment income for domestic operations. These net pension credits, which are primarily noncash, totaled \$72 million in first six months of 2001, compared to \$132 million in first six months of 2000. The \$60 million decrease in net pension credits in the first six months 2001 is primarily due to the transition asset being fully amortized at the end of 2000. In addition, these net pension credits totaled \$266 million in 2000, \$228

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million in 1999 and \$186 million in 1998. Net pension credits in 1999 included \$35 million for a one-time favorable pension settlement primarily related to the voluntary early retirement program for salaried employees. Currently, the net pension credit for 2001 is expected to be approximately \$145 million, excluding any potential impacts from the Proposed Separation. Future net pension credits will no longer benefit from the transition asset, which was fully amortized in 2000, and can vary depending upon the market performance of plan assets, changes in actuarial assumptions regarding such factors as a selection of a discount rate and rate of return on assets, changes in the amortization levels of prior period service costs, plan amendments affecting benefit payout levels, business combinations and profile changes in the beneficiary populations being valued. To the extent net pension credits decline in the future, income from operations would be adversely affected.

Asset impairments--Coal were for asset impairments at U. S. Steel Mining's coal mines in Alabama and West Virginia in 2000 following a reassessment of long-term prospects after adverse geological conditions were encountered.

Administrative expenses are corporate general and administrative costs allocated to United States Steel by USX based upon utilization or other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and revenues. The costs allocated to United States Steel were \$15 million and \$11 million for the six months ended June 30, 2001 and 2000, respectively, and \$25 million in 2000, \$17 million in 1999 and \$24 million in 1998, which primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

activities. The increase from 1999 to 2000 primarily resulted from the nonrecurrence of favorable 1999 franchise tax settlements and employee compensation costs. The decrease from 1998 to 1999 was largely the result of lower franchise taxes, primarily due to settlements of prior years' taxes.

Costs related to former business activities increased \$8 million in 2000 from 1999 primarily due to higher litigation expenses. Costs related to former business activities decreased \$17 million in 1999 from 1998 primarily due to lower litigation expenses and lower payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992.

Costs related to the Separation include professional fees and expenses and certain other costs.

In 1999, an impairment of USX's investment in USS/Kobe and costs related to the formation of Republic totaled \$47 million.

Income from operations in 1999 also included a loss on investment in RTI stock used to satisfy indexed debt obligations of \$22 million from the termination of ownership in RTI International Metals, Inc.

Net interest and other financial costs for the first six months of 2001 and 2000 and the years 2000, 1999 and 1998 are set forth in the following table:

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	Six Month Ended June 30				
	-----				
	2001	2000	2000	1999	1998
	-----				
	(Dollars in millions)				
Net interest and other financial costs (income)....	\$ 36	\$48	\$105	\$74	\$42
Less:					
Favorable adjustment to carrying value of indexed debt (a).....	--	--	--	(13)	(44)
Favorable adjustment to interest related to prior years' taxes (b).....	(67)	--	--	--	--
	-----	---	-----	---	---
Net interest and other financial costs adjusted to exclude above items.....	\$103	\$48	\$105	\$87	\$86
	====	===	====	===	===

- 
- (a) In December 1996, USX issued \$117 million of 6 3/4% Exchangeable Notes Due February 1, 2000 ("Indexed Debt") indexed to the price of RTI common stock. The carrying value of Indexed Debt was adjusted quarterly to settlement value, based on changes in the value of RTI common stock. Any resulting adjustment was credited to income and included in interest and other financial costs.
- (b) Reversal of interest accrued on prior year contested tax liabilities resolved in the first quarter of 2001.

Adjusted net interest and other financial costs increased by \$55 million in the first six months of 2001 as compared with the same period in 2000. This increase was largely due to a higher average debt level, which primarily resulted from the elective funding for employee benefits and the acquisition of USSK, both of which occurred in the fourth quarter of 2000.

Adjusted net interest and other financial costs increased \$18 million in 2000 as compared with 1999, primarily due to higher average debt levels. Adjusted net interest and other financial costs were \$87 million in 1999 as compared with \$86 million in 1998.

The credit for income taxes in the first six months of 2001 was \$143 million. The credit contained a \$33 million tax benefit associated with the Transtar reorganization and an unfavorable adjustment of \$15 million related to the settlement of prior years' taxes. In addition, as a result of tax credit provisions of laws of the Slovak Republic and certain tax planning strategies, virtually no income tax provision is recorded for income related to USSK.

UNITED STATES STEEL

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

The provision for income taxes in 2000 decreased compared to 1999 primarily due to a decline in income from operations, partially offset by higher state income taxes as certain previously recorded state tax benefits will not be utilized. The provision for income taxes in 1999 decreased compared to 1998 due to a decline in income from operations.

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The extraordinary loss on extinguishment of debt of \$7 million, net of income tax benefit, in 1999 included a \$5 million loss resulting from the satisfaction of the indexed debt and a \$2 million loss for United States Steel's share of Republic's extraordinary loss related to the early extinguishment of debt.

Net loss in the first six months of 2001 was \$21 million, compared with net income of \$99 million in the first six months of 2000, a decrease of \$120 million. United States Steel recorded a 2000 net loss of \$21 million, compared with net income of \$44 million in 1999 and \$364 million in 1998. Net income decreased \$65 million in 2000 from 1999 and decreased \$320 million in 1999 from 1998. These decreases in net income primarily reflect the factors discussed above.

### Operating Statistics

First six months 2001 United States Steel shipments were 6.9 million net tons. Domestic Steel shipments of 5.0 million tons and raw steel production of 5.2 million tons decreased 14% and 15%, respectively, from the same period in 2000. Domestic raw steel capability utilization in the first six months of 2001 averaged 83%, compared to 97% in the same period in 2000. At USSK, first six month 2001 shipments were 1.8 million net tons, raw steel production was 2.1 million net tons and raw steel capability utilization was 93% based on annual raw steel production capability which had been 4.5 million net tons.

Total steel shipments were 11.1 million tons in 2000, 10.6 million tons in 1999, and 10.7 million tons in 1998. Domestic Steel shipments comprised approximately 9.8% of the domestic steel market in 2000. Domestic Steel shipments were negatively affected by high import levels in 2000, 1999 and 1998 and by weak tubular markets in 1999 and 1998. Exports accounted for approximately 5% of Domestic Steel shipments in 2000, 3% in 1999 and 4% in 1998.

Domestic raw steel production was 11.4 million tons in 2000, compared with 12.0 million tons in 1999 and 11.2 million tons in 1998. Domestic raw steel production averaged 89% of capability in 2000, compared with 94% of capability in 1999 and 88% of capability in 1998. In 2000, domestic raw steel production was negatively impacted by a planned reline at Gary Works No. 4 blast furnace in July 2000. Because of market conditions, United States Steel limited its domestic production by keeping the Gary Works No. 4 blast furnace out of service until February 2001. In 1998, domestic raw steel production was negatively affected by a planned reline at Gary Works No. 6 blast furnace, an unplanned blast furnace outage at the Gary Works No. 13 blast furnace, and the idling of certain facilities as a result of the increase in imports. Because of market conditions, United States Steel curtailed its domestic production by keeping the Gary Works No. 6 blast furnace out of service until February 1999, after a scheduled reline was completed in mid-August 1998. In addition, domestic raw steel production was cut back at Mon Valley Works and Fairfield Works during 1998.

### Financial Condition and Cash Flows

Current assets at June 30, 2001 decreased \$41 million from year-end 2000 primarily due to decreases in inventories, deferred income tax benefits and income taxes receivable, partially offset by increases in cash and cash equivalents and accounts receivable. Current assets at year-end 2000 increased \$736 million from year-end 1999 primarily due to an increase in cash and cash equivalents, a larger income tax receivable from Marathon, and increased trade receivables and inventories resulting from the acquisition of USSK.



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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

Net property, plant and equipment at June 30, 2001 increased \$359 million from year-end 2000 primarily due to the consolidation of Transtar and the acquisition of East Chicago Tin. Net property, plant and equipment at year-end 2000 increased \$223 million from year-end 1999 primarily due to the acquisition of USSK.

Current liabilities at June 30, 2001 increased \$269 million from year-end 2000 primarily due to increases in notes payable, debt due within one year and accrued taxes. Current liabilities in 2000 increased \$107 million from 1999 primarily due to increased notes payable and increased debt due within one year, partially offset by a decrease in payroll and benefits payable.

Total long-term debt and notes payable was \$2,432 million at June 30, 2001, \$13 million lower than year-end 2000. Total long-term debt and notes payable at December 31, 2000 of \$2,445 million was \$1,530 million higher than year-end 1999. USX debt attributed to United States Steel increased partially due to a \$500 million elective contribution to a Voluntary Employee Benefit Association ("VEBA"), a trust established by contract in 1994 covering United Steelworkers of America retirees' health care and life insurance benefits, and the acquisition of USSK. Excluding the impact of these items, the increase in debt was primarily due to lower cash flow provided from operating activities partially offset by reduced capital expenditures. Most of the debt is a direct obligation of, or is guaranteed by, USX.

Employee benefits at June 30, 2001 increased \$149 million from year-end 2000 primarily due to additional liabilities resulting from the Transtar consolidation and the acquisition of the tin mill products business of LTV Corporation. Employee benefits at December 31, 2000 decreased \$478 million from December 31, 1999 primarily due to the \$500 million elective contribution to a VEBA.

Net cash provided from operating activities increased \$126 million in the first six months of 2001, compared with the first six months of 2000. The increase was due primarily to favorable working capital changes, which included a favorable income tax settlement of \$379 million with Marathon in the first six months of 2001 compared to a favorable settlement of \$97 million in the first six months of 2000, partially offset by decreased net income (excluding noncash items).

Net cash used in operating activities in 2000 was \$627 million and reflected the \$500 million elective contribution to a VEBA and a \$30 million elective contribution to a non-union retiree life insurance trust, partially offset by an income tax settlement with Marathon in accordance with the group tax allocation policy. The \$500 million VEBA contribution has provided United States Steel with the flexibility to fund the ongoing costs of providing USWA retiree health care and life insurance benefits from the VEBA instead of from corporate cash flow for at least the next several years. It is estimated that approximately \$110 million of such obligations will be paid from the VEBA instead of from corporate cash in 2001. Net cash used in operating activities was \$80 million in 1999 including a net payment of \$320 million upon the expiration of the accounts receivable program. Excluding these non-recurring items in both years, net cash provided from operating activities decreased \$434 million in 2000 due mainly to decreased profitability and an increase in working capital.

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Net cash provided from operating activities was \$380 million in 1998 and included proceeds of \$38 million for the insurance litigation settlement pertaining to the 1995 Gary Works No. 8 blast furnace explosion and the payment of \$30 million for the repurchase of sold accounts receivable, partially offset by an income tax settlement with Marathon in accordance with the group tax allocation policy. Excluding these non-recurring items in both years, net cash provided from operating activities decreased \$110 million in 1999 due mainly to decreased profitability.

Capital expenditures in the first six months of 2001 were \$141 million, compared with \$97 million in the same period in 2000. The increase of \$44 million is primarily due to exercising a buyout option of a lease for the balance of the Gary Works No. 2 Slab Caster.

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

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

Capital expenditures of \$287 million in 1999 included the completion of the new 64" pickle line at Mon Valley Works; the replacement of one coiler at the Gary hot strip mill; an upgrade to the Mon Valley cold reduction mill; replacement of coke battery thruwalls at Gary Works; several projects at Gary Works allowing for production of specialized high strength steels, primarily for the automotive market; and completion of the conversion of the Fairfield pipemill to use rounds instead of square blooms.

Capital expenditures of \$310 million in 1998 included a reline of the Gary Works No. 6 blast furnace; an upgrade to the galvanizing line at Fairless Works; replacement of coke battery thruwalls at Gary Works; conversion of the Fairfield pipemill to use round instead of square blooms; and additional environmental expenditures primarily at Fairfield Works and Gary Works.

Contract commitments for capital expenditures at June 30, 2001 totaled \$109 million compared with \$206 million at year-end 2000 and \$83 million at year-end 1999. In addition, 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 and ending on December 31, 2010.

Capital expenditures for 2001, which include expenditures related to the recently acquired facilities of USSK, Transtar and East Chicago Tin, are expected to be approximately \$325 million, a reduction of over \$100 million from the amount originally expected, primarily due to the substitution of leases for purchases and the delay or deferral of certain capital projects. Major expenditures include exercising an early buyout option of a lease for the balance of the Gary Works No. 2 Slab Caster; work on the No. 3 blast furnace at Mon Valley Works; work on the No. 2 stove at the No. 6 blast furnace at Gary Works; the completion of the replacement of coke battery thruwalls at Gary Works; the completion of an upgrade to the Mon Valley cold reduction mill; systems development projects; and projects at USSK, including the completion of the tin mill upgrade.

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The preceding statement concerning expected 2001 capital expenditures is a forward-looking statement. This forward-looking statement is based on assumptions, which can be affected by, among other things, levels of cash flow from operations, general economic conditions, whether or not assets are purchased or financed by operating leases, unforeseen hazards such as weather conditions, explosions or fires, which could delay the timing of completion of particular capital projects. Accordingly, actual expenditures may differ materially from current expectations in the forward-looking statement.

Investments in investees in 2000 of \$35 million largely reflected an investment in stock of VSZ in which United States Steel now holds a 25 percent interest. Investments in investees in 1999 of \$15 million was an investment in Republic. Investments in investees in 1998 of \$73 million mainly reflects funding for entry into a joint venture in the Slovak Republic with VSZ.

The acquisition of U. S. Steel Kosice, s.r.o. totaled \$10 million in 2000, which reflected a \$69 million purchase price net of cash acquired in the transaction of \$59 million. The first quarter 2001 acquisition of East Chicago Tin and consolidation of Transtar were noncash transactions.

Net cash changes related to financial obligations decreased by \$32 million in the first six months of 2001, reflecting favorable cash from operations, partially offset by capital expenditures and dividend payments. Financial obligations consist of United States Steel's portion of USX debt and preferred stock of a subsidiary attributed to both groups, as well as debt and financing agreements specifically attributed to United States Steel.

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

Net cash changes related to financial obligations increased by \$1,202 million, \$486 million and \$9 million in 2000, 1999 and 1998, respectively. The increase in 2000 primarily reflected the net effects of cash used in operating activities, including a VEBA contribution, cash used in investing activities, dividend payments and preferred stock repurchases. The increase in 1999 primarily reflected the net effects of cash used in operating and investing activities and dividend payments.

Dividends paid decreased \$13 million in the first six months of 2001 from the same period in 2000, due to a decrease in the dividend rate paid to U. S. Steel Group common stockholders.

#### Liquidity

##### Prior to Separation

As a matter of policy, USX has managed most financial activities on a centralized, consolidated basis, and will continue to do so until the Separation. Such financial activities include the investment of surplus cash; the issuance, repayment and repurchase of short-term and long-term debt; the issuance, repurchase and redemption of preferred stock; and the issuance and repurchase of common stock. Transactions related primarily to invested cash, short-term and long-term debt (including convertible debt), related net interest and other financial costs and preferred stock and related dividends are attributed to United States Steel based upon its cash flows for the periods

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presented and its initial capital structure. However, a portion of most financing transactions are attributed to and reflected in the combined financial statements of United States Steel. Transactions such as leases, certain collateralized financings, financial activities of consolidated entities that are less than wholly owned by USX and transactions related to securities convertible solely into USX-U. S. Steel Group Common Stock are or will be specifically attributed to and reflected in their entirety in the combined financial statements of United States Steel.

The cash requirements for United States Steel have been funded as part of USX's program of managing financial activities on a centralized consolidated basis. In December 2000, USX entered into a \$1,354 million five-year revolving credit agreement, terminating in November 2005, and a \$451 million 364-day facility, which together replaced the prior \$2,350 million facility. At June 30, 2001, USX had no borrowings against its \$1,354 million long-term revolving credit agreement, no borrowings against its \$451 million 364-day facility and no commercial paper borrowings. There were no borrowings against USX's short-term lines of credit totaling \$115 million at June 30, 2001. At June 30, 2001, there were no borrowings against the USSK \$50 million revolving credit agreement.

On April 24, 2001, USX announced that the Board had authorized management to proceed with the necessary steps to implement a plan of reorganization of the corporation in order to separate the energy and steel businesses. Until the plan of reorganization is implemented or abandoned, USX management believes that it will be more difficult to access traditional debt and equity markets.

Capital expenditures in the first half of 2001 were \$141 million and are expected to be approximately \$325 million for the full year, including expenditures related to the recently acquired facilities of USSK, Transtar, and East Chicago Tin. Contract commitments for capital expenditures at June 30, 2001 totaled \$109 million. Based upon preliminary assumptions, capital expenditures are expected to be at least \$260 million for the full year in 2002.

### After Separation

Following the Separation, United States Steel will be an independent company and will no longer have access to the financial resources of USX Corporation. It is a condition to the Separation that United States Steel will have in place, at time of Separation, cash and undrawn credit facilities of at least \$400 million.

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## UNITED STATES STEEL

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

Assuming the Separation had occurred on June 30, 2001, United States Steel Corporation and its subsidiaries would have had total outstanding debt of \$1,791 million including:

- a USSK loan facility of \$325 million
- assumed USX debt and capital leases of \$569 million
- new financing arrangements of \$897 million.

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On July 27 and September 11, 2001, in partial satisfaction of the \$897 million in new financings, United States Steel completed private placements in the aggregate of \$535 million (reduced by a \$5 million discount) of 10 3/4% Senior Notes which mature on August 1, 2008. At least \$300 million of new financing arrangements is expected to be funded through the preliminary tax settlement with Marathon that will occur immediately prior to the Separation. United States Steel intends to enter, on or before the Separation, into various financing arrangements in order to, among other things, replace a portion of the indebtedness attributed to United States Steel by USX prior to the Separation and to provide necessary liquidity. The terms of such financings, including maturities and amortization schedules for payments of principal, interest rates, covenants or security, have not yet been determined and no commitments for any additional financing facilities are in place. The financings will be subject to market conditions and we cannot assure you that such financings will be available on commercially reasonable terms.

Based on United States Steel's pro forma debt levels as of June 30, 2001, United States Steel anticipates that its scheduled interest payments for the twelve months immediately following the Separation will be approximately \$148 million, assuming an annual weighted average interest rate of 8.25 percent.

United States Steel management believes that its liquidity will be adequate to satisfy its obligations after Separation for the foreseeable future, including its obligations under the Financial Matters Agreement with Marathon Oil Corporation and any other financing transactions related to the Separation, and to complete currently authorized capital spending programs. Future requirements for United States Steel's business needs, including the funding of capital expenditures, debt service for the financing to be incurred in relation to the Separation, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds, proceeds from the sale of stock, borrowings and other external financing sources.

USX has elected to file a consolidated United States federal income tax return. Accordingly, the provision for federal income taxes and the related payments or refunds of tax are determined on a consolidated basis. The consolidated provision and the related tax payments or refunds have been reflected in the United States Steel financial statements in accordance with USX's Tax Allocation Policy.

For tax provision and settlement purposes, consolidated tax benefits or detriments resulting from attributes generated by United States Steel, principally net operating losses and minimum tax credits, which could not be utilized on a separate return basis for United States Steel, but which were utilized on the USX consolidated tax return were allocated to United States Steel. As a result, a tax receivable or payable was recorded reflecting the benefits or detriments accruing to United States Steel for the use of these attributes by USX. The tax receivable from USX established at December 31, 2000 was settled in the first quarter 2001 by a \$364 million reduction to outstanding debt balances of United States Steel. Settlements were \$379 million in the first six months of 2001, \$91 million in 2000, \$(2) million in 1999, and \$21 million in 1998. For pre-separation tax years which have not been settled with the IRS, the Tax Sharing Agreement replaces the USX Tax Allocation Policy and generally provides for resettlement of these tax years on a basis similar to the USX Tax Allocation Policy. Following the Separation, United States Steel will no longer be a member of the USX consolidated group for tax purposes and, therefore, generally there is no provision for settlements under the Tax Sharing Agreement for these years.

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

A preliminary settlement for the calendar year 2001 federal income taxes, which would be made in March 2002 under USX's current tax allocation policy, will be made immediately prior to the Separation at a discounted amount to reflect the time value of money. Under the preliminary settlement for calendar year 2001, it is expected that United States Steel will receive at least \$300 million from Marathon immediately prior to Separation arising from USX's current Tax Allocation Policy.

United States Steel management's opinion concerning liquidity and United States 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 United States Steel (as measured by various factors including cash provided from operating activities), the state of worldwide debt and equity markets, investor perceptions and expectations of past and future performance, the overall U.S. financial climate, and, in particular, with respect to borrowings, by levels of United States Steel's outstanding debt and credit ratings by rating agencies.

#### Debt Rating

Standard and Poor's has assigned a BB corporate credit rating, which is non-investment grade, to United States Steel Corporation with a negative outlook, assuming the Plan of Reorganization is completed. Moody's has assigned a Ba1 senior implied rating, which is non-investment grade, to United States Steel with a stable outlook. Additionally, Standard & Poor's and Moody's have assigned BB and Ba2 credit ratings, respectively, to United States Steel's \$535 million Senior Notes. Both of these ratings are non-investment grade.

#### Environmental Matters, Litigation and Contingencies

United States 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 United States Steel's products and services, operating results will be adversely affected. United States Steel believes that all of its domestic competitors are subject to similar environmental laws and regulations. However, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities, marketing areas, production processes and the specific products and services it provides. To the extent that competitors are not required to undertake equivalent costs in their operations, the competitive position of United States Steel could be adversely affected.

In addition, United States Steel expects to incur capital expenditures for its USSK operation to meet environmental standards under the Slovak Republic's environmental laws.

The Resource Conservation and Recovery Act ("RCRA") establishes standards

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for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks.

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

United States Steel has been notified that it is a potential responsible party ("PRP") at 22 waste sites under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of June 30, 2001. In addition, there are 16 sites where United States Steel has received information requests or

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

other indications that United States Steel may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or to make any judgment as to the amount thereof. There are also 29 additional sites related to United States 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, United States Steel is one of a number of parties involved and the total cost of remediation, as well as United States Steel's share thereof, is frequently dependent upon the outcome of investigations and remedial studies. United States 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.

In October 1996, United States Steel was notified by the Indiana Department of Environmental Management ("IDEM"), acting as lead trustee, that IDEM and the U.S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to the releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a pre-assessment screen pursuant to federal regulations and have determined to perform a Natural Resource Damages Assessment. United States Steel was identified as a PRP along with 15 other companies owning property along the river and harbor canal. United States Steel and eight other PRPs have formed a joint defense group. In 2000, the trustees concluded their assessment of sediment injuries, which included a technical review of environmental conditions. The PRP joint defense group has proposed terms for the settlement of this claim which have been endorsed by representatives of the trustees and the U.S. Environmental Protection Agency ("EPA") to be included in a consent decree that United States Steel expects will resolve this claim. A reserve has been established for United States Steel's share of this anticipated settlement.

In 1997, USS/Kobe Steel Company ("USS/Kobe"), a joint venture between United States Steel and Kobe Steel, Ltd. ("Kobe"), was the subject of a multi-media

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audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company LLC ("Lorain Tubular"), which operated as a joint venture between USX and Kobe until December 31, 1999 when USX purchased all of Kobe's interest in Lorain Tubular. Republic and Lorain Tubular are continuing negotiations with the EPA. Most of the matters raised by the EPA relate to Republic's facilities, however, air discharge from Lorain Tubular's #3 seamless pipe mill have also been cited. Lorain Tubular will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued.

In 1998, United States Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System ("NPDES") permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, United States 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, United States 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, United States Steel will pay the public trustees \$1 million at the end of the remediation project for future monitoring costs and United States Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works and is expected to cost approximately \$36.4 million over the next five years. Estimated remediation and monitoring costs for this project have been accrued.

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### UNITED STATES STEEL

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

The Berks Associates/Douglassville Site ("Berks Site") is situated on a 50-acre parcel located on the Schuylkill River in Berks County, Pa. Used oil and solvent reprocessing operations were conducted on the Berks Site between 1941 and 1986. In September 1997, United States Steel signed a consent decree to conduct a feasibility study at the site relating to the alternative remedy. In 1999, a new Record of Decision was approved by the EPA and the U.S. Department of Justice. On January 19, 2001, United States Steel signed a consent decree with the EPA to remediate this site. On April 6, 2001, United States Steel paid \$0.4 million for costs associated with this site. The only remaining outstanding claim is the natural resource damages claim filed by the Commonwealth of Pennsylvania.

In 1987, the California Department of Health Services ("DHS") issued a remedial action order for the GBF/Pittsburg landfill near Pittsburg, California. DHS alleged that from 1972 through 1974, Pittsburg Works arranged for the disposal of approximately 2.6 million gallons of waste oil, sludge, caustic mud and acid, which were eventually taken to this landfill for disposal. In 2000, the parties reached a buyout arrangement with a third party



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remediation firm, whereby the firm agreed to take title to and remediate the site and also indemnify the PRPs. This commitment was backed by pollution insurance. United States Steel's share to participate in the buyout was approximately \$1.1 million. Payment of the USX buyout amount was made December 2000. Title to the site was transferred to the remediation firm on January 31, 2001.

In November 2000, a NOV was issued by the Jefferson County Health Department ("JCHD") alleging violation of the Halogenated Solvent National Emission Standards for Hazardous Air Pollutants and the JCHD Volatile Organic Compound ("VOC") regulations at the sheet mill stretch leveler at Fairfield Works. U.S. Steel Group proposed a civil penalty of \$100,000 and a VOC emission limit, which have been agreed to by JCHD. A consent order was executed and approved by the court in May 2001. The penalty was paid by United States Steel in June 2001.

New or expanded environmental requirements, which could increase United States Steel's environmental costs, may arise in the future. United States Steel intends to comply with all legal requirements regarding the environment, but since many of them are not fixed or presently determinable (even under existing legislation) and may be affected by future legislation, it is not possible to predict accurately the ultimate cost of compliance, including remediation costs which may be incurred and penalties which may be imposed. However, based on presently available information, and existing laws and regulations as currently implemented, United States Steel does not anticipate that environmental compliance expenditures (including operating and maintenance and remediation) will materially increase in 2001. United States Steel's capital expenditures for environmental are expected to be approximately \$20 million in 2001 and are expected to be spent on projects primarily at Gary Works and USSK. Predictions beyond 2001 can only be broad-based estimates which have varied, and will continue to vary, due to the ongoing evolution of specific regulatory requirements, the possible imposition of more stringent requirements and the availability of new technologies to remediate sites, among other matters. Based upon currently identified projects, United States Steel anticipates that environmental capital expenditures will be approximately \$51 million in 2002; however, actual expenditures may vary as the number and scope of environmental projects are revised as a result of improved technology or changes in regulatory requirements and could increase if additional projects are identified or additional requirements are imposed.

United States 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 United States Steel Combined Financial Statements. However, management believes that United States Steel will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably to United States Steel.

### Imports and Trade Issues

Steel imports to the United States accounted for an estimated 23%, 27%, 26% and 30% of the domestic steel market demand in the first six months of 2001, and for the years 2000, 1999 and 1998, respectively.

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### FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(Continued)

On November 13, 2000, United States Steel joined with eight other producers and the Independent Steelworkers Union to file trade cases against hot-rolled carbon steel flat products from 11 countries (Argentina, India, Indonesia, Kazakhstan, the Netherlands, the People's Republic of China, Romania, South Africa, Taiwan, Thailand and Ukraine). Three days later, the USWA also entered the cases as a petitioner. Antidumping ("AD") cases were filed against all the countries and countervailing duty ("CVD") cases were filed against Argentina, India, Indonesia, South Africa, and Thailand. The ITC made a preliminary determination that there is a reasonable indication that the domestic industry is being materially injured by the imports in question. The U.S. Department of Commerce ("Commerce") made preliminary findings of margins in all of the cases. Commerce has also found final margins in the AD cases against Argentina and South Africa and in the CVD case against Argentina, while final determinations in the other cases will be made at a later date. Both the ITC and Commerce are continuing their investigations in all the cases in which final determinations have not yet been made.

On June 5, 2001, President Bush announced a three-part program to address the excessive imports of steel that have been depressing markets in the United States. The program involves (1) negotiations with foreign governments seeking near-term elimination of inefficient excess steel production capacity throughout the world, (2) negotiations with foreign governments to establish rules that will govern steel trade in the future and eliminate subsidies, and (3) an investigation by the ITC under section 201 of the Trade Act of 1974 to determine whether steel is being imported into the United States in such quantities as to be a substantial cause of serious injury to the United States steel industry.

On June 22, 2001, the Bush Administration requested that the ITC initiate investigations under section 201 of the Trade Act of 1974. Products included in the request are in the following categories, subject to exclusion of certain products:

- (1) Carbon and alloy flat products;
- (2) Carbon and alloy long products;
- (3) Carbon and alloy pipe and tube; and
- (4) Stainless steel and alloy tool steel products.

United States Steel believes that the remedies provided by AD and CVD are insufficient to correct the widespread dumping and subsidy abuses that currently characterize steel imports into our country and has, therefore, urged the government to take actions such as those described above. United States Steel, nevertheless, intends to file additional AD and CVD petitions against unfairly traded imports that adversely impact, or threaten to adversely impact, the results of United States Steel and is urging the U.S. government to take additional steps.

On July 3, 2000, Commerce and the ITC initiated mandatory five-year "sunset" reviews of AD orders issued in 1995 against seamless pipe from Argentina, Brazil, Germany and Italy and oil country tubular goods ("OCTG") from Argentina, Italy, Japan, Mexico and South Korea. The reviews also encompass the 1995 CVD orders against the same two products from Italy. The "sunset" review procedures require that an order must be revoked after five years unless Commerce and the ITC determine that, if the orders would be discontinued, dumping or a countervailing subsidy would be likely to continue or recur. In all of the cases, Commerce determined that dumping or countervailing subsidies

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would be likely to continue or recur if the orders are discontinued. In the seamless pipe cases, the ITC voted on June 7, 2001 to continue the orders as to Argentina, Brazil and Germany and to discontinue the orders pertaining to Italy. The ITC voted on June 15, 2001 to continue the orders against all five countries pertaining to OCTG other than drill pipe. The ITC's votes on drill pipe will continue the order in effect against Japan and discontinue the orders against Argentina and Mexico.

On June 29, 2001, various domestic producers of coke and the United Steelworkers of America filed antidumping cases against blast furnace coke producers from China and Japan. United States Steel produces coke and also imports coke from both China and Japan. United States Steel is not a petitioner in these cases.

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UNITED STATES STEEL

Quantitative And Qualitative Disclosures About Market Risk

Commodity Price Risk and Related Risks

Sensitivity analysis of the incremental effects on pretax income of hypothetical 10% and 25% changes in commodity prices for commodity-based derivative instruments as of June 30, 2001 are provided in the following table(a):

	Incremental Decrease in Income Before Income Taxes Assuming a Hypothetical Price Change of:	
	----- 10%      25% -----	
	(Dollars in millions)	
Commodity-Based Derivative Instruments		
Natural Gas.....	0.9(b)	2.2(b)
Zinc.....	1.8(b)	4.6(b)
Tin.....	0.1(b)	0.3(b)

- 
- (a) With the adoption of SFAS No. 133, the definition of a derivative instrument has been expanded to include certain fixed price physical commodity contracts. Such instruments are included in the above table. Amounts reflect the estimated incremental effect on pretax income of a hypothetical 10% and 25% changes in closing commodity prices at June 30, 2001. Management evaluates the portfolios of commodity-based derivative instruments on an ongoing basis and adjusts strategies to reflect anticipated market conditions, changes in risk profiles and overall business objectives. Changes to the portfolios subsequent to June 30, 2001, may cause future pretax income effects to differ from those presented in the table.
- (b) Price decrease.

UNITED STATES STEEL

Quantitative And Qualitative Disclosures About Market Risk--(Continued)

Interest Rate Risk

USX is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10% decrease in year-end 2000 and 1999 interest rates on the fair value of United States Steel's specifically attributed non-derivative financial instruments and the United States Steel's portion of USX's non-derivative financial instruments is provided in the following table:

	As of June 30,		As of December 31,			
	2001		2000		1999	
	Fair Value	Incremental Increase in Fair Value (b)	Fair Value (c)	Incremental Increase in Fair Value (b)	Fair Value (c)	Incremental Increase in Fair Value (b)
(Dollars in millions)						
Non-Derivative Financial Instruments (a)						
Financial assets:						
Investments and long-term receivables (d)...	\$ 86	\$--	\$ 137	\$--	\$ 122	\$--
Financial liabilities:						
Long-term debt (e) (f) ..	\$2,415	\$ 75	\$2,375	\$ 80	\$ 835	\$ 20
Preferred stock of subsidiary.....	66	5	63	5	63	5
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust.....	182	13	119	10	169	15
Total liabilities.....	\$2,663	\$ 93	\$2,557	\$ 95	\$1,067	\$ 40

- 
- (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, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at June 30, 2001, December 31, 2000 and December 31, 1999, on the fair value of USX's non-derivative financial instruments. For financial liabilities, this assumes a 10% decrease in the weighted average yield to maturity of USX's long-term debt at June 30, 2001, December 31, 2000 and December 31, 1999.
  - (c) See Note 23 to the United States Steel Combined Financial Statements for

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- the year ended December 31, 2000 for carrying value of instruments.
- (d) For additional information, see Note 16 to the United States Steel Combined Financial Statements for the year ended December 31, 2000.
  - (e) Includes amounts due within one year.
  - (f) Fair value was based on market prices where available, or current borrowing rates for financings with similar terms and maturities. For additional information, see Note 11 to the United States Steel Combined Financial Statements for the year ended December 31, 2000.

At June 30, 2001, USX'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 \$75 million increase in the fair value of long-term debt assuming a hypothetical 10% decrease in interest rates. However, USX's sensitivity to interest rate declines and corresponding increases in the fair value of its debt portfolio would unfavorably affect USX's results and cash flows only to the extent that USX elected to repurchase or otherwise retire all or a portion of its fixed-rate debt portfolio at prices above carrying value.

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### UNITED STATES STEEL

#### Quantitative And Qualitative Disclosures About Market Risk--(Continued)

##### Foreign Currency Exchange Rate Risk

United States Steel is subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars. United States Steel has not generally used derivative instruments to manage this risk. However, United States Steel has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. At June 30, 2001, United States Steel had open euro forward sale contracts for Slovak crowns with a total carrying value of approximately \$20 million. A 10% increase in the June 30, 2001 euro forward rates would result in a \$2 million charge to income.

##### Equity Price Risk

United States Steel is subject to equity price risk and liquidity risk related to its investment in VSZ. These risks are not readily quantifiable.

##### Safe Harbor

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

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### INFORMATION ABOUT MARATHON

#### MANAGEMENT OF MARATHON OIL CORPORATION FOLLOWING THE SEPARATION

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### Directors of Marathon Oil Corporation Following the Separation

Under Delaware law, the business and affairs of Marathon Oil Corporation will be managed under the direction of its board of directors. The Marathon Oil Corporation certificate of incorporation and by-laws provide that the number of directors may be fixed by the board from time to time, provided that there are always at least three directors. Upon the Separation, the board of directors of Marathon Oil Corporation is expected to consist of the individuals listed below (ages as of June 30, 2001). The present principal occupation or employment and five-year employment history of each individual follows the list below. Each of the individuals listed below is a citizen of the United States.

Name	Age	Position
----	---	-----
Neil A. Armstrong(1).....	70	Director
Clarence P. Cazalot, Jr.(1).....	50	President and Chief Executive Officer
Charles A. Corry(1).....	69	Director
David A. Daberko.....	56	Director
Dr. Shirley Ann Jackson(1) (2).....	54	Director
Charles R. Lee(1) (2).....	61	Director
Dennis H. Reilley.....	48	Director
Seth E. Schofield(1) (2).....	61	Director
Thomas J. Usher(1) (2).....	58	Chairman of the Board
Douglas C. Yearley(1) (2).....	65	Director

- 
- (1) Current director of USX
  - (2) Is also expected to be a director of United States Steel Corporation following the Separation.

Neil A. Armstrong is Chairman, EDO Corporation, an electronic and electro-mechanical systems company. He was appointed in 2000. Mr. Armstrong was Chairman of AIL Systems Inc. from 1989 to 2000. He is a director of RTI International Metals, Inc.

Clarence P. Cazalot, Jr. is current Vice Chairman--USX Corporation and President--Marathon Oil Company. He was appointed to both positions on March 3, 2000. Prior to his employment by Marathon, he was employed by Texaco, Inc. Mr. Cazalot was named President--Worldwide Production Operations of Texaco, Inc. in 1999. In 1998, he was named President--International Production and Chairman of London-based Texaco Ltd. after serving as Texaco Exploration and Production Inc.'s President of International Marketing and Manufacturing for one year.

Charles A. Corry is Retired Chairman of the Board and Chief Executive Officer of USX Corporation. Mr. Corry retired in 1995 after serving as USX's Chairman of the Board and Chief Executive Officer since his election in 1989. Mr. Corry is a director of Mellon Financial Corp. and OMNOVA Solutions, Inc.

David A. Daberko is Chief Executive Officer, National City Corporation. Mr. Daberko assumed this role in 1995. Mr. Daberko is a director of OMNOVA Solutions, Inc.

Dr. Shirley Ann Jackson is President, Rensselaer Polytechnic Institute. She was appointed President in 1999 and was Chairman of the U.S. Nuclear Regulatory Commission from 1995 to 1999. Dr. Jackson is a director of Albany Molecular Research, Inc., Federal Express Corporation, Newport News Shipbuilding, Sealed Air Corporation and UtiliCorp United, Inc. She is a member of the National Academy of Engineering, a Fellow of the American Academy of Arts and Sciences,

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and a Fellow of the American Physical Society.

Charles R. Lee is Chairman of the Board and Co-CEO, Verizon Communications since June 30, 2000. Mr. Lee was elected Chairman of the Board and Chief Executive Officer of GTE Corporation, a predecessor of Verizon in 1992. Mr. Lee is a director of The Procter & Gamble Company, United Technologies Corporation, the Stamford Hospital Foundation, and the New American Schools Development Corporation.

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Dennis H. Reilley is Chairman, President, and Chief Executive Officer of Praxair, Inc. He was appointed to these roles in March of 2000. Prior to his appointment at Praxair, and beginning in 1989, Mr. Reilley held a series of senior management positions including Vice President and General Manager in DuPont Chemical's Specialty Chemicals business. Mr. Reilley is a director of Entergy Corporation.

Seth E. Schofield is Retired Chairman and Chief Executive Officer--US Air Group, Inc. Mr. Schofield retired as Chairman and Chief Executive Officer of US Air Group in 1996 having served in such position since 1992. He is a director of Calgon Carbon Corp.

Thomas J. Usher is Chairman of the Board & Chief Executive Officer of USX Corporation. Mr. Usher was elected to his current posts in July 1995 after being elected President and Chief Operating Officer of USX Corporation in 1994. In addition, he is on the board of directors of H. J. Heinz Company, PPG Industries, and PNC Financial Services Group.

Douglas C. Yearley is Chairman Emeritus, Phelps Dodge Corporation. Mr. Yearley retired in May, 2000 from Phelps Dodge Corporation after being elected President in 1991 and Chief Executive Officer in 1989. He is a director of Lockheed Martin Corporation.

The by-laws of Marathon Oil Corporation require that each non-employee director be paid allowances and attendance fees as the board may from time to time determine. Directors who are employees of Marathon receive no compensation for their service on the board. Marathon Oil Corporation pays its non-employee directors as follows:

Annual Retainer.....	\$ 60,000
Committee Membership Fee.....	\$ 5,000 (\$6,000 for Committee Chairman)
Meeting Fee (for each board or committee meeting).....	\$ 2,000

Officers of Marathon Oil Corporation Following the Separation

Upon the Separation, the individuals listed below (with their ages as of June 30, 2001) are expected to be officers of Marathon Oil Corporation. The business address of each of the individuals listed below is 5555 San Felipe Road, Houston, Texas 77056-2723. Unless otherwise indicated below, each of the individuals listed below is a citizen of the United States.

Name	Age	Position
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Albert G. Adkins.....	53 Vice President--Accounting and Controller
Philip G. Behrman.....	50 Senior Vice President--Worldwide Exploration
Eileen M. Campbell.....	43 Vice President--Human Resources
Clarence P. Cazalot, Jr.....	50 President and Chief Executive Officer
G. David Golder.....	53 Senior Vice President--Commercialization & Development
Steven B. Hinchman.....	42 Senior Vice President--Production Operations
Jerry Howard.....	52 Senior Vice President--Corporate Affairs
A. Robert Kukla.....	58 Vice President--Global Procurement
Patrick J. Kuntz.....	51 Vice President--Natural Gas & Crude Oil Sales
Steven J. Lowden.....	42 Senior Vice President--Business Development
Kenneth L. Matheny.....	53 Vice President--Investor Relations
James F. Meara.....	48 Vice President--Taxes
John T. Mills.....	53 Chief Financial Officer
L. Michael Mueller.....	48 Vice President--Drilling & Development
Kenneth J. Orlowski.....	51 Vice President--Information Technology
Paul C. Reinbolt.....	45 Vice President--Finance and Treasurer
William F. Schwind, Jr.....	56 Vice President, General Counsel & Secretary
Daniel J. Sullenbarger.....	50 Vice President--Health, Environment & Safety
Timothy N. Tipton.....	45 Vice President--Technology

For biographical information regarding Mr. Cazalot, see "Directors of Marathon Oil Corporation Following the Separation" on page 112.

Albert G. Adkins is the Comptroller for USX Corporation. Mr. Adkins was elected to this position in 2000. He was named Assistant Comptroller for USX at the Pittsburgh headquarters in 1997 after serving as Vice President--Finance and Accounting for Delhi Gas Pipeline Corporation, a USX subsidiary, from 1996.

Eileen M. Campbell is Vice President--Human Resources for Marathon. She was appointed to her current post in September 2000. Ms. Campbell served as Director--Government Affairs for USX Corporation since 1998. Prior to that, from her appointment in 1991, she was the Manager--Government Affairs.

Philip G. Behrman is Senior Vice President--Worldwide Exploration, for Marathon. Mr. Behrman was elected to this post in October 2000. Prior to accepting this position, he was the Exploration Manager and Acting Vice President--Exploration and Land, at Vastar Resources, Inc., an independent oil and gas exploration and production company, from March 2000 to October 2000; Exploration Manager, Deepwater Gulf of Mexico, of Vastar from June 1996 to March 2000; Exploration Manager, Special Projects, of BP Exploration, an oil and gas exploration company, from January 1995 until June 1996.

G. David Golder is Senior Vice President--Commercialization and Development for Marathon. Mr. Golder had been Vice President--International Production with Marathon since 1999 and from 1996 to 1999 was Executive Vice President of Sakhalin Energy, which was partially owned by Marathon.

Steven B. Hinchman is Senior Vice President--Production Operations for Marathon. Mr. Hinchman was elected to this post in October 2000. Prior to accepting this position, he served as Marathon's Regional Manager, Mid-Continent Region, from November 1999 to October 2000; Production Manager, Mid-Continent Region, from November 1996 to November 1999; and Engineering Manager, International Production, from August 1994 to November 1996.



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Jerry Howard is Vice President--Taxes for USX Corporation. Mr. Howard was elected to his current position in 1998. In 1997, he was named Marathon's Vice President--Human Resources and Environment. Prior to that, he was appointed to Director--Tax and Financial Planning for Marathon in 1993.

A. Robert Kukla is Vice President--Global Procurement for Marathon. Mr. Kukla was appointed to his current post in October 1997. Prior to that, he served as Vice President--Domestic Production and Manager--Alaska Production.

Patrick J. Kuntz is Vice President--Natural Gas & Crude Oil Sales for Marathon. He was appointed in January 2000. Mr. Kuntz served as Controller since July 1998. He joined Marathon in 1972 as a Financial Analyst and served in various staff supervisory and managerial capacities in international funds, industry and corporate affairs, real estate, financial planning, finance and administration and auditing.

Stephen J. Lowden is Senior Vice President--Business Development, for Marathon. Mr. Lowden was elected to this post in December 2000 and is a citizen of the United Kingdom. Prior to accepting this position, he was Director of Commercial and Business Development for Premier Oil PLC, a London oil and gas exploration, development, and production company, from 1996 to December 2000 and General Manager for International Exploration and Production of Premier Oil from 1994 to 1996.

Kenneth L. Matheny is Vice President--Investor Relations for USX. Mr. Matheny was appointed in 2000. He was Vice President and Comptroller for USX from 1997 through 2000. Prior to that, he served as Vice President--Human Resources for Marathon from 1994 until 1997.

James F. Meara is the Controller for Marathon and was named to this position in 2000. He was appointed as Tax Manager in 1997. Prior to that, he progressed through a series of management positions within the tax department before being appointed Commercial Director for Sakhalin Energy (a Marathon affiliate) in 1995.

John T. Mills is Senior Vice President--Finance and Administration for Marathon. Mr. Mills was elected to this post in 1998. He was appointed Vice President--Taxes for USX in 1987.

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L. Michael Mueller is Vice President--Drilling & Development for Marathon. He was appointed to his current post in 2000. He had served as Vice President--Domestic Production, Gulf of Mexico & Worldwide Deepwater Development since September 1999. Mr. Mueller joined Marathon in 1977 as a reservoir engineer and has held a wide range of engineering, supervisory and management positions.

Kenneth J. Orlowski is Vice President--Information Technology for Marathon. He was appointed to this position in 2000. Mr. Orlowski was named Assistant General Counsel, USX Corporation, in 1997. From 1992 to 1997, he was Senior Vice President--Administration, General Counsel and Secretary of Delhi Gas

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Pipeline Company.

Paul C. Reinbolt is the Comptroller for U. S. Steel Group and was named to his post in 2000. In 1998, Mr. Reinbolt was appointed Manager--Finance and Administration, Production, United Kingdom, for Marathon after serving for four years as USX's Assistant Treasurer--Corporate Finance.

William F. Schwind, Jr. is General Counsel and Secretary for Marathon. Mr. Schwind was named to this post in 1992.

Daniel J. Sullenbarger is Vice President--Health, Environment & Safety for Marathon. Mr. Sullenbarger was appointed to this position in September of 2000. In September of 1998, he was appointed Vice President--Human Resources and Environment. From 1994 to 1998, Mr. Sullenbarger served as Group Counsel--Worldwide Exploration & Production.

Timothy N. Tipton is Vice President--Technology for Marathon. Mr. Tipton was appointed to his current post in September 2000. Prior to accepting this position, he served as Manager--Engineering & Technology, Reservoir Technology since September of 1999. Mr. Tipton became Production Manager--Rocky Mountain Region in 1996.

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### LIQUIDITY OF MARATHON OIL CORPORATION FOLLOWING THE SEPARATION

#### Prior to Separation

As a matter of policy, USX has managed most financial activities on a centralized, consolidated basis, and will continue to do so until the Separation. Such financial activities include the investment of surplus cash; the issuance, repayment and repurchase of short-term and long-term debt; the issuance, repurchase and redemption of preferred stock; and the issuance and repurchase of common stock. Transactions related primarily to invested cash, short-term and long-term debt (including convertible debt), related net interest and other financial costs and preferred stock and related dividends are attributed to Marathon based upon its cash flows for the periods presented and its initial capital structure. However, a portion of most financing transactions are attributed to and reflected in the financial statements of Marathon. Transactions such as leases, certain collateralized financings, financial activities of consolidated entities that are less than wholly owned by USX and transactions related to securities convertible solely into USX-Marathon Group Common Stock are or will be specifically attributed to and reflected in their entirety in the financial statements of Marathon.

In December 2000, USX entered into a \$1,354 million five-year revolving credit agreement, terminating in November 2005, and a \$451 million 364-day facility, which together replaced the prior \$2,350 million facility. At June 30, 2001, USX had no borrowings against its \$1,354 million long-term revolving credit agreement, no borrowings against its \$451 million 364-day facility and no commercial paper borrowings. There were no borrowings against USX's short-term lines of credit totaling \$115 million at June 30, 2001. At June 30, 2001, there were no borrowings against MAP's revolving credit agreement.

On April 24, 2001, USX announced that the Board had authorized management to proceed with the necessary steps to implement a plan of reorganization of the corporation in order to separate the energy and steel businesses. Until the plan of reorganization is implemented or abandoned, USX management believes

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that it will be more difficult to access traditional debt and equity markets.

### After Separation

Upon Separation, Marathon will assume the financial resources of USX Corporation. Marathon will have access to a \$1,354 million 5-year revolving credit agreement, expiring in November 2005. At June 30, 2001, there were no borrowings under this facility. Marathon also will have a short-term credit facility against which there were no borrowings as of June 30, 2001. In addition, Marathon will have the ability to issue commercial paper supported by the unused and available credit line on the \$1,354 million facility. At June 30, 2001, no commercial paper was outstanding. Also, at June 30, 2001, there were no borrowings against MAP revolving credit agreements.

Capital and exploration expenditures for 2001 are expected to be approximately \$1.8 billion, excluding the \$0.5 billion acquisition of Pennaco.

Marathon management believes that its short-term and long-term liquidity will be adequate to satisfy its obligations after Separation, and to complete currently authorized capital spending programs. Future requirements for Marathon's business needs, including the funding of capital expenditures, debt service for the balance of 2001 and years 2002 and 2003, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds, proceeds from the sale of stock, borrowings and other external financing sources.

Marathon management's opinion concerning liquidity and Marathon'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 Marathon (as measured by various factors including cash provided from operating activities), the state of worldwide debt

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and equity markets, investor perceptions and expectations of past and future performance, the overall U.S. financial climate, and, in particular, with respect to borrowings, by levels of Marathon's outstanding debt and credit ratings by rating agencies.

### Debt Rating

Standard and Poor's has assigned an investment grade corporate credit rating to Marathon Oil Corporation with a stable outlook, assuming the Plan of Reorganization is completed.

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### RELATIONSHIP BETWEEN UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION AFTER THE SEPARATION

Following consummation of the Separation, United States Steel Corporation and Marathon Oil Corporation will be independent companies and neither will have any ownership interest in the other, although some of the Marathon Oil Corporation directors will also serve as directors of United States Steel Corporation. See "Interests of Officers and Directors in the Separation" on page 56. In connection with the Separation and pursuant to the Plan of Reorganization, United States Steel Corporation and Marathon Oil Corporation

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and their respective subsidiaries will enter into a series of agreements ("Separation Documents") governing their relationship subsequent to the Separation and providing for the allocation of tax and certain other liabilities and obligations arising from periods prior to the Separation. Copies of the forms of such Separation Documents are filed as exhibits to the registration statement on Form S-4 of United States Steel Corporation registering the New U.S. Steel Shares to be issued in the Separation (the "Registration Statement"), of which this proxy statement/prospectus is a part. The Registration Statement and its exhibits are available for inspection and copying as set forth on page 136. Set forth below is a description of the material terms of such Separation Documents.

### Tax Sharing Agreement

United States Steel Corporation and Marathon Oil Corporation will enter into a Tax Sharing Agreement on behalf of themselves and their respective consolidated groups, that reflects each party's rights and obligations relating to payments and refunds of income, sales, transfer, and other taxes that are attributable to periods beginning prior to and including the Separation Date and taxes resulting from transactions effected in connection with the Separation.

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

A preliminary settlement for the calendar year 2001 federal income taxes, which would be made in March 2002 under USX's current tax allocation policy, will be made immediately prior to the Separation at a discounted amount to reflect the time value of money. Under the preliminary settlement for calendar year 2001, it is expected that United States Steel will receive at least \$300 million from Marathon immediately prior to Separation arising from USX's current tax allocation policy. This policy provides that United States Steel receives the benefit of tax attributes (principally net operating losses, and various tax credits) that arise out of its business and which are used by USX on a consolidated basis.

Additionally, pursuant to the Tax Sharing Agreement, United States Steel Corporation and Marathon Oil Corporation will agree to protect the tax-free status of the Separation. United States Steel Corporation and Marathon Oil Corporation each will covenant that during the two-year period following the Separation, it will not cease to be engaged in an active trade or business. Each party also will represent that there is no plan or intention to liquidate such party, take any other actions inconsistent with the information and representations set forth in the ruling request filed with the IRS or sell or otherwise dispose of its assets (other than in the ordinary course of business) and will covenant that during the two-year period following the Separation, it will not do so. To the extent that a breach of a representation or covenant results in corporate tax being imposed on USX, the breaching party, either

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United States Steel Corporation or Marathon Oil Corporation, will be responsible for the payment of

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the corporate tax. In the event that the Separation fails to qualify as a tax-free transaction through no fault of either United States Steel Corporation or Marathon Oil Corporation, the resulting corporate tax liability, if any, likely will be borne by United States Steel Corporation pursuant to the Tax Sharing Agreement.

The provisions of the Tax Sharing Agreement will only benefit Marathon Oil Corporation and United States Steel Corporation and will not confer any rights on USX stockholders or any other parties. The Tax Sharing Agreement may be amended or modified by Marathon Oil Corporation and United States Steel Corporation without the consent of any stockholder.

Even if the Separation otherwise qualifies for tax-free treatment under Section 355 of the Code, the Separation may become taxable to USX pursuant to Section 355(e) of the Code if 50% or more of either the Marathon Shares or New U. S. Steel Shares are acquired, directly or indirectly, as part of a plan or series of related transactions that include the Separation. See "THE SEPARATION--Material U.S. Federal Income Tax Consequences" discussion above on page 54. To minimize this risk, both United States Steel Corporation and Marathon Oil Corporation will covenant in the Tax Sharing Agreement that they will not enter into any transactions or make any change in their equity structures that could cause the Separation to be treated as part of a plan or series of related transactions to which Section 355(e) may apply. If an acquisition occurs which results in the Separation being taxable under Section 355(e), the Tax Sharing Agreement provides that the resulting corporate tax liability will be borne by the entity, either United States Steel Corporation or Marathon Oil Corporation, with respect to which the acquisition has occurred.

As discussed above in the section, "RISK FACTORS--Risks Related to Separation--United States Steel Corporation and Marathon Oil Corporation Will Be Subject to Continuing Contingent Liabilities of the Other Company Following the Separation" on page 14, although the Tax Sharing Agreement will allocate tax liabilities relating to taxable periods ending on or prior to the Separation Date, as between United States Steel Corporation and Marathon Oil Corporation, each corporation that was a member of the USX consolidated group during any portion of a taxable period ending on or prior to the Separation Date is jointly and severally liable under the Code for the federal income tax liability of the entire USX consolidated group for that year. Thus, even though the Tax Sharing Agreement will provide that one party (United States Steel Corporation or Marathon Oil Corporation) will be responsible for the payment of a tax, the taxing authorities may seek to collect the tax from the other party and consequently, that other party would be entitled to seek indemnification under the Tax Sharing Agreement. There can be no assurance that, in such circumstance, Marathon Oil Corporation or United States Steel Corporation would be able to satisfy its indemnification obligations under the Tax Sharing Agreement.

### Transition Services Agreement

Currently, USX personnel at our Pittsburgh corporate headquarters provide accounting, audit, corporate finance, government affairs, investor relations,

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legal, stock transfer, strategic planning, public affairs and tax services that primarily relate to corporate-wide matters and for which the costs are allocated between the Marathon Group and the U. S. Steel Group. Effective upon the Separation, Marathon Oil Corporation and United States Steel Corporation will be responsible for their own needs in these areas, and USX corporate personnel will be assigned to, and will be employed by, either Marathon Oil Corporation or United States Steel Corporation. To the extent that one company or the other is not able to immediately service its own needs, United States Steel Corporation and Marathon Oil Corporation will enter into a transition services agreement whereby one company will provide such services to the other (to the extent requested) if the providing company is able to do so. Such agreement will be for a term of up to twelve months and will be on a cost-reimbursement basis. In addition, the company receiving such service shall release the other from any and all claims that may arise concerning the adequacy, timeliness or quality of the service provided.

Although both the Marathon Group and U. S. Steel Group maintain independent information technology and computer systems, USX headquarters relies on the two groups for many of its computer applications. The Transition Services Agreement provides that, to the extent that either group has been supplying computer or information services to USX headquarters or the other group, for a period of up to twelve months, Marathon Oil Corporation or United States Steel Corporation will continue to provide services to the other (to the extent

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requested) on the same basis that it is currently provided on a cost-reimbursement basis. In addition, the company receiving services shall release the other from any and all claims that may arise concerning the adequacy, timeliness or other quality of the services provided.

The Transition Services Agreement also provides that Marathon Oil Corporation, as successor to USX, will grant to United States Steel Corporation a fully paid, worldwide, nonexclusive license, without right to sublicense or assign, in all computer programs, software, source code, and know-how (whether patented, trademarked, copyrighted or not) owned or licensed (to the extent permitted by the terms of such license) by USX in providing services used by USX on a corporate basis or provided by USX to the U. S. Steel Group. Such license will be granted without any representation or warranty whatsoever, including suitability, ownership, usefulness, non-infringement or existence. A similar grant of licenses will be made by United States Steel Corporation for the benefit of Marathon Oil Corporation.

The Transition Services Agreement further provides that if, at any time in the future, either Marathon Oil Corporation or United States Steel Corporation requires any records, documents or other information in the possession of the other relating to activities prior to the Separation, the party having possession of such records, documents or other information shall make it or copies available to the other party without charge.

### Financial Matters Agreement

United States Steel Corporation and Marathon Oil Corporation will enter into the Financial Matters Agreement whereby United States Steel Corporation or its subsidiaries will agree to incur or assume indebtedness and other obligations of USX in connection with the Separation. The terms of the Financial Matters Agreement are described in "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

### License Agreement

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Upon consummation of the Separation, the License Agreement will provide that Marathon Oil Corporation will grant to United States Steel Corporation a fully-paid, worldwide, non-exclusive license to use the USX name rights and certain intellectual property with the right to sublicense the same.

### Insurance Assistance Agreement

Prior to the time of the HoldCo Merger, the Marathon Group and the U. S. Steel Group maintained independent property and business interruption insurance policies. Other types of insurance, such as general liability, employer's liability, automobile liability, workers' compensation, boiler and machinery and executive risk, were purchased and held by Old USX, for the benefit of Old USX and all of its subsidiaries. Following the HoldCo Merger, separate policies of insurance for certain general liability, employer's liability, automobile liability, workers' compensation and aircraft were issued to cover: (1) USX, and Marathon and its subsidiaries; and (2) United States Steel LLC and its subsidiaries. The remaining policies of insurance were maintained for the benefit of USX and its subsidiaries.

At the Separation Effective Time, the insurance policies held for the benefit of USX and its subsidiaries will be truncated and separate policies of insurance will be purchased for Marathon Oil Corporation and its subsidiaries and for United States Steel Corporation and its subsidiaries. Marathon Oil Corporation and United States Steel Corporation will also enter into the Insurance Assistance Agreement. This agreement will provide for the division of responsibility for joint insurance arrangements and the associated payment of insurance claims and deductibles following the Separation for claims associated with pre-Separation periods. Under this agreement, Marathon Oil Corporation will be solely liable for pre-Separation claims associated with the business of the Marathon Group, and United States Steel Corporation will be solely liable for pre-Separation claims associated with the business of the U. S. Steel Group. Liability for pre-Separation claims associated with USX assets, directors and employees will be allocated 65% to Marathon Oil Corporation and 35% to United States Steel Corporation. The cost of extended reporting insurance for these pre-Separation periods will also be split between Marathon Oil Corporation and United States Steel Corporation on a 65%-35% basis, respectively. Finally, the agreement will address the sharing of policy limits for extended reporting insurances maintained jointly by Marathon and United States Steel prior to the Separation.

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### DESCRIPTION OF CAPITAL STOCK OF MARATHON OIL CORPORATION FOLLOWING THE SEPARATION

The following is a summary of the material terms of the capital stock of Marathon Oil Corporation upon the Separation. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of such capital stock set forth in the Marathon Oil Corporation Restated Certificate of Incorporation (the "Marathon Certificate"). A copy of the full text of the Marathon Certificate is included as Exhibit 3.3 to the Registration Statement, and is incorporated herein by reference.

### Authorized Share Capital

Marathon Oil Corporation will be authorized by the Marathon Certificate to issue (i) five hundred and fifty million (550,000,000) shares of Marathon Oil Corporation Common Stock, par value \$1.00 per share, and (ii) twenty six million (26,000,000) shares of preferred stock, no par value, issuable in

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series. If the Separation had occurred as of July 31, 2001, there would be 308,913,392 Marathon Shares issued and outstanding (based on the number of Marathon Group Shares issued and outstanding as of such date) and no shares of preferred stock issued and outstanding.

### Marathon Shares

The holders of Marathon Shares will be entitled to receive dividends when, as and if declared by the Marathon Oil Corporation board of directors out of funds legally available therefor, subject to the rights of any shares of Marathon Oil Corporation preferred stock at the time outstanding. The holders of Marathon Shares will be entitled to one vote for each share on all matters voted on generally by stockholders under the Marathon Certificate, including the election of directors. The holders of Marathon Shares will not have any cumulative voting, conversion, redemption or preemptive rights. In the event of dissolution, liquidation or winding up of Marathon Oil Corporation, holders of Marathon Shares will be entitled to share ratably in any assets remaining after the satisfaction in full of the prior rights of creditors, including holders of Marathon Oil Corporation's then outstanding indebtedness, and subject to the aggregate liquidation preference and participation rights of any Marathon Oil Corporation preferred stock then outstanding. The additional shares of authorized stock available for issuance by Marathon Oil Corporation may be issued at such times and under such circumstances as to have a dilutive effect on earnings per share and on the equity ownership of the holders of Marathon Shares.

### Marathon Oil Corporation Preferred Stock

The Marathon Oil Corporation board of directors will be authorized to issue shares of Marathon Oil Corporation preferred stock, in one or more series, and to fix for each such series voting powers, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as are permitted by the Delaware General Corporation Law ("DGCL"). Although the Marathon Oil Corporation board of directors has no current plans to issue Marathon Oil Corporation preferred stock, the issuance of such shares could be used to discourage an unsolicited acquisition proposal. See "COMPARISON OF THE RIGHTS OF STOCKHOLDERS--Certain Anti-takeover Considerations" on page 126.

### Marathon Oil Corporation Rights Agreement

USX is a party to a Rights Agreement, dated as of September 28, 1999 (the "USX Rights Agreement"), with ChaseMellon Shareholder Services, L.L.C, as Rights Agent. Pursuant to the USX Rights Agreement, a U. S. Steel Group Right is attached to each outstanding U. S. Steel Group Share and a Marathon Group Right is attached to each outstanding Marathon Group Share. In connection with the Separation, the USX Rights Agreement will be amended and restated (as so amended and restated, the "Marathon Oil Corporation Rights Agreement") to provide (i) that the U. S. Steel Group Rights and the Marathon Group Rights will not become exercisable, distributed or unredeemable as a result of the consummation of the Separation, and (ii) that the

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U. S. Steel Group Rights will expire at the Separation Effective Time. Following the Separation, the Marathon Group Rights will be referred to as a Marathon Right. The following description of the terms of the Marathon Oil Corporation Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Marathon Oil Corporation Rights Agreement,



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the form of which is filed as an exhibit to the Registration Statement, and is incorporated herein by reference.

Each Marathon Right becomes exercisable, at a price of \$110, after any person or group has acquired, obtained the right to acquire or made a tender or exchange offer for 15% or more of the outstanding voting power represented by the outstanding Marathon Shares, except pursuant to a qualifying all-cash tender offer for all outstanding Marathon Shares which results in the offeror owning Marathon Shares, representing a majority of the voting power (other than Marathon Shares beneficially owned by the offeror immediately prior to the offer). Each Marathon Right entitles the holder, other than the acquiring person or group, to purchase one one-hundredth of a share of Series A Junior Preferred Stock or, upon the acquisition by any person of 15% or more of the outstanding voting power represented by the outstanding Marathon Shares (or, in certain circumstances, other property) having a market value of twice the exercise price. After a person or group acquires 15% or more of the outstanding voting power, if Marathon Oil Corporation engages in a merger or other business combination where it is not the surviving corporation or where it is the surviving corporation and the Marathon Shares are changed or exchanged, or if 50% or more of Marathon Oil Corporation's assets, earnings power or cash flow are sold or transferred, each Marathon Right entitles the holder to purchase common stock of the acquiring entity having a market value of twice the exercise price. The Marathon Rights and the exercise price are subject to adjustment. The Marathon Rights will expire on October 9, 2009, unless such date is extended or the Marathon Rights are earlier redeemed by Marathon Oil Corporation for one cent per Marathon Right at any time prior to the point they become exercisable. Under certain circumstances, the Board of Directors of Marathon Oil Corporation has the option to exchange one Marathon Share for each exercisable Marathon Right.

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### DESCRIPTION OF CAPITAL STOCK OF UNITED STATES STEEL CORPORATION FOLLOWING THE SEPARATION

The following is a summary of the material terms of the capital stock of United States Steel Corporation upon the Separation. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of such capital stock set forth in the United States Steel Corporation Certificate of Incorporation (the "United States Steel Corporation Certificate"). A copy of the full text of the United States Steel Corporation Certificate is included as Exhibit 3.2 to the Registration Statement, and is incorporated herein by reference.

#### Authorized Share Capital

United States Steel Corporation is authorized by the United States Steel Corporation Certificate to issue (i) two hundred million (200,000,000) shares of United States Steel Corporation Common Stock, par value \$1.00 per share, and (ii) fourteen million (14,000,000) shares of preferred stock, no par value, issuable in series. If the Separation had occurred as of July 31, 2001, there would be 89,141,345 New U. S. Steel Shares outstanding (based on the number of U. S. Steel Group Shares issued and outstanding as of such date) and no shares of preferred stock issued and outstanding.

#### New U. S. Steel Shares

The holders of New U. S. Steel Shares will be entitled to receive dividends when, as and if declared by the United States Steel Corporation board of

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directors out of funds legally available therefor, subject to the rights of any shares of United States Steel Corporation preferred stock at the time outstanding. The holders of New U. S. Steel Shares will be entitled to one vote for each share on all matters voted on generally by stockholders under the United States Steel Corporation Certificate, including the election of directors. The holders of New U. S. Steel Shares do not have any cumulative voting, conversion, redemption or preemptive rights. In the event of dissolution, liquidation or winding up of United States Steel Corporation, holders of the New U. S. Steel Shares will be entitled to share ratably in any assets remaining after the satisfaction in full of the prior rights of creditors, including holders of United States Steel Corporation's then outstanding indebtedness, and subject to the aggregate liquidation preference and participation rights of any United States Steel Corporation preferred stock then outstanding. The additional shares of authorized stock available for issuance by United States Steel Corporation may be issued at such times and under such circumstances as to have a dilutive effect on earnings per share and on the equity ownership of the holders of New U. S. Steel Shares.

### United States Steel Corporation Preferred Stock

The United States Steel Corporation board of directors will be authorized to issue shares of United States Steel Corporation preferred stock, in one or more series, and to fix for each such series voting powers, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as are permitted by the DGCL. The issuance of shares of United States Steel Corporation preferred stock could be used to discourage an unsolicited acquisition proposal. See "COMPARISON OF THE RIGHTS OF STOCKHOLDERS--Certain Anti-takeover Considerations" on page 126.

### United States Steel Corporation Rights Agreement

Upon the Separation Effective Time, United States Steel Corporation will enter into a Rights Agreement (the "United States Steel Corporation Rights Agreement"). The following description of the terms of the United States Steel Corporation Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the United States Steel Corporation Rights Agreement, the form of which is filed as an exhibit to the Registration Statement and is incorporated in this summary description herein by reference.

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Pursuant to the United States Steel Corporation Rights Agreement, one preferred stock purchase right (a "United States Steel Corporation Right") will be distributed with each New U. S. Steel Share issued in connection with the Separation. Each United States Steel Corporation Right becomes exercisable after any person or group has acquired, obtained the right to acquire or made a tender or exchange offer for 15% or more of the outstanding voting power represented by the outstanding New U. S. Steel Shares, except pursuant to a qualifying all-cash tender offer for all outstanding New U. S. Steel Shares which results in the offeror owning New U. S. Steel Shares, representing a majority of the voting power (other than New U. S. Steel Shares beneficially owned by the offeror immediately prior to the offer). Each United States Steel Corporation Right entitles the holder, other than the acquiring person or group, to purchase one one-hundredth of a share of Series A Junior Preferred Stock or, upon the acquisition by any person of 15% or more of the outstanding voting power represented by the outstanding New U. S. Steel Shares (or, in certain circumstances, other property) having a market value of twice the exercise price. After a person or group acquires 15% or more of the outstanding

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voting power, if United States Steel Corporation engages in a merger or other business combination where it is not the surviving corporation or where it is the surviving corporation and the New U. S. Steel Shares are changed or exchanged, or if 50% or more of U. S. Steel's assets, earnings power or cash flow are sold or transferred, each United States Steel Corporation Right entitles the holder to purchase common stock of the acquiring entity having a market value of twice the exercise price. The United States Steel Corporation Rights and the exercise price are subject to adjustment. The United States Steel Corporation Rights will expire after 10 years, unless such date is extended or the United States Steel Corporation Rights are earlier redeemed by United States Steel Corporation for one cent per United States Steel Corporation Right at any time prior to the point they become exercisable. Under certain circumstances, the Board of Directors of United States Steel Corporation has the option to exchange one New U. S. Steel Share for each exercisable U. S. Steel Right.

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### COMPARISON OF THE RIGHTS OF STOCKHOLDERS

USX is a Delaware corporation and, following consummation of the Separation, Marathon Oil Corporation and United States Steel Corporation will be Delaware corporations. The rights of holders of Marathon Group Shares and U. S. Steel Group Shares are currently governed by the DGCL, the USX Restated Certificate and USX By-laws. Following consummation of the Separation, the rights of holders of Marathon Shares will be governed by the DGCL, the Marathon Certificate and the Marathon Oil Corporation By-laws, and the rights of holders of New U. S. Steel Shares will be governed by the DGCL, the United States Steel Corporation Certificate and the United States Steel Corporation By-laws. The terms of the Marathon Certificate and the United States Steel Corporation Certificate will be identical to the terms of the USX Restated Certificate (other than with respect to capitalization, since the Marathon Certificate and the United States Steel Corporation Certificate will each provide for only one class of common stock, and will not have the provisions contained in the USX Restated Certificate relating to the USX targeted stocks). The terms of the Marathon Oil Corporation By-laws and the United States Steel Corporation By-laws will be identical to the terms of the USX By-laws, except for the matters described below.

#### Voting Rights

Under the USX Restated Certificate, with respect to matters to be voted upon by both the holders of Marathon Group Shares and U. S. Steel Group Shares as a single class, the holder of each Marathon Group Share is entitled to one vote per share and the holder of each U. S. Steel Group Share is entitled to a number of votes per share (which may be greater than or less than one), as determined pursuant to the terms of the USX Restated Certificate, based on the ratio of the market value of one U. S. Steel Group Share to the market value of one Marathon Group Share, calculated over the 20-business day period ending on the fifth business day prior to the record date for determination of stockholders entitled to notice of, and to vote at, any meeting of stockholders. Under the Marathon Certificate, each Marathon Share will be entitled to one vote on all matters. Under the United States Steel Corporation Certificate, each New U. S. Steel Share will be entitled to one vote on all matters.

#### Dividends

Under the USX Restated Certificate, (i) dividends on the Marathon Group

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Shares are payable out of the funds of USX legally available for the payment of dividends and (ii) dividends on the U. S. Steel Group Shares are payable out of the lesser of (a) the funds of USX legally available for the payment of dividends and (b) the "Available Group Dividend Amount" (an amount similar to the amount that would be legally available for the payment of dividends on the U. S. Steel Group Shares under Delaware law if the U. S. Steel Group were a separate company). Holders of Marathon Shares and New U. S. Steel Shares will be entitled to receive dividends when, as and if declared by the respective boards of directors of Marathon Oil Corporation and United States Steel Corporation out of funds legally available therefor, subject to the terms of any preferred stock then outstanding and the terms of any covenants in indentures or other evidences of indebtedness.

### Liquidation

Pursuant to the USX Restated Certificate, in the event of the liquidation of USX, holders of Marathon Group Shares and U. S. Steel Group Shares will be entitled to a portion of the assets remaining for distribution based on the average of their proportionate market values, using the market prices for the five business days prior to the date the liquidation is announced and the five business days after the liquidation is announced. Pursuant to the Marathon Certificate, in the event of a liquidation of Marathon Oil Corporation, holders of Marathon Shares will be entitled to share ratably in the assets of Marathon Oil Corporation remaining for distribution to holders of Marathon Shares. Pursuant to the United States Steel Corporation Restated Certificate, in the event of a liquidation of United States Steel Corporation, holders of New U. S. Steel Shares will be entitled to share ratably in the assets of United States Steel Corporation remaining for distribution to holders of New U. S. Steel Shares.

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### Rights on Disposition

Pursuant to the USX Restated Certificate, subject to certain exceptions, if USX disposes of all or substantially all of the properties and assets attributed to the U. S. Steel Group, USX is required to either (i) distribute to holders of U. S. Steel Group Shares an amount in cash and/or securities or other property equal to the fair value of the net proceeds of such disposition by special dividend, (ii) redeem a number of whole U. S. Steel Group Shares with an average value equal to the proceeds of the disposition, calculated over the ten-trading day period beginning on the first trading day after consummation of the disposition transaction, (iii) convert each U. S. Steel Group Share into a number of Marathon Group Shares equal to 110% of the ratio of the average market value of one U. S. Steel Group Share to the average market value of one Marathon Group Share, calculated over the ten-trading day period beginning on the first trading day after consummation of the disposition transaction. As a result of the Separation, the United States Steel Corporation Certificate will not provide for such rights upon the disposition of assets.

### Separation of Groups and Exchange of Stock

Pursuant to the USX Restated Certificate, if USX were to transfer all of the assets and liabilities of the Marathon Group (and only such assets and liabilities) to a wholly owned subsidiary of USX, the USX board of directors has discretion, without the vote of any of the USX stockholders, to exchange the outstanding Marathon Group Shares for shares of the new subsidiary holding the Marathon Group assets and liabilities. The result of such an exchange would be the spinoff of the Marathon Group to the holders of Marathon Group Shares. Following the Separation, the Marathon Certificate will not provide the directors of Marathon Oil Corporation with such discretion, as Marathon Oil

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Corporation generally will hold only the assets and liabilities currently held by the Marathon Group.

Pursuant to the USX Restated Certificate, if USX were to transfer all of the assets and liabilities of the U. S. Steel Group (and only such assets and liabilities) to a wholly owned subsidiary of USX, the USX board of directors has discretion, without the vote of any of the USX stockholders, to exchange the outstanding U. S. Steel Group Shares for shares of the new subsidiary holding the U. S. Steel Group assets and liabilities. The result of such an exchange would be the spinoff of the U. S. Steel Group to the holders of U. S. Steel Group Shares. Following the Separation, the United States Steel Certificate will not provide the directors of United States Steel Corporation with such discretion, as United States Steel Corporation generally will hold only the assets and liabilities currently held by the U. S. Steel Group.

### Certain Anti-takeover Considerations

The DGCL, the Marathon Certificate and the Marathon Oil Corporation By-laws, and the United States Steel Corporation Certificate and the United States Steel Corporation By-laws, contain provisions that could serve to discourage or make more difficult a change in control of Marathon Oil Corporation or United States Steel Corporation without the support of the Marathon Oil Corporation board of directors or the United States Steel Corporation board of directors, as the case may be, or without meeting various other conditions. All of these provisions are currently in effect with respect to USX, pursuant to the USX Restated Certificate, USX By-Laws and the DGCL. A summary of these provisions is set forth below.

The Marathon Certificate and the United States Steel Corporation Certificate each will provide for the issuance of preferred stock, at the discretion of the Marathon Oil Corporation board of directors or the United States Steel Corporation board of directors, as the case may be, from time to time, in one or more series, without further action by the stockholders of Marathon Oil Corporation or United States Steel Corporation, unless approval of the stockholders is deemed advisable by the Marathon Oil Corporation board of directors or the United States Steel Corporation board of directors or required by applicable law, regulation or stock exchange listing requirements. In addition, the authorized but unissued Marathon Shares will be available for issuance from time to time at the discretion of the Marathon Oil Corporation board of directors without the approval of the stockholders of Marathon Oil Corporation, and the authorized but unissued New U. S. Steel

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Shares will be available for issuance from time to time at the discretion of the United States Steel Corporation board of directors without the approval of the stockholders of United States Steel Corporation, in each case, unless such approval is deemed advisable by the Marathon Oil Corporation board of directors or United States Steel Corporation board of directors, as the case may be, or required by applicable law, regulation or stock exchange listing requirements. One of the effects of the existence of authorized, unissued and unreserved Marathon Shares and New U. S. Steel Shares and preferred stock could be to enable the Marathon Oil Corporation board of directors or the United States Steel Corporation board of directors to issue shares to persons friendly to current management that could render more difficult or discourage an attempt to obtain control of Marathon Oil Corporation or United States Steel Corporation by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of Marathon Oil Corporation's or United States Steel Corporation's management. Such additional shares also could be used to dilute the stock ownership of persons seeking to obtain control of Marathon Oil Corporation or United States Steel Corporation.

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The Marathon Oil Corporation Certificate and the United States Steel Corporation Certificate each provide for a classified board of directors under which one-third of the total number of directors are elected each year and will prohibit the removal of directors, unless such removal is for cause. Pursuant to the Marathon Oil Corporation Certificate and the United States Steel Corporation Certificate, stockholders will not be permitted to act by written consent. In addition, pursuant to the Marathon Oil Corporation Certificate and the United States Steel Corporation Certificate, only the board of directors, and not the stockholders, will be permitted to call a special meeting of stockholders.

The Marathon Oil Corporation By-laws and United States Steel Corporation By-laws each establish an advance notice procedure for stockholders to bring business before an annual or special meeting of stockholders. The Marathon Oil Corporation By-laws and United States Steel Corporation By-laws each will provide that a stockholder may present a proposal for action at an annual meeting of stockholders only if such stockholder delivers a written notice of the proposal, together with certain specified information relating to such stockholder's stock ownership and identity, to the Secretary of Marathon Oil Corporation or United States Steel Corporation, as applicable, at least 45 days, and, in certain situations, 90 days, before the meeting or within 10 days following the announcement of the date of the special meeting. In addition, the Marathon Oil Corporation By-laws and United States Steel Corporation By-laws each will provide that a stockholder may nominate individuals for election to the board of directors at any annual meeting or special meeting of stockholders at which directors are to be elected only if such stockholder delivers written notice, containing certain specified information with respect to the nominee and nominating stockholder, to the Secretary of Marathon Oil Corporation or United States Steel Corporation, as applicable, at least 45 days, and, in certain situations, 90 days, before the annual meeting or within 10 days following the announcement of the date of the special meeting.

The Marathon Oil Corporation Rights and the United States Steel Corporation Rights will permit disinterested stockholders to acquire additional shares of Marathon Oil Corporation or United States Steel Corporation, respectively, or of an acquiring company, at a substantial discount in the event of certain described changes in control. See "DESCRIPTION OF CAPITAL STOCK OF MARATHON OIL CORPORATION FOLLOWING THE SEPARATION--Marathon Oil Corporation Rights Agreement" on page 121 and "DESCRIPTION OF CAPITAL STOCK OF UNITED STATES STEEL CORPORATION FOLLOWING THE SEPARATION--United States Steel Corporation Rights Agreement" on page 123.

Certain provisions described above may have the effect of delaying stockholder actions with respect to certain business combinations. As such, the provisions could have the effect of discouraging open market purchases of the Marathon Shares or the New U. S. Steel Shares because such provisions may be considered disadvantageous by a stockholder who desires to participate in a business combination.

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### PROPOSAL TWO: APPROVAL OF THE UNITED STATES STEEL CORPORATION 2002 STOCK PLAN

Subject to the approval of stockholders, the USX board of directors has approved the United States Steel Corporation 2002 Stock Plan (the "Steel Stock Plan") effective as of the Separation Effective Time. The Steel Stock Plan is intended to provide United States Steel Corporation employees with benefits comparable to those provided under the USX Corporation 1990 Stock Plan (the "USX Stock Plan"). Principal differences between the two plans are summarized

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below under the caption "Differences Between the Steel Stock Plan and the Applicable Portions of the USX Stock Plan" on page 131. The USX Stock Plan was approved by USX stockholders on May 7, 1990, and, with stockholder approval, was amended and restated on April 28, 1998. As of the Separation Effective Time, the USX Stock Plan will be renamed the Marathon Oil Corporation 2002 Stock Plan, and, at that time, United States Steel employees will no longer be eligible to participate.

The Steel Stock Plan has the same objectives as the USX Stock Plan. The Steel Stock Plan is designed (a) to promote the long-term financial interests and growth of the United States Steel Corporation and its subsidiaries by attracting and retaining management personnel with the training, experience and ability to enable them to make a substantial contribution to the success of United States Steel Corporation's business, (b) to motivate management personnel by means of growth-related incentives to achieve long-range growth goals, and (c) to further the identity of interests of participants with those of the stockholders of United States Steel Corporation through opportunities for increased stock ownership.

### Recommendation of the USX Board of Directors

Although USX has already approved the Steel Stock Plan as the sole member of United States Steel LLC, under the organizational documents of United States Steel LLC, any matter requiring approval of the members of United States Steel LLC also requires stockholder approval of USX. Thus, the Steel Stock Plan must be approved by the affirmative vote of a majority of the votes cast at the special meeting by holders of Marathon Group Shares and U. S. Steel Group Shares, voting together as a single class. Because the Steel Stock Plan will only relate to United States Steel Corporation, we are also seeking approval of the plan by a majority of the votes cast at the special meeting by holders of U. S. Steel Group Shares, voting as a separate class, since they will hold all of the common stock of United States Steel Corporation.

The USX board of directors unanimously recommends that holders of Marathon Group Shares and U. S. Steel Group Shares vote FOR the approval of the Steel Stock Plan.

### Summary of the Plan

Following is a summary of the material features of the Steel Stock Plan, the full text of which is set forth as Annex F to this proxy statement/prospectus.

#### General

The Steel Stock Plan would permit the grant of any or all of the following types of awards in any combination or sequence: (a) stock options, (b) restored options, (c) stock appreciation rights and (d) restricted stock, in each case, in relation to New U. S. Steel Shares ("Grants"). Up to 10,000,000 New U. S. Steel Shares will be available for Grants during the period the Steel Stock Plan is in effect, of which up to 1,400,000 New U. S. Steel Shares may be granted as restricted shares. Shares related to Grants that are forfeited, terminated, cancelled, expired, unexercised, settled in cash in lieu of shares or in such manner that all or some of the shares covered by the Grant are not issued to a participant, shall immediately become available under the Steel Stock Plan.

The employees of United States Steel Corporation who are eligible for participation under the Steel Stock Plan are all executive officers and others in responsible positions whose performance in the judgment of the Compensation and Organization Committee affects United States Steel Corporation's success. It is expected that approximately 175 employees will be eligible for

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participation under the Steel Stock Plan in 2002. Over the term of the Steel Stock Plan, it is anticipated that other employees will become eligible for participation in the Steel Stock Plan.

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The Compensation and Organization Committee of the United States Steel Corporation board of directors shall administer the Steel Stock Plan. It shall determine the type or types of Grants to be made under the Steel Stock Plan and shall set forth in each such Grant the terms, conditions and limitations applicable to it. The Compensation and Organization Committee shall have full and exclusive power to interpret the Steel Stock Plan, to adopt rules, regulations and guidelines relating to the Steel Stock Plan and to make all of the determinations necessary for its administration.

### Types of Grants

**Options.** The Compensation and Organization Committee may grant options to purchase a specified number of New U. S. Steel Shares at not less than the fair market value on the date of the Grant. All options will be non-qualified options. Payment of the purchase price shall be made in cash or in such other form as approved by the Compensation and Organization Committee, including New U. S. Steel Shares valued at their fair market value on the date of the option exercise. No option will have a term exceeding eight years from the date of grant or be exercisable prior to the expiration of one year from the date of grant, and no option will be repriced except in the event of any change in the outstanding common stock of United States Steel Corporation by reason of a stock split, stock dividend, stock combination or reclassification, recapitalization or merger, or similar event. In the case of a change in control of United States Steel Corporation, all restrictions will terminate.

An employee receiving an option does not realize income under the Code upon the grant of the option. The employee will generally realize income at the time of exercise of the option in the amount of the difference between the option price and the fair market value of the New U. S. Steel Shares on the date of exercise. United States Steel Corporation will then be entitled to a tax deduction in an amount equal to the amount of income realized by the employee.

**Restored Options.** An employee may exercise an option by paying the purchase price in previously owned New U. S. Steel Shares. Upon such an exercise, a restored option will be granted equal to the number of shares presented plus any shares withheld for the payment of taxes. A restored option will have an exercise price equal to the fair market value of the New U. S. Steel Shares on the date of exercise, as well as the same expiration date as the original exercised option. No restored option will be exercisable prior to the expiration of one year from the date of grant.

**Stock Appreciation Rights.** The Compensation and Organization Committee may grant a participant the right to receive a payment in cash and/or New U. S. Steel Shares equal to the excess of the fair market value of a New U. S. Steel Share on the date the right is exercised over the fair market value of such share on the date the right is granted for a specified number of shares. No stock appreciation right will be exercisable prior to the expiration of one year from the date of grant.

An employee receiving a stock appreciation right does not realize income under the Code at the time of receipt of the right. The employee will realize income upon the exercise of the right in the amount of the cash received and the fair market value on the date of exercise of the New U. S. Steel Shares received. United States Steel Corporation will then be entitled to a tax



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deduction in the amount of such income realized by the employee.

Restricted Stock. The Compensation and Organization Committee may award New U. S. Steel Shares for no cash consideration or for such other consideration as may be determined by the Compensation and Organization Committee. Each award shall be subject to conditions including, but not limited to, continuous service with United States Steel Corporation of at least one year following the date of such award and vesting restrictions based on achievement of target levels under specified performance measures, and also subject to provisions for forfeiture and non-transfer. No shares of restricted stock will be vested prior to one year from the date of grant. In the case of a change in control of United States Steel Corporation, all restrictions will terminate. During the term of the Steel Stock Plan, the number of shares of restricted stock granted will not exceed 1,400,000.

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Each award of restricted stock will remain unvested for a minimum of one year and until the Compensation and Organization Committee vests the shares. The Compensation and Organization Committee will base its vesting decisions on the achievement of target levels under the following performance measures:

### Performance Measures for the Vesting of Restricted Stock

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- . Income from operations as a percent of capital employed
- . Income from operations per ton shipped
- . Operating cash flow as a percent of capital employed
- . Safety performance

An employee normally will not realize income under the Code upon the grant of restricted stock. Upon the termination of the restrictions applicable to such stock, the employee will realize taxable income equal to the fair market value of the shares of common stock at that time. United States Steel Corporation will be entitled to a deduction in the same amount and at the same time as the employee realizes income. Dividends paid to the employee with respect to restricted stock constitute compensation and are taxable to the employee and deductible by United States Steel Corporation.

### Conversion of Options, Restored Options, Stock Appreciation Rights and Restricted Stock

Options and restored options to purchase U. S. Steel Group Shares, and stock appreciation rights with respect to U. S. Steel Group Shares that were granted under the USX Stock Plan and that remain unexercised at the Separation Effective Time, shall be converted into options and restored options to purchase, and stock appreciation rights with respect to New U. S. Steel Shares. Also, at the Separation Effective Time, all restricted U. S. Steel Group Shares awarded under the USX Stock Plan shall be converted into an equal number of New U. S. Steel Shares. These options, restored options, and stock appreciation rights relating to New U. S. Steel Shares, and the restricted New U. S. Steel Shares shall be subject to the same terms and conditions, including vesting requirements, as the options, restored options, stock appreciation rights and restricted stock being converted. With regard to options and restored options, each option or restored option to purchase New U. S. Steel Shares will cover the same number of shares and have the same exercise price as the option or restored option being converted, provided that the number of shares and/or the exercise price will be adjusted, if necessary, so that (i) the aggregate intrinsic value of the option to purchase New U. S. Steel Shares immediately after the Separation Effective Time is not greater

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than the aggregate intrinsic value of the option being converted immediately before the Separation Effective Time, and (ii) the ratio of the exercise price per share to the market value per share is not reduced. Any such adjustments will be based on the closing price per share of U. S. Steel Group Shares on the last trading day before the Separation Effective Time relative to the opening price per share of New U. S. Steel Shares on the first trading day following the Separation Effective Time.

As of June 30, 2001, options respecting 4,544,125 U. S. Steel Group Shares remained unexercised and outstanding. Such options had a weighted average exercise price of \$28.1725, and a weighted average term to expiration of 7.5 years. As of that date, 243,580 U. S. Steel Group Shares represented restricted stock. There will be no further grants respecting U. S. Steel Group Shares under the USX Stock Plan.

During any calendar year, no participant will be awarded Grants with respect to more than 800,000 New U. S. Steel Shares.

It is not practical to predict the number of shares that will be awarded under Grants made to participants in the future because such numbers are, and will continue to be, within the discretion of the Compensation and Organization Committee under the terms of the United States Steel 2002 Stock Plan.

The Steel Stock Plan will terminate on December 31, 2006, subject to earlier termination by the Board.

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### Amendments

The board of directors of United States Steel Corporation may amend, suspend or terminate the Steel Stock Plan provided that no such action may, without stockholder approval, increase the aggregate number of shares available for Grants under the Steel Stock Plan, decrease the price of options, restored options or stock appreciation rights, change the requirements relating to the Compensation and Organization Committee or extend the term of the Steel Stock Plan. The Compensation and Organization Committee may amend the terms and conditions applicable to outstanding Grants consistent with the Steel Stock Plan, provided that no such action may modify the Grant in a manner adverse to the participant without the participant's consent.

This summary is qualified in its entirety by reference to the copy of the Steel Stock Plan attached as Annex F.

### Differences Between the Steel Stock Plan and the Applicable Portions of the USX Stock Plan

The principal differences between the Steel Stock Plan and the USX Stock Plan, which are due in part to the fact that Marathon Shares will not be available for grants under the Steel Stock Plan are as follows: 1) the original term of the USX Stock Plan was for ten years and was extended with stockholder approval to expire in 2005; the term of the Steel Stock Plan is 5 years and expires in 2006; 2) the maximum term of options that can be granted under the USX Stock Plan is 10 years; the maximum term of options under the Steel Stock Plan is 8 years; 3) under the USX Stock Plan, up to 0.5% of outstanding Marathon Group Shares and up to 0.8% of outstanding U. S. Steel Group Shares are available for grants each year; under the Steel Stock Plan, up to 10,000,000 New U. S. Steel Shares are available for grants during the full term of the Steel Stock Plan; 4) grants of restricted stock are limited to 1,200,000 Marathon Group Shares and 800,000 U. S. Steel Group Shares during the term of

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the USX Stock Plan; grants of restricted stock are limited to 1,400,000 New U. S. Steel Shares during the term of the Steel Stock Plan; and 5) under the USX Stock Plan, individual per annum grants are limited to 500,000 Marathon Group and 500,000 U. S. Steel Group Common Shares; under the Steel Stock Plan, individual per annum grants are limited to 800,000 New U. S. Steel Shares.

The USX board of directors unanimously recommends that you vote FOR approval of Proposal Two.

### PROPOSAL THREE: APPROVAL OF THE UNITED STATES STEEL CORPORATION SENIOR EXECUTIVE OFFICER ANNUAL INCENTIVE COMPENSATION PLAN

Subject to the approval of stockholders, the USX board of directors has adopted the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan (the "Steel Incentive Plan") effective as of the Separation Effective Time. The Steel Incentive Plan is intended to provide United States Steel Corporation senior executive officers with benefits comparable to those provided under the USX Corporation Senior Executive Officer Annual Incentive Compensation Plan (the "USX Incentive Plan"). The USX Incentive Plan was approved by USX stockholders on May 2, 1994, and, with stockholder approval, was amended and restated on April 28, 1998. The USX Incentive Plan will be renamed the Marathon Oil Corporation Senior Executive Officer Annual Incentive Compensation Plan effective as of the Separation Effective Time, and, at that time, United States Steel employees will no longer be eligible to participate.

Like the USX Incentive Plan, the Steel Incentive Plan provides for the payment of cash bonus awards to senior executive officers of United States Steel Corporation based on pre-established performance measures. The Steel Incentive Plan's objectives are to advance the interests of the United States Steel Corporation by providing participants with annual incentive opportunities linked directly to specific business results. It is intended to (a) reinforce United States Steel Corporation's goal-setting and strategic planning process, (b) recognize the efforts of senior executive officers in achieving designated objectives, and (c) aid in attracting and retaining competent senior executive officers, thus ensuring the long-range success of United States Steel Corporation. The Steel Incentive Plan is designed to preserve the tax deductibility, under Section 162(m) of the Code, of the annual incentive compensation paid to senior executive officers.

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### Recommendation of the USX Board of Directors

Although USX has already approved the Steel Incentive Plan as the sole member of United States Steel LLC, under the organizational documents of United States Steel LLC, any matter requiring approval of the members of United States Steel LLC also requires stockholder approval of USX. Thus, the Steel Incentive Plan must be approved by the affirmative vote of a majority of the votes cast at the special meeting by holders of Marathon Group Shares and U. S. Steel Group Shares, voting together as a single class. Because the Steel Incentive Plan will only relate to United States Steel Corporation, we are also seeking approval of the plan by a majority of the votes cast at the special meeting by holders of U. S. Steel Group Shares, voting as a separate class, since they will hold all of the common stock of United States Steel Corporation.

The USX board of directors unanimously recommends that holders of Marathon Group Shares and U. S. Steel Group Shares, vote FOR the approval of the Steel

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Incentive Plan.

### Summary of the Plan

Following is a summary of the material features of the Steel Incentive Plan. The full text of the Steel Incentive Plan is set forth as Annex G to this proxy statement/prospectus.

The Steel Incentive Plan would authorize the Compensation and Organization Committee of the United States Steel Corporation board of directors to adopt, in accordance with regulations promulgated under the Code, applicable target levels under the performance measures described below, and the amounts to be awarded for attaining such target levels. The Committee will have the right to reduce the amount of an award or eliminate an award that would otherwise be payable to a participant, i.e. exercise "negative discretion". In no event will the amount of an award payable to a participant for a given year exceed \$3,000,000.

Awards may be paid only after the Compensation and Organization Committee certifies that the applicable performance measures have been satisfied. It is impossible to determine the amounts that will be paid under the Steel Incentive Plan in the future since awards, and payment with respect thereto, are, and will continue to be, within the discretion of the Compensation and Organization Committee under the terms of the plan.

Individuals serving in one of the positions listed below for at least a portion of a calendar year will be eligible to participate in the Steel Incentive Plan:

- United States Steel Corporation Chairman
- United States Steel Corporation Chief Executive Officer
- United States Steel Corporation President
- United States Steel Corporation Vice Chairmen
- United States Steel Corporation Chief Operating Officer
- United States Steel Corporation Chief Financial Officer
- United States Steel Corporation Chief Legal Officer
- United States Steel Corporation Executive Vice Presidents
- United States Steel Corporation Senior Vice Presidents

Set forth below are the performance measures under the Steel Incentive Plan:

- Income from Operations
- Steel Shipments
- Worker Safety
- Toxic Emissions Improvements
- Work Force Diversity
- Common Stock Performance

The USX board of directors unanimously recommends that you vote FOR approval of Proposal Three.

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### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table furnishes information concerning all persons known to USX to beneficially own five percent or more of any class of the voting stock

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of USX:

Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Marathon Group Shares	Wellington Management Company, LLP 75 State Street Boston, MA 02109	15,562,200 (1)	5.05 (1)

(1) Based on Schedule 13G dated February 14, 2001 which indicates that Wellington Management Company, LLP had sole voting power over no shares, shared voting power over 762,600 shares, sole dispositive power over no shares and shared dispositive power over 15,562,200 shares.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the number of shares of each class of USX common stock beneficially owned as of June 30, 2001 by each director, by each executive officer and by all directors and executive officers as a group. No director or executive officer beneficially owned, as of June 30, 2001, any equity securities of USX other than those shown.

Name	Marathon Group Shares	U. S. Steel Group Shares
Neil A. Armstrong(1).....	14,112	4,811
Clarence P. Cazalot, Jr.(2) (3).....	576,217	69,054
J. Gary Cooper(1) (2).....	3,410	1,816
Charles A. Corry(1) (2) (3).....	3,923	81,337
Robert M. Hernandez(2) (3) (4).....	643,098	315,010
Shirley Ann Jackson(1) (2).....	2,806	1,771
Charles R. Lee(1).....	13,781	5,388
Paul E. Lego(1) (2).....	11,083	3,727
John F. McGillicuddy(1).....	13,349	4,482
Dan D. Sandman(2) (3).....	275,498	166,217
Seth E. Schofield(1) (2).....	8,810	3,780
John W. Snow(1).....	7,007	3,010
Thomas J. Usher(2) (3).....	1,273,154	879,595
Douglas C. Yearley(1).....	8,269	3,596
All Directors and Executive Officers as a group (35 persons) (1) (2) (3) (5).....	3,871,179	3,089,472

(1) Includes Common Stock Units credited under the USX Corporation Deferred Compensation Plan for Non-Employee Directors as follows:

Marathon Group Common Stock Units	U. S. Steel Group Common Stock Units
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Neil A. Armstrong.....	12,612	4,511
J. Gary Cooper.....	2,378	770
Charles A. Corry.....	3,923	1,377
Shirley Ann Jackson.....	1,790	746
Charles R. Lee.....	11,781	4,188
Paul E. Lego.....	9,481	3,401
John F. McGillicuddy.....	11,349	4,082
Seth E. Schofield.....	7,690	2,636
John W. Snow.....	6,007	2,010
Douglas C. Yearley.....	7,269	2,596

- (2) Includes shares held under the USX Savings Fund Plan, the Marathon Thrift Plan, the USX Dividend Reinvestment and Direct Stock Purchase Plans and the 1990 Stock Plan.

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- (3) Includes shares which may be acquired upon exercise of outstanding options as follows (all options other than those granted on May 29, 2001 are currently exercisable): Mr. Usher: Marathon Group Shares 1,101,100, U. S. Steel Group Shares 781,400; Mr. Sandman: Marathon Group Shares 218,400, U. S. Steel Group Shares 142,325; Mr. Cazalot: Marathon Group Shares 520,000, U. S. Steel Group Shares 55,000; Mr. Hernandez: Marathon Group Shares 562,625, U. S. Steel Group Shares 282,625; Mr. Corry: U. S. Steel Group Shares 80,000; and all directors and executive officers as a group: Marathon Group Shares 3,179,220, U. S. Steel Group Shares 2,688,705.
- (4) As of January 31, 2001 the United States Steel and Carnegie Pension Fund, trustee of the United States Steel Corporation Plan for Employee Pension Benefits and the United States Steel Corporation Plan for Non-Union Employee Pension Benefits, owned 587,680 shares of the Marathon Group Shares. This stock was received in exchange for common stock of Texas Oil & Gas Corp. Mr. Hernandez is chairman and one of seven members of the Investment Committee of the trustee. The board of directors of the trustee has by formal resolution delegated sole power to vote and dispose of such stock to a subcommittee of the Investment Committee which is composed of members who are not officers or employees of USX. Mr. Hernandez disclaims beneficial ownership of such stock.
- (5) Total shares beneficially owned in each case constitute less than one percent of the outstanding shares of each class except that all directors and executive officers as a group own 1.25 percent of the Marathon Group Shares and 3.47 percent of the U. S. Steel Group Shares.

OTHER MATTERS

Legal Matters

The validity of the United States Steel Corporation common stock to be issued in connection with the Separation will be passed upon by Skadden, Arps, Slate, Meagher & Flom LLP.

Experts

The combined financial statements of United States Steel as of December 31, 2000 and December 31, 1999 and for each of the three years in the period ended December 31, 2000 included in this proxy statement/prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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The consolidated financial statements of USX Corporation as of December 31, 2000 and December 31, 1999 and for each of the three years in the period ended December 31, 2000 included in this proxy statement/prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

### SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2002 ANNUAL MEETING

If the Separation does not occur, any USX stockholder who wishes to present a proposal at the USX Corporation 2002 annual meeting of stockholders, and who wishes to have such proposal included in the USX Corporation proxy statement for that meeting, must deliver a copy of such proposal to USX's Corporate Secretary no later than 5:00 P.M. Eastern Time on November 12, 2001. If a USX stockholder intends to present a proposal at the USX Corporation 2002 annual meeting of stockholders that is not included in USX Corporation's proxy statement for that meeting, and the USX stockholder fails to promptly notify USX of such proposal in writing on or after December 27, 2001 and no later than January 26, 2002, then such proposals shall be considered untimely. Article I of USX's bylaws governs submission of matters for presentation at USX stockholder meetings.

If the Separation does occur, any stockholder of Marathon Oil Corporation who wishes to present a proposal at the Marathon Oil Corporation 2002 annual meeting of stockholders, and who wishes to have such

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proposal included in the Marathon Oil Corporation proxy statement for that meeting, must deliver a copy of such proposal to Marathon's Corporate Secretary no later than 5:00 P.M. Eastern Time on November 12, 2001. If a Marathon stockholder intends to present a proposal at the Marathon Oil Corporation 2002 annual meeting of stockholders that is not included in Marathon's proxy statement for that meeting, and the Marathon stockholder fails to promptly notify Marathon of such proposal in writing on or after December 27, 2001 and no later than January 26, 2002, then such proposals shall be considered untimely. Article I of Marathon's bylaws governs submission of matters for presentation at Marathon stockholder meetings.

### WHERE YOU CAN FIND MORE INFORMATION

This proxy statement/prospectus incorporates documents by reference which are not presented in or delivered with this proxy statement/prospectus.

The following documents, which were filed by USX with the Securities and Exchange Commission, are incorporated by reference:

SEC Filings -----	Period -----
Annual Report on Form 10-K.....	Year ended December 31, 2000, as filed on March 12, 2001, as amended on September [ ], 2001
Quarterly Reports on Form 10-Q.....	Quarter ended March 31, 2001, as filed on May 11, 2001 Quarter ended June 30, 2001, as filed on August 6, 2001

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Current Reports on Form 8- K..... Dated February 27, 2001, April 24, 2001, June 15, 2001, July 2, 2001, July 31, 2001, August 1, 2001, August 2, 2001 and August 6, 2001

Proxy Statement on Schedule 14A..... Filed on March 12, 2001

USX incorporates by reference additional documents that it may file with the Securities and Exchange Commission between the date of this proxy statement/prospectus and the date of the special meeting of stockholders of USX. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this proxy statement/prospectus will be deemed to be modified or superseded for purposes of this proxy statement/prospectus to the extent that a statement contained in this proxy statement/prospectus or any other subsequently filed document that is deemed to be incorporated by reference into this proxy statement/prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement/prospectus.

The documents incorporated by reference into this proxy statement/prospectus are available from us upon request. We will provide a copy of any and all of the information that is incorporated by reference in this proxy statement/prospectus to any person by first-class mail, without charge, upon written or oral request. Any request for documents should be made by October 8, 2001 to ensure timely delivery of the documents prior to the special meeting.

Requests for documents should be directed to:

USX Corporation  
Shareholder Services  
600 Grant Street, Room 611  
Pittsburgh, Pennsylvania 15219-4776  
(412) 433-4801  
(866) 433-4801 (toll free)  
(412) 433-4818 (fax)

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USX Corporation files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934. You may read and copy this information at the following location of the Securities and Exchange Commission:

Public Reference Room  
450 Fifth Street, N.W.  
Room 1024  
Washington, D.C. 20549

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.



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You can also inspect reports, proxy statements and other information about USX Corporation at the offices of the National Association of Securities Dealers, Inc., 9513 Key West Avenue, Rockville, Maryland 20850.

The Securities and Exchange Commission also maintains an Internet worldwide web site that contains reports, proxy statements and other information about issuers, like USX Corporation, who file electronically with the Securities and Exchange Commission. The address of that site is <http://www.sec.gov>.

United States Steel LLC has filed a registration statement on Form S-4 under the Securities Act with the Securities and Exchange Commission with respect to New U. S. Steel Shares to be issued to holders of U. S. Steel Group Shares in the Separation. This proxy statement/prospectus constitutes the prospectus of United States Steel Corporation filed as part of that registration statement. This proxy statement/prospectus does not contain all of the information set forth in the registration statement because certain parts of the registration statement are omitted in accordance with the rules and regulations of the Securities and Exchange Commission. The registration statement and its exhibits are available for inspection and copying as set forth above.

If you have any questions about the merger, please call Innisfree M&A Incorporated at (888) 750-5835.

You should rely only on the information contained in this document or that we have referred you to. We have not authorized anyone to provide you with information that is different.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this proxy statement/prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this proxy statement/ prospectus nor any distribution of securities pursuant to this proxy statement/prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated into this proxy statement/prospectus by reference or in our affairs since the date of this proxy statement/prospectus.

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ANNEX A

-----  
AGREEMENT AND PLAN OF REORGANIZATION

BY AND BETWEEN

USX CORPORATION

AND

UNITED STATES STEEL LLC  
-----

DATED AS OF

JULY 31, 2001

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AGREEMENT AND PLAN OF REORGANIZATION

Agreement and Plan of Reorganization ("Agreement"), dated as of July 31, 2001, by and between USX Corporation, a Delaware corporation, to be renamed "Marathon Oil Corporation" ("USX"), and United States Steel LLC, a Delaware limited liability company and wholly owned subsidiary of USX, to be renamed "United States Steel Corporation" ("SteelCo").

W I T N E S S E T H:

Whereas, USX is a diversified company principally engaged in the energy business and the steel business;

Whereas, pursuant to the Restated Certificate of Incorporation of USX (the "Restated Certificate"), the businesses of USX are divided between two groups, the Marathon Group and the U. S. Steel Group (each, as defined in the Restated Certificate);

Whereas, USX has outstanding two classes of common stock, USX-Marathon Group Common Stock, par value \$1.00 per share ("Marathon Group Shares"), which is intended to reflect the performance of the Marathon Group, and USX-U. S. Steel Group Common Stock, par value \$1.00 per share ("U. S. Steel Group Shares"), which is intended to reflect the performance of the U. S. Steel Group;

Whereas, prior to the date hereof, USX implemented a holding company structure by merging the then-existing USX Corporation, a Delaware corporation ("Old USX"), with and into SteelCo, with SteelCo continuing as the surviving entity and a wholly owned subsidiary of USX (the "HoldCo Merger"), so that immediately following the effective time of the HoldCo Merger, USX became a holding company that owns all of the outstanding equity of Marathon Oil Company (which owns and operates the business of the Marathon Group) and of SteelCo (which owns and operates the business of the U. S. Steel Group);

Whereas, the board of directors of SteelCo has determined that it is advisable and in the best interests of SteelCo and its sole member to convert SteelCo into a Delaware corporation named "United States Steel Corporation" (the "U. S. Steel Conversion"), subject to the terms and conditions hereof, and pursuant to Section 265 of the General Corporation Law of the State of Delaware (as amended from time to time, the "DGCL") and Section 18-216 of the Delaware Limited Liability Company Act (as amended from time to time, the "DLLCA"), effective at the Separation Effective Time (as defined herein);

Whereas, the board of directors of USX (the "Board") has determined that it is advisable and in the best interests of USX and its stockholders to separate the respective businesses of the Marathon Group and the U. S. Steel Group following the U. S. Steel Conversion, by merging USX Merger Corporation, a Delaware corporation and a wholly owned subsidiary of USX ("Merger Sub"), with and into USX, subject to the terms and conditions hereof, and pursuant to Section 251 of the DGCL (the "Separation Merger"), with USX continuing as the surviving corporation, so that immediately following the Separation Effective

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Time, SteelCo (to be renamed United States Steel Corporation) shall own and operate the business of the U. S. Steel Group and shall be wholly owned by the holders of the U. S. Steel Group Shares immediately prior to the Separation Effective Time, and the business of the Marathon Group shall be owned and operated by USX (to be renamed Marathon Oil Corporation), which shall be a separate and independent entity from SteelCo and shall be wholly owned by the holders of the Marathon Group Shares immediately prior to the Separation Effective Time (the "Separation");

Whereas, the Board has received the opinions of Credit Suisse First Boston Corporation and Salomon Smith Barney (collectively, the "Financial Advisors"), financial advisors to the Board, that, as of the date hereof, the financial effects, taken as a whole, of the transactions contemplated by this Agreement are fair, from a financial point of view, to the holders of the Marathon Group Shares and the holders of the U. S. Steel Group Shares;

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Whereas, the Board has received an opinion of American Appraisal Associates, Inc. that, with respect to USX prior to the Separation and with respect to each of Marathon Oil Corporation and United States Steel Corporation both immediately before and after, and giving effect to, the Separation, the fair value of its aggregate assets exceed its total liabilities; the present fair saleable value of its aggregate assets exceeds the probable liability on its debts as they become absolute and matured; it will be able to pay its debts and other liabilities as they mature; and it will not have unreasonably small capital with which to conduct its business, as presently conducted and as proposed to be conducted;

Whereas, the Board has determined that the Separation Merger will, among other things, allow Marathon Oil Corporation and United States Steel Corporation to focus on their core businesses and make critical acquisitions and investments needed to grow their respective businesses and will enhance stockholder value for all of USX's stockholders through the creation of two strong, independent companies;

Whereas, the Board has, in light of and subject to the terms and conditions set forth herein, (i) determined that the Separation Merger is advisable and in the best interests of USX and the holders of each of the Marathon Group Shares and the U. S. Steel Group Shares, (ii) approved and declared the advisability of this Agreement and the transactions contemplated hereby and (iii) determined to recommend that the common stockholders of USX vote to adopt this Agreement;

Whereas, the respective boards of directors of SteelCo and Merger Sub have approved and declared the advisability of this Agreement and the transactions contemplated by this Agreement, including, without limitation, the U. S. Steel Conversion and the Separation Merger (collectively, the "Transactions"), and USX, as the sole stockholder of Merger Sub, has adopted this Agreement;

Whereas, it is the intention of the parties hereto that the transactions contemplated by this Agreement shall be a tax-free transaction under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"), and the rules and regulations promulgated thereunder; and

Whereas, the parties hereto desire to make certain covenants and agreements and to allocate certain assets, liabilities and obligations in connection with the U. S. Steel Conversion, the Separation Merger and the other Transactions contemplated by this Agreement and to prescribe various conditions to the Transactions.

Now, Therefore, in furtherance of the foregoing and in consideration of the

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mutual promises and undertakings contained herein and in any other document executed in connection with this Agreement, the parties agree as follows:

### ARTICLE I

#### Definitions

Section 1.1 General. For the purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Action" shall mean any action, claim (whether or not filed), suit, arbitration, inquiry, demand, proceeding or investigation.

(b) "Affiliate" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such specified Person; provided, however, that for purposes of this Agreement, from and after the Separation Effective Time, neither SteelCo nor any of its Subsidiaries shall be deemed to be an Affiliate of USX or any of its Subsidiaries, and neither USX nor any of its Subsidiaries shall be deemed to be an Affiliate of SteelCo or any of its Subsidiaries.

(c) "Applicable Law" shall mean, with respect to any Person, all statutes, laws, ordinances, rules, orders and regulations of any Governmental Authority applicable to such Person and its business, properties and assets.

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(d) "Confidential Information" shall mean, with respect to either Group, Information regarding a member of such Group, or any of its operations, assets or Liabilities (whether in documents or stored in any other form or known to its employees or agents) which is not generally available to the public (other than as a result of a wrongful disclosure).

(e) "Contract" shall mean any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment, written or oral.

(f) "Disclosure Letter" shall mean the letter, dated as of the date hereof, delivered by USX to the other parties hereto, as the same may be amended or supplemented from time to time.

(g) "Employee Arrangements" shall mean all employment or consulting agreements or arrangements, all severance or change in control agreements or arrangements and all other agreements or arrangements with respect to the employment and termination of employment of any employee, officer or director.

(h) "Employee Incentive Plans" shall mean all incentive compensation, stock award, stock option or stock purchase plans and equity compensation arrangements.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

(j) "Governmental Authority" shall mean any foreign, federal, state or local government, court, agency or commission or other governmental or regulatory body or authority.

(k) "Group" shall mean the Marathon Group and/or the U. S. Steel Group, as the case may be.

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(l) "HoldCo Reorganization Agreement" shall mean the Holding Company Reorganization Agreement, dated as of July 1, 2001, among USX Corporation, USX HoldCo, Inc. and United States Steel LLC.

(m) "Indemnifiable Losses" shall mean, with respect to any claim by an Indemnified Party for indemnification under this Agreement, any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and the reasonable costs and expenses of attorneys', accountants', consultants' and other professionals' fees and expenses incurred in the investigation or defense thereof or the enforcement of rights thereunder), including direct, consequential, exemplary, special and punitive damages and lost profits.

(n) "Indemnified Party" shall mean any Person that is seeking indemnification from an Indemnifying Party pursuant to the provisions of this Agreement.

(o) "Indemnifying Party" shall mean any party hereto from which any Indemnified Party is seeking indemnification pursuant to the provisions of this Agreement.

(p) "Information" shall mean all records, books, Contracts, instruments, computer data and other data and information.

(q) "Insurance Arrangements" shall mean insurance policies and insurance Contracts of any kind, including, without limitation, primary and excess policies, commercial general liability policies, automobile policies, product liability policies, directors' and officers' liability policies, fiduciary liability policies, workers' compensation policies, and self-insurance programs and captive insurance company arrangements, together with the rights, benefits and privileges thereunder.

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(r) "Insurance Proceeds" shall mean those monies received by an insured from an Insurer or paid by an Insurer on behalf of an insured, in either case net of any applicable premium adjustment, retrospectively rated premium, deductible, retention or cost of reserve paid or held by or for the benefit of such insured.

(s) "Insurer" shall mean a third-party insurance carrier.

(t) "Joint Insurance Arrangements" shall mean the Insurance Arrangements of USX existing at the Separation Effective Time and/or prior thereto that are (i) owned or maintained by or on behalf of USX or any of its predecessors and that relate to both (a) the U. S. Steel Group assets, business and/or Liabilities and (b) the Marathon Group assets, business and/or Liabilities and (ii) listed in Section 1.1(t) of the Disclosure Letter.

(u) "Liability" shall mean, with respect to any Person, except as otherwise expressly provided herein, any direct or indirect liability (whether absolute, accrued or unaccrued, contingent, liquidated or unliquidated, matured or unmatured or known or unknown), indebtedness, obligation, indemnification obligation, expense, claim, deficiency, guarantee or endorsement of or by such Person (including, without limitation, those arising under any Applicable Law or Action or under any award of any court, tribunal or arbitrator of any kind, and those arising under any Contract or undertaking).



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(v) "Litigation Matters" shall mean actual, threatened or future Actions that have been or may be asserted against, or otherwise adversely affect, any member of either Group.

(w) "Marathon" shall mean Marathon Oil Company, an Ohio corporation and a wholly owned subsidiary of USX.

(x) "Marathon Employees" shall mean any Person employed by Marathon or its Subsidiaries.

(y) "Marathon Group Option" shall mean each option to purchase Marathon Group Shares granted under the USX Corporation 1990 Stock Plan.

(z) "Marathon Group SAR" shall mean each stock appreciation right of USX relating to Marathon Group Shares granted under the USX Corporation 1990 Stock Plan.

(aa) "Pension Assets" shall mean the assets of the USS Non-Union Plan.

(bb) "Person" or "Persons" shall mean and include any individual, partnership, joint venture, corporation, association, joint stock company, limited liability company, trust, unincorporated organization or similar entity.

(cc) "Privileged Information" shall mean, with respect to either Group, Information regarding a member of such Group, or any of its operations, assets or Liabilities (whether in documents or stored in any other form or known to its employees or agents) that is or may be protected from disclosure pursuant to the attorney-client privilege, the work-product doctrine or other applicable privileges.

(dd) "Representative" shall mean, with respect to any Person, any of such Person's directors, officers, employees, agents, consultants, advisors, accountants, attorneys and representatives.

(ee) "SEC" shall mean the United States Securities and Exchange Commission.

(ff) "Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

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(gg) "Separation Documents" shall mean this Agreement, the Tax Sharing Agreement, the Transition Services Agreement, the Financial Matters Agreement, the Insurance Assistance Agreement, the License Agreement, the Fairfield Caster Sublease and documents, schedules, exhibits and appendices attached hereto or thereto or delivered pursuant hereto or thereto, including, without limitation, the Disclosure Letter, the deeds, lease assignments and assumptions, leases, subleases and sub-subleases, and the supplemental and other agreements and instruments relative thereto.

(hh) "Stockholder Rights Plan" shall mean the Rights Agreement, dated as of September 28, 1999, between Old USX and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, as amended from time to time.

(ii) "Subsidiary" shall mean, with respect to any Person, each corporation, partnership, limited liability company or other legal entity of which such Person owns, either directly or indirectly, 50% or more of the stock or other equity interests the holders of which are generally

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entitled to vote for the election of the board of directors or similar governing body of such corporation, partnership, limited liability company or other legal entity.

(jj) "Tax" or "Taxes" shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest and any penalties, fines, additions to tax or additional amounts imposed by any taxing authority (domestic or foreign) and shall include any transferee liability in respect of Taxes.

(kk) "Trademarks" shall mean all registered and unregistered trademarks, service marks, service names, trade styles and trade names (including, without limitation, trade dress and other names, marks and slogans) and all associated goodwill and all applications for any of the foregoing, together with all rights to use any of the foregoing.

(ll) "U. S. Steel Group Option" shall mean each option to purchase U. S. Steel Group Shares granted under the USX Corporation 1990 Stock Plan.

(mm) "U. S. Steel Group SAR" shall mean each stock appreciation right of USX Corporation relating to U. S. Steel Group Shares granted under the USX Corporation 1990 Stock Plan.

(nn) "USX Corporate Assets" shall mean assets owned or leased by USX at the Separation Effective Time and which are not designated in the accounting records of USX as being solely attributable to either Group. Without limiting the foregoing, USX Corporate Assets shall include those assets listed in Section 1.1(nn) of the Disclosure Letter.

(oo) "USX Corporate Employees" shall mean all persons employed by USX or Old USX at any time on or after May 1991 up to the Separation Effective Time who are or were designated in the payroll records of USX or Old USX as employees of USX or Old USX headquarters.

### Section 1.2 Other Definitional Provisions.

(a) The words "hereof", "herein", "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) The terms "dollars" and "\$" shall mean United States dollars.

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## ARTICLE II

### Terms Defined Elsewhere in This Agreement

For the purposes of this Agreement, the following terms have the meanings set forth on the pages indicated:

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ARTICLE III

U. S. Steel Conversion

Section 3.1 U. S. Steel Conversion. At the Separation Effective Time, upon the terms and subject to the conditions of this Agreement and in accordance with Section 18-216 of the DLLCA and Section 265 of the DGCL, SteelCo shall be converted into a Delaware corporation named United States Steel Corporation ("United States Steel Corporation").

Section 3.2 Effective Time of U. S. Steel Conversion. Subject to the provisions of this Agreement, the parties shall cause the U. S. Steel Conversion to be consummated by filing (a) a certificate of conversion (the "Certificate of Conversion") in accordance with Section 265 of the DGCL and (b) a certificate of incorporation for United States Steel Corporation, substantially in the form of Appendix A hereto (the "U. S. Steel Charter") with the Secretary of State of the State of Delaware, each executed in accordance with the

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relevant provisions of the DGCL and the DLLCA, as soon as practicable on or after the Conversion Closing Date (as defined in Section 3.3 below). The U. S. Steel Conversion shall become effective upon such filings or at such time thereafter as is provided in the Certificate of Conversion, which shall be at the Separation Effective Time (the "Conversion Effective Time").

Section 3.3 Closing of the U. S. Steel Conversion. The closing of the U. S. Steel Conversion (the "Conversion Closing") shall take place at the offices of USX, 600 Grant Street, Pittsburgh, Pennsylvania 15219-4776, at 10:00 a.m. (local time), on a date to be specified by the parties (the "Conversion Closing Date"), which shall be on the Separation Closing Date, unless the parties agree to another time, date or place in writing.

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Section 3.4 Effects of the U. S. Steel Conversion. The U. S. Steel Conversion shall have the effects set forth in Section 265 of the DGCL. Without limiting the generality of the foregoing, and subject thereto, from and after the Conversion Effective Time, United States Steel Corporation shall be a corporation governed by all of the provisions of the DGCL; provided that the U. S. Steel Conversion shall not affect any of the obligations or Liabilities of SteelCo incurred prior to the Conversion Effective Time, including, without limitation, any obligations of SteelCo arising under this Agreement. SteelCo hereby acknowledges and agrees that United States Steel Corporation shall remain responsible for all of such obligations and Liabilities following the Conversion Effective Time.

Section 3.5 Certificate of Incorporation; By-laws.

(a) The U. S. Steel Charter shall be the certificate of incorporation of United States Steel Corporation from and after the Conversion Effective Time, until thereafter amended as provided by the DGCL and such U. S. Steel Charter.

(b) The by-laws of United States Steel Corporation, substantially in the form of Appendix B hereto (the "U. S. Steel By-laws"), shall be the by-laws of United States Steel Corporation from and after the Conversion Effective Time, until thereafter amended in accordance with its terms and as provided by the DGCL and the U. S. Steel Charter.

Section 3.6 Directors. The directors of SteelCo immediately prior to the Conversion Effective Time shall be the directors of United States Steel Corporation from and after the Conversion Effective Time, and shall hold office until their respective successors are duly elected or appointed and qualified in the manner provided for in the U. S. Steel Charter and the U. S. Steel By-laws, or as otherwise provided by Applicable Law.

Section 3.7 Officers. The officers of SteelCo immediately prior to the Conversion Effective Time shall be the officers of United States Steel Corporation from and after the Conversion Effective Time, and shall hold office until the earlier of their resignation or removal or until their successors are duly elected or appointed and qualified in the manner provided in the U. S. Steel Charter and the U. S. Steel By-laws, or as otherwise provided by Applicable Law.

Section 3.8 Conversion of Securities. At the Conversion Effective Time, by virtue of the U. S. Steel Conversion and without any action on the part of any holder thereof, all of the limited liability company interests of SteelCo ("SteelCo Interests") issued and outstanding immediately prior to the Conversion Effective Time shall be converted into and thereafter represent an aggregate of one hundred (100) duly issued, fully paid and nonassessable shares of common stock, par value \$1.00 per share, of United States Steel Corporation.

Section 3.9 Further Actions. If, at any time after the Conversion Effective Time, United States Steel Corporation shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in United States Steel Corporation its right, title or interest in, to or under any of the rights, properties or assets of SteelCo

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acquired or to be acquired by United States Steel Corporation as a result of, or in connection with, the U. S. Steel Conversion or otherwise to carry out this Agreement, the officers and directors of United States Steel Corporation shall be authorized to execute and deliver, in the name and on behalf of either United States Steel Corporation or SteelCo, all such deeds, bills of sale,

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instruments of conveyance, assignments and assurances and to take and do, in the name and on behalf of United States Steel Corporation, SteelCo or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in United States Steel Corporation or otherwise to carry out this Agreement.

### ARTICLE IV

#### Actions to be Taken Prior to the Separation

Section 4.1 Stockholders' Meeting. USX, acting through its Board, and subject to the right of the Board to terminate this Agreement and abandon the Transactions pursuant to Section 14.1 hereof, shall take all actions necessary in accordance with Applicable Law and USX's certificate of incorporation and by-laws to:

(a) call, give notice of, convene and hold a meeting of its stockholders (the "Stockholders' Meeting"), as promptly as practicable following the date of this Agreement, for the purpose of obtaining (i) the approval and adoption of this Agreement by the stockholders of USX, (ii) the approval of the United States Steel Corporation 2002 Stock Plan (as hereinafter defined) by the stockholders of USX and (iii) the approval of the United States Steel Incentive Plan (as hereinafter defined) by the stockholders of USX;

(b) prepare and file with the SEC, as promptly as practicable following the date of this Agreement, revised preliminary proxy material under the Exchange Act relating to the Stockholders' Meeting and a registration statement on Form S-4, in which such proxy material shall be included, as a prospectus (the "Form S-4") registering under the Securities Act the issuance of the shares of United States Steel Common Stock (as hereinafter defined) to holders of U. S. Steel Group Shares in the Separation Merger, and use its reasonable efforts to obtain and furnish the information required to be included in such Form S-4 and proxy material and respond promptly to any comments made by the SEC and its staff with respect to the Form S-4 and preliminary proxy material and cause the Form S-4 to be declared effective under the Securities Act and cause a definitive proxy statement relating to the Stockholders' Meeting (such proxy statement, together with any and all amendments or supplements thereto, the "Proxy Statement") to be mailed to USX stockholders at the earliest practicable time;

(c) include in the Proxy Statement the recommendation of the Board that stockholders of USX vote in favor of the adoption of this Agreement, approval of the United States Steel Corporation 2002 Stock Plan and approval of the United States Steel Incentive Plan; and

(d) use its reasonable efforts to solicit from USX stockholders proxies in favor of the adoption of this Agreement, approval of the United States Steel Corporation 2002 Stock Plan and approval of the United States Steel Incentive Plan, and take all other actions necessary or advisable to secure, at the Stockholders' Meeting, (x) the affirmative vote of (i) the holders of a majority of the outstanding Marathon Group Shares (voting as a separate class, with each Marathon Group Share having one vote), (ii) the holders of a majority of the outstanding U. S. Steel Group Shares (voting as a separate class, with each U. S. Steel Group Share having one vote), and (iii) the holders of a majority of the outstanding Marathon Group Shares and U. S. Steel Group Shares (voting together as a single class, with each U. S. Steel Group Share having the number of a votes, as determined pursuant to the terms of the Restated Certificate, and each Marathon Group Share having one vote) in favor of the adoption of this

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Agreement (the "USX Stockholder Approval") and (y) the affirmative vote of (i) a majority of the votes cast at the special meeting by holders of U. S. Steel Group Shares (voting as a separate class, with each U. S. Steel Group Share having one vote) and (ii) the holders of a majority of the votes cast at the special meeting by holders of Marathon Group Shares and U. S. Steel Group Shares (voting together as a single class, with

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each U. S. Steel Group Share having the number of votes, as determined pursuant to the terms of the Restated Certificate, and each Marathon Group Share having one vote) in favor of (A) approval of the United States Steel Corporation 2002 Stock Plan and (B) approval of the United States Steel Incentive Plan. USX shall cause all Marathon Group Shares and U. S. Steel Group Shares for which valid proxies have been submitted and not revoked to be voted at the Stockholders' Meeting in accordance with the instructions on such proxies.

### Section 4.2 Other Securities Matters.

(a) Prior to the Separation Effective Time, USX shall prepare and file with the SEC a registration statement on Form 8-A registering under the Exchange Act the shares of United States Steel Common Stock to be issued in the Separation Merger (the "Form 8-A").

(b) Prior to the Separation Effective Time, the parties hereto shall cooperate in preparing and filing with the SEC and causing to be declared effective any registration statements or amendments thereto that are necessary or appropriate in order to reflect the establishment of, or amendments to, any Employee Incentive Plans contemplated by this Agreement or any other Separation Document requiring registration under the Securities Act.

### Section 4.3 Listing.

(a) Prior to the Separation Effective Time, SteelCo shall prepare and submit to the New York Stock Exchange ("NYSE"), the Pacific Stock Exchange ("PSE") and the Chicago Stock Exchange ("CSE") an application for listing on the NYSE, the PSE and the CSE of the shares of United States Steel Common Stock to be issued to holders of U. S. Steel Group Shares in the Separation Merger, and shall use its reasonable efforts to obtain, prior to the Separation Effective Time, approval for the listing of such shares, subject to official notice of issuance.

(b) Prior to the Separation Effective Time, USX shall prepare and submit to the NYSE, the PSE and the CSE amendments to USX's listing applications with the NYSE, the PSE and the CSE to provide for the name change of USX to Marathon Oil Corporation and for the delisting of the U. S. Steel Group Shares.

Section 4.4 Boards of Directors. Prior to the Separation Effective Time, the parties hereto shall take all actions necessary so that, effective as of the Separation Effective Time, the boards of directors of Marathon Oil Corporation and United States Steel Corporation shall include all of the individuals so named in the Proxy Statement.

### Section 4.5 Rights Agreement.

(a) Effective at the Separation Effective Time, United States Steel Corporation shall enter into a Rights Agreement (the "U. S. Steel Rights Agreement"), on substantially the same terms as the Stockholder Rights Plan, pursuant to which one Preferred Stock Purchase Right (as defined in the U. S. Steel Rights Agreement) of United States Steel Corporation (a "U. S. Steel



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Right") shall be attached to each share of United States Steel Common Stock issued to holders of U. S. Steel Group Shares in the Separation Merger. All references in this Agreement to United States Steel Common Stock shall be deemed to include such a U. S. Steel Right.

(b) Prior to the Separation Effective Time, the Stockholder Rights Plan shall be amended to provide that the Steel Rights shall expire at the Separation Effective Time.

Section 4.6 Preparation of Private Letter Ruling Request. Prior to the Separation Effective Time, USX shall have prepared and submitted to the Internal Revenue Service a request for a private letter ruling, and shall use its reasonable efforts to obtain, prior to the Separation Effective Time, such ruling, in form and substance satisfactory to the Board, that the Separation will qualify as a tax-free transaction within the meaning of Section 355 of the Code.

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Section 4.7 Treatment of USX Corporate Assets and Liabilities. Prior to the Separation Effective Time, each of USX and SteelCo shall use reasonable efforts to take all actions necessary so that (a) all of USX's right, title and interest in and to the USX Corporate Assets listed on Section 4.7(a) of the Disclosure Letter shall be transferred and assigned to SteelCo, and (b) all of USX's Liabilities listed on Section 4.7(b) of the Disclosure Letter shall be assumed by SteelCo, in each case, effective as of the Separation Effective Time.

Section 4.8 Financings and Value Transfer. Prior to the Separation Effective Time, each of USX and SteelCo shall use reasonable efforts to take all actions necessary to effect (a) the repayment or retirement of certain indebtedness and other obligations of USX; and (b) the incurrence of new indebtedness and other obligations, in each case, in such amounts and on such terms as the parties mutually agree (collectively, the "Financings"); provided that, at the Separation Effective Time, the amount of indebtedness and other obligations for which United States Steel Corporation is responsible immediately following the Separation shall be \$900 million less than the net amounts attributed to the U. S. Steel Group immediately prior to the Separation (the "Value Transfer"). The Value Transfer shall be effective at the Separation Effective Time and shall be implemented in accordance with this Section 4.8 and Sections 5.3 and 5.14 hereof.

Section 4.9 Formation of Merger Sub. USX has organized Merger Sub as a corporation, pursuant to the DGCL, wholly owned by USX. Merger Sub has no assets or Liabilities and shall conduct no business, other than in connection with its organization.

Section 4.10 Execution of Separation Documents. Prior to the Separation Effective Time, each of USX and SteelCo shall execute and deliver, or cause to be executed and delivered, each of the following documents and any other Separation Document reasonably requested by any party hereto:

(a) A financial matters agreement, substantially in the form of Appendix C hereto (the "Financial Matters Agreement");

(b) A tax sharing agreement, substantially in the form of Appendix D hereto (the "Tax Sharing Agreement");

(c) A transition services agreement, substantially in the form of Appendix E hereto (the "Transition Services Agreement");

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(d) A license agreement, substantially in the form of Appendix F hereto (the "License Agreement");

(e) An insurance assistance agreement, substantially in the form of Appendix G hereto (the "Insurance Assistance Agreement"); and

(f) A sublease relating to the Fairfield Caster in the form of Appendix H hereto (the "Fairfield Caster Sublease").

### Section 4.11 Other Securities Matters.

(a) QUIPS. In connection with the Separation, each issued and outstanding 6.75% Convertible Quarterly Income Preferred Security of USX Capital Trust I, a subsidiary of USX, will be redeemed for \$50.00 in cash, plus accrued and unpaid dividends thereon through the Separation Effective Time.

#### (b) DRIP Plans.

(i) Effective at the Separation Effective Time, United States Steel Corporation shall adopt a direct stock purchase and dividend reinvestment plan with respect to United States Steel Common Stock (the "Steel DRIP Plan"), substantially on the terms of the USX direct stock purchase and dividend reinvestment plan presently in effect (the "USX DRIP Plan").

(ii) Prior to the Separation Effective Time, the USX DRIP Plan shall be amended to provide for USX's name change to Marathon Oil Corporation and to eliminate provisions relating to the U. S. Steel Group Shares. At the Separation Effective Time, all shares of United States Steel Common Stock in the USX DRIP Plan shall be transferred to the Steel DRIP Plan.

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Section 4.12 United States Steel Equity and Incentive Compensation Plans. Prior to the date hereof, the USX board of directors has approved and recommended to SteelCo, as the sole member of SteelCo, that it adopt (i) an equity incentive compensation plan, substantially in the form of Appendix I hereto (the "United States Steel Corporation 2002 Stock Plan"), and (ii) the United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan, substantially in the form of Appendix J hereto (the "United States Steel Incentive Plan"), in each case, effective as of the Separation Effective Time.

Section 4.13 Treatment of Tax-Qualified Pension Assets. USX Corporate Employees and U. S. Steel Group Employees will accrue benefits under the United States Steel Corporation Plan for Non-Union Employee Pension Benefits (Revision of 1998) (the "USS Non-Union Plan") for continuous service performed prior to the date on which they transfer employment to Marathon Oil Corporation or SteelCo. All assets under the USS Non-Union Plan that are attributable to the USX Corporate Employees and the U. S. Steel Group Employees will be retained by the trust under the USS Non-Union Plan. Benefit liabilities with respect to the USX Corporate Employees and the U. S. Steel Group Employees under the USS Non-Union Plan up to the date of transfer will remain liabilities of the USS Non-Union Plan and SteelCo.

## ARTICLE V

### The Separation

Section 5.1 The Separation. At the Separation Effective Time, upon the terms and subject to the conditions of this Agreement and in accordance with Section 251 of the DGCL, Merger Sub shall be merged with and into USX. Following the

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Separation Merger, USX shall continue as the surviving corporation (the "Separation Surviving Corporation") and the separate corporate existence of Merger Sub shall cease in accordance with the DGCL.

### Section 5.2 Separation Effective Time; Closing of the Separation Merger.

(a) Subject to the provisions of this Agreement, the Separation Merger shall be consummated by filing an appropriate certificate of merger (the "Separation Certificate of Merger") with the Secretary of State of the State of Delaware in such form as required by, and executed in accordance with, the relevant provisions of the DGCL as soon as practicable on or before the Separation Closing Date (as defined in Section 5.2(b) hereof). The Separation Merger shall become effective upon such filing or at such time thereafter as is provided in the Separation Certificate of Merger (the "Separation Effective Time").

(b) The closing of the Separation Merger (the "Separation Closing") shall take place at the offices of USX, 600 Grant Street, Pittsburgh, Pennsylvania 15219-4776, at 10:00 a.m. (local time), on a date to be specified by the parties (the "Separation Closing Date"), which shall be as soon as practicable after satisfaction or waiver (to the extent and as permitted by this Agreement and Applicable Law) of all of the conditions set forth in Section 6.1 hereof (other than those conditions that by their nature are to be satisfied at the Separation Closing, but subject to the fulfillment or waiver of those conditions), unless the parties agree to another time, date or place in writing.

### Section 5.3 Determination of Cash Settlement Amount.

(a) In connection with the Value Transfer, SteelCo shall pay to USX an amount in cash equal to the Cash Settlement Amount (as hereinafter defined), in accordance with the terms of this Section 5.3, subject to adjustment following the Separation Effective Time pursuant to Section 5.14 hereof. Within thirty (30) days after the date upon which the Separation Effective Time occurs (the "Separation Date"), USX and SteelCo shall jointly prepare and mutually agree upon an estimate of the Cash Settlement Amount (the "Estimated Cash Settlement Amount"), based upon an estimate of the Net Steel Liabilities as of the close of business on the Separation Date ("Estimated Net Steel Liabilities").

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(b) Within five (5) Business Days following the date upon which USX and SteelCo mutually agree upon the Estimated Cash Settlement Amount pursuant to subsection (a) above, SteelCo shall deliver to USX an amount in cash equal to the Estimated Cash Settlement Amount by wire transfer in immediately available funds, together with interest thereon from the Separation Date through the date such payment is made, at the prime lending rate as reported as of the date of such payment by The Wall Street Journal.

(c) If USX and SteelCo are unable to mutually agree upon the Estimated Cash Settlement Amount pursuant to subsection (a) above, SteelCo shall deliver to USX an amount in cash equal to the undisputed portion of the Estimated Cash Settlement Amount by wire transfer in immediately available funds, together with interest thereon from the Separation Date through the date such payment is made, at the prime lending rate as reported as of the date of such payment by The Wall Street Journal.

(d) As used herein, "Cash Settlement Amount" shall mean the amount of Net Steel Liabilities less \$900 million, and "Net Steel Liabilities" shall mean the net amount of indebtedness and other obligations of USX attributed to the U. S. Steel Group immediately prior to the Separation Effective Time which shall

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remain an obligation of USX following the Separation Effective Time, and are not otherwise assumed by SteelCo, pursuant to the terms hereof and of the Financial Matters Agreement. The Net Steel Liabilities shall be calculated in good faith in accordance with United States generally accepted accounting principles ("GAAP"), consistently applied, utilizing the same methodology and adjustments as were used in preparing the U. S. Steel Group balance sheet as of June 30, 2001 (the "Steel Balance Sheet").

Section 5.4 Effects of the Separation Merger. The Separation Merger shall have the effects set forth in Section 259 of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Separation Effective Time, all properties, rights, privileges, powers and franchises of Merger Sub shall vest in USX, and all debts, Liabilities and duties of Merger Sub shall become the debts, Liabilities and duties of USX.

Section 5.5 Organizational Documents. The Restated Certificate and the by-laws of USX, each as in effect immediately prior to the Separation Effective Time, shall be the certificate of incorporation and by-laws of the Separation Surviving Corporation, until thereafter amended as provided by the DGCL and such Restated Certificate and by-laws; provided, however, that (a) Article I of such Restated Certificate shall be amended as of the Separation Effective Time to reflect that the name of the Separation Surviving Corporation shall, from and after the Separation Effective Time, be changed to "Marathon Oil Corporation" and (b) Article IV of such Restated Certificate shall be amended and restated as of the Separation Effective Time to provide that the authorized capital stock of Marathon Oil Corporation shall consist of five hundred and seventy-six million (576,000,000) shares of capital stock, of which five hundred and fifty million (550,000,000) shares shall be shares of common stock, par value \$1.00 per share, without any specific class designation, and twenty-six million (26,000,000) shares shall be shares of preferred stock, without par value, as set forth in the Amended and Restated Certificate of Incorporation of USX attached as Appendix K hereto.

Section 5.6 Directors. The directors of USX immediately prior to the Separation Effective Time shall be the directors of the Separation Surviving Corporation from and after the Separation Effective Time and shall hold office until their respective successors are duly elected or appointed and qualified in the manner provided for in the certificate of incorporation and by-laws of the Separation Surviving Corporation, or as otherwise provided by Applicable Law.

Section 5.7 Officers. The officers of Merger Sub immediately prior to the Separation Effective Time shall be the officers of the Separation Surviving Corporation from and after the Separation Effective Time until the earlier of their resignation or removal or until their successors are duly elected or appointed and qualified in the manner provided for in the certificate of incorporation and by-laws of the Separation Surviving Corporation, or as otherwise provided by Applicable Law.

Section 5.8 Conversion of Securities. At the Separation Effective Time, by virtue of the Separation Merger and without any action on the part of any holder thereof:

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(a) U. S. Steel Group Shares. Each U. S. Steel Group Share issued and outstanding or held in the treasury of USX or by any Subsidiary of USX immediately prior to the Separation Effective Time shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of common stock, par value \$1.00 per share, of United States Steel

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Corporation ("United States Steel Common Stock").

(b) Marathon Group Shares. Each Marathon Group Share issued and outstanding or held in the treasury of USX or by any Subsidiary of USX immediately prior to the Separation Effective Time shall remain outstanding and represent one duly issued, fully paid and nonassessable share of common stock, par value \$1.00 per share, of the Separation Surviving Corporation ("Marathon Corp. Common Stock").

(c) Merger Sub Shares. Each share of common stock, par value \$1.00 per share, of Merger Sub issued and outstanding immediately prior to the Separation Effective Time shall automatically be cancelled and retired and shall cease to exist, without payment of any consideration therefor.

(d) 6.50% Preferred Stock. Each share of 6.50% Cumulative Convertible Preferred Stock of USX ("6.50% Preferred Stock") issued and outstanding immediately prior to the Separation Effective Time shall be converted into the right to receive, in cash, \$50.00 plus accrued and unpaid dividends thereon, through the Separation Effective Time.

(e) United States Steel Common Stock. Each share of United States Steel Common Stock issued and outstanding immediately prior to the Separation Effective Time shall automatically be cancelled and retired and shall cease to exist, without payment of any consideration therefor.

### Section 5.9 Rights of USX Stockholders.

(a) From and after the Separation Effective Time, holders of certificates formerly evidencing U. S. Steel Group Shares ("Steel Stock Certificates") and holders of certificates formerly evidencing 6.50% Preferred Stock ("6.50% Preferred Stock Certificates") shall cease to have any rights as stockholders of USX, except, however, that, until thereafter surrendered for transfer or exchange, (i) each Steel Stock Certificate that, immediately prior to the Separation Effective Time, evidenced U. S. Steel Group Shares, shall be deemed and treated for all corporate purposes to evidence the ownership of the number of shares of United States Steel Common Stock into which such U. S. Steel Group Shares were converted pursuant to the provisions of Section 5.8(a) hereof and (ii) each 6.50% Preferred Stock Certificate that, immediately prior to the Separation Effective Time, evidenced shares of 6.50% Preferred Stock, shall thereafter represent the right to receive the cash into which such shares were converted pursuant to the provisions of Section 5.8(d) hereof.

(b) From and after the Separation Effective Time, each outstanding stock certificate that, immediately prior to the Separation Effective Time, evidenced a number of Marathon Group Shares shall remain outstanding and be deemed and treated for all corporate purposes to evidence ownership of the same number of shares of Marathon Corp. Common Stock.

### Section 5.10 Exchange of Steel Stock Certificates.

(a) Exchange Agent. Prior to the Separation Effective Time, USX shall appoint an agent for the holders of U. S. Steel Group Shares (the "Exchange Agent") for the purpose of exchanging Steel Stock Certificates for certificates representing the shares of United States Steel Common Stock which such holders shall become entitled to receive pursuant to the provisions of Section 5.8(a) hereof. Immediately prior to the Separation Effective Time, USX shall deposit with the Exchange Agent, for the benefit of the holders of U. S. Steel Group Shares, for exchange in accordance with this Section 5.10, certificates representing the shares of United States Steel Common Stock ("United States Steel Common Stock Certificates") issuable upon the consummation of the Separation Merger.

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(b) Exchange Procedure. As promptly as practicable after the Separation Effective Time, USX shall send, or shall cause to be sent, to each holder of record of U. S. Steel Group Shares as of the Separation Effective Time, a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and

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title to the Steel Stock Certificates shall pass, only upon delivery of the Steel Stock Certificates to the Exchange Agent and shall be in customary form and have such other customary provisions as USX reasonably specifies) providing instructions for use in effecting the surrender of Steel Stock Certificates in exchange for United States Steel Common Stock Certificates. Upon surrender of a Steel Stock Certificate for cancellation to the Exchange Agent, together with the letter of transmittal referred to in this Section duly executed and completed in accordance with its terms, the holder of such Steel Stock Certificate shall be entitled to receive in exchange therefor a United States Steel Common Stock Certificate representing the number of shares of United States Steel Common Stock into which the U. S. Steel Group Shares represented by such Steel Stock Certificate shall have been converted in accordance with Section 5.8(a) hereof. In the event of a transfer of ownership of U. S. Steel Group Shares which is not registered in the transfer records of USX, a certificate or certificates representing the United States Steel Common Stock into which such U. S. Steel Group Shares have been converted in accordance with Section 5.8(a) hereof may be issued to a transferee if the Steel Stock Certificate representing such U. S. Steel Group Shares is presented to the Exchange Agent accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer Taxes have been paid by the stockholder. Until surrendered as contemplated by this Section 5.10(b), each Steel Stock Certificate shall, after the Separation Effective Time, represent for all purposes only the right to receive that number of shares of United States Steel Common Stock into which the U. S. Steel Group Shares have been converted in accordance with Section 5.8(a) hereof.

(c) Distributions With Respect To Unexchanged Shares. No dividends or other distributions declared, made or paid after the Separation Effective Time with respect to United States Steel Common Stock with a record date on or after the Separation Effective Time shall be paid to the holder of any unsurrendered Steel Stock Certificate with respect to the United States Steel Common Stock represented thereby until the holder of record of such Steel Stock Certificate shall surrender such Steel Stock Certificate in accordance with this Section. Subject to the effect of Applicable Laws, following surrender of any such Steel Stock Certificate, there shall be paid to the record holder of the certificates representing United States Steel Common Stock, without interest, (i) promptly after the time of such surrender, the amount of dividends or other distributions, if any, with a record date on or after the Separation Effective Time which theretofore became payable, but which were not paid by reason of the immediately preceding sentence, with respect to such United States Steel Common Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date on or after the Separation Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such United States Steel Common Stock. Dividends or other distributions with a record date on or after the Separation Effective Time, but prior to surrender of Steel Stock Certificates by holders thereof payable in respect of United States Steel Common Stock held by the Exchange Agent, shall be held in trust, without accruing any interest thereon, for the benefit of such holders of Steel Stock Certificates.

(d) No Further Ownership Rights in U. S. Steel Group Shares. All United States Steel Common Stock issued upon the surrender for exchange of Steel Stock Certificates in accordance with the terms hereof shall be deemed to have been

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issued at the Separation Effective Time in full satisfaction of all rights pertaining to the U. S. Steel Group Shares represented thereby. From and after the Separation Effective Time, there shall be no further registration of transfers thereon of the U. S. Steel Group Shares. If, after the Separation Effective Time, Steel Stock Certificates are presented to USX or United States Steel Corporation for any reason, they shall be canceled and exchanged as provided in this Section.

### Section 5.11 Delivery of 6.50% Merger Consideration.

(a) At the Separation Effective Time, USX shall deposit or cause to be deposited in trust (the "Payment Fund") with an agent designated by USX (the "Payment Agent"), with USX having the right to appoint itself to be the Payment Agent, for the benefit of the holders of 6.50% Preferred Stock Certificates the aggregate amount of cash to be paid in respect of the shares of 6.50% Preferred Stock pursuant to Section 5.8(d) hereof

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(the "6.50% Merger Consideration"). The Payment Fund shall not be used for any other purpose. The Payment Fund shall be invested by the Payment Agent, as directed by USX, in (i) obligations of or guaranteed by the United States, and (ii) certificates of deposit, bank repurchase agreements and bankers' acceptances of any bank or trust company organized under federal law or under the law of any state of the United States or of the District of Columbia that has capital, surplus and undivided profits of at least \$1 billion or in money market funds which are invested substantially in such investments. Any net earnings with respect thereto shall be paid to USX as and when requested by USX.

(b) As soon as reasonably practicable after the Separation Effective Time, USX shall instruct the Payment Agent to mail to each holder of record of shares of 6.50% Preferred Stock immediately prior to the Separation Effective Time:

(i) a letter of transmittal (the "Letter of Transmittal") (which shall specify that delivery shall be effected, and risk of loss and title to the 6.50% Preferred Stock Certificates shall pass, only upon delivery of such certificates to the Payment Agent and shall be in such form and have such other provisions as USX reasonably specifies), and

(ii) instructions for use in effecting the surrender of each 6.50% Preferred Stock Certificate in exchange for the 6.50% Merger Consideration with respect to each of the shares of 6.50% Preferred Stock formerly represented thereby.

(c) USX shall cause the Payment Agent to pay to the holders of a 6.50% Preferred Stock Certificate, as soon as practicable after receipt of any 6.50% Preferred Stock Certificate (or in lieu of any such 6.50% Preferred Stock Certificate which has been lost, stolen or destroyed, an affidavit of lost, stolen or destroyed share certificates (including customary indemnity or bond against loss) in form and substance reasonably satisfactory to USX) together with the Letter of Transmittal, duly executed, and such other documents as USX or the Payment Agent reasonably request, in exchange therefor a check in the amount equal to the 6.50% Merger Consideration multiplied by the number of shares of 6.50% Preferred Stock represented by such 6.50% Preferred Stock Certificate. No interest shall be paid or accrued on any cash payable upon the surrender of any 6.50% Preferred Stock Certificate. Each 6.50% Preferred Stock Certificate surrendered in accordance with the provisions of this Section 5.11(c) shall be cancelled forthwith.

(d) In the event of a transfer of ownership of shares of 6.50% Preferred

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Stock which is not registered in the transfer records of USX, the 6.50% Merger Consideration may be paid to the transferee only if (i) the 6.50% Preferred Stock Certificate representing such shares surrendered to the Payment Agent in accordance with Section 5.11(c) hereof is properly endorsed for transfer or is accompanied by appropriate and properly endorsed stock powers and is otherwise in proper form to effect such transfer, (ii) the Person requesting such transfer pays to the Payment Agent any transfer or other Taxes payable by reason of such transfer or establishes to the satisfaction of the Payment Agent that such Taxes have been paid or are not required to be paid, and (iii) such Person establishes to the reasonable satisfaction of USX that such transfer would not violate any applicable federal or state securities laws.

(e) Each holder of a 6.50% Preferred Stock Certificate that represented issued and outstanding shares of 6.50% Preferred Stock immediately prior to the Separation Effective Time shall cease to have any rights as a stockholder of USX, except for the right to surrender his or her 6.50% Preferred Stock Certificate in exchange for the 6.50% Merger Consideration multiplied by the number of shares of 6.50% Preferred Stock represented by such 6.50% Preferred Stock Certificate.

(f) The 6.50% Merger Consideration paid in the Separation Merger shall be net to the holders of shares of 6.50% Preferred Stock in cash, and without interest thereon, subject to reduction only for any applicable withholding Taxes.

(g) Promptly following the date which is 180 days after the Separation Closing Date, the Payment Agent shall deliver to USX all cash that remains unclaimed by holders of shares of 6.50% Preferred Stock (including

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any interest received with respect thereto), and all 6.50% Preferred Stock Certificates and other documents in its possession relating to the transactions contemplated hereby, and the Payment Agent's duties shall terminate. Thereafter, each holder of a 6.50% Preferred Stock Certificate may surrender such 6.50% Preferred Stock Certificate only to USX and (subject to any applicable abandoned property, escheat or similar law) receive in consideration therefor (and only as general creditors thereof) the aggregate 6.50% Merger Consideration relating thereto, without any interest thereon. Notwithstanding the foregoing, none of USX, SteelCo, nor any of their respective Affiliates shall be liable to a holder of a 6.50% Preferred Stock Certificate for any 6.50% Merger Consideration properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any amounts remaining unclaimed by holders of 6.50% Preferred Stock three years after the Separation Effective Time (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become the property of any governmental entity) shall, to the extent permitted by applicable law, become the property of USX free and clear of any liens, claims or interest of any Person previously entitled thereto.

### Section 5.12 Treatment of USX Stock Options and Stock Appreciation Rights.

(a) U. S. Steel Group Options. Each of USX and SteelCo shall take all actions necessary so that each U. S. Steel Group Option which is outstanding and unexercised immediately prior to the Separation Effective Time shall be assumed as of the Separation Effective Time by United States Steel Corporation and deemed to constitute an option ("United States Steel Option") to purchase the same number of shares of United States Steel Common Stock as was subject to the U. S. Steel Group Option being assumed, at the same exercise price, for the same remaining period and subject to the same terms and conditions (including those relating to vesting) applicable to the U. S. Steel Group Option being



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assumed; provided, however, that the number of shares subject to, and/or the exercise price of, such option will be adjusted, if necessary, so that (i) the aggregate intrinsic value of the United States Steel Option immediately after the Separation Effective Time is not greater than the aggregate intrinsic value of the U. S. Steel Group Option being assumed immediately before the Separation Effective Time, and (ii) the ratio of the exercise price per share to the market value per share is not reduced. Any such adjustments will be based on the closing price per share reported on the composite tape of the NYSE (the "NYSE Composite Tape") of U. S. Steel Group Shares on the last NYSE trading day immediately prior to the Separation Effective Date relative to the first opening price per share reported on the NYSE Composite Tape of United States Steel Common Stock on the first NYSE trading day immediately following the Separation Effective Date.

(b) U. S. Steel Stock Appreciation Rights. Each of USX and SteelCo shall take all actions necessary so that each U. S. Steel Group SAR which is outstanding and unexercised immediately prior to the Separation Effective Time shall be assumed as of the Separation Effective Time by United States Steel Corporation and deemed to constitute a stock appreciation right of United States Steel Corporation with respect to United States Steel Common Stock ("U. S. Steel Corp. SAR"), subject to the same terms and conditions applicable to the U. S. Steel Group SAR being assumed.

(c) Marathon Group Options. USX shall take all actions necessary so that each Marathon Group Option which is outstanding and unexercised immediately prior to the Separation Effective Time shall remain outstanding following the Separation Effective Time and represent an option ("Marathon Corp. Option") to purchase the same number of shares of Marathon Corp. Common Stock as was subject to such Marathon Group Option, subject to the same terms and conditions (including those relating to vesting) applicable to such Marathon Group Option; provided, however, that the number of shares subject to, and/or the exercise price of, such option will be adjusted, if necessary, so that (i) the aggregate intrinsic value of the Marathon Corp. Option immediately after the Separation Effective Time is not greater than the aggregate intrinsic value of the Marathon Group Option immediately before the Separation Effective Time, and (ii) the ratio of the exercise price per share to the market value per share is not reduced. Any such adjustments will be based on the closing price per share reported on the NYSE Composite Tape of Marathon Group Shares on the last NYSE trading day immediately prior to the Separation Effective Date relative to the first opening price per share reported on

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the NYSE Composite Tape of Marathon Corp. Common Stock on the first NYSE trading day immediately following the Separation Effective Date.

(d) Marathon Stock Appreciation Rights. USX shall take all actions necessary so that each Marathon Group SAR which is outstanding and unexercised immediately prior to the Separation Effective Time shall remain outstanding following the Separation Effective Time and represent a stock appreciation right with respect to Marathon Corp. Common Stock ("Marathon Corp. SAR"), subject to the same terms and conditions applicable to such Marathon Group SAR.

### Section 5.13 Treatment of Restricted Stock.

(a) Effective as of the Separation Effective Time, all restricted U. S. Steel Group Shares granted and outstanding immediately prior to the Separation Effective Time shall be converted into restricted shares of United States Steel Common Stock pursuant to Sections 5.8(a). After the Separation Effective Time, such restricted shares shall be subject to the same terms and conditions (including those relating to vesting) as were applicable to such restricted

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shares prior to the Separation Merger.

(b) Effective as of the Separation Effective Time, all restricted Marathon Group Shares granted and outstanding immediately prior to the Separation Effective Time shall remain outstanding and represent restricted shares of Marathon Corp. Common Stock pursuant to Section 5.8(b). After the Separation Effective Time, such restricted shares shall be subject to the same terms and conditions (including those relating to vesting) as were applicable to such restricted shares prior to the Separation Merger.

Section 5.14 Post-Closing Adjustment to Cash Settlement Amount. The Estimated Cash Settlement Amount shall be adjusted following the Closing as follows (as so adjusted, the "Final Cash Settlement Amount"):

(a) Within seventy five (75) days after the Separation Date, USX and SteelCo shall jointly prepare and mutually agree upon a statement (the "Statement") setting forth the Net Steel Liabilities (the "Closing Net Steel Liabilities") as of the close of business on the Separation Date and setting forth in reasonable detail the calculation thereof. The Statement shall be prepared in accordance with GAAP, consistently applied, utilizing the same methodology and adjustments as were utilized in preparing the Steel Balance Sheet. USX and SteelCo and their respective representatives shall (i) have the right, upon reasonable request, to review all of the work papers and procedures used by SteelCo and USX, respectively, to prepare the Statement, (ii) have reasonable access to employees, accountants and other advisors of SteelCo and USX, respectively, responsible for the preparation of the Statement and (iii) have the right to perform reasonable procedures necessary to confirm the accuracy thereof. Upon the parties mutually agreeing to the amount of Closing Net Steel Liabilities, the Statement shall be the "Final Statement."

(b) In the event that USX and SteelCo are unable to mutually agree upon the amount of Closing Net Steel Liabilities within the time period provided by subsection (a) above, such dispute shall be resolved by an Independent Accounting Firm (as hereinafter defined); the determination of such Independent Accounting Firm shall be made as promptly as practicable and shall be final and binding on USX and SteelCo. Any expenses relating to engagement of the Independent Accounting Firm shall be shared equally by USX and SteelCo. In the event of a dispute, the Statement, as modified by resolution by USX and SteelCo, or by the Independent Accounting Firm, shall be the "Final Statement."

(c) If the amount of the Net Steel Liabilities, as set forth in the Final Statement (the "Final Net Steel Liabilities"), exceeds the amount of the Estimated Net Steel Liabilities, SteelCo shall pay to USX an amount equal to such excess. If the amount of the Final Net Steel Liabilities is less than the amount of the Estimated Net Steel Liabilities, USX shall pay to SteelCo an amount equal to such deficit.

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(d) Any payments to be made by SteelCo or USX, as the case may be, pursuant to Section 5.14(c) hereof shall be made by wire transfer in immediately available funds within five Business Days after the date upon which the Statement becomes the Final Statement (either upon mutual agreement pursuant to subsection (a) above or by resolution of any dispute with respect to the Statement in accordance with subsection (b) hereof) in an amount determined pursuant to Section 5.14(c) hereof, together with interest thereon from the Separation Date through the date such payment is made, at the prime lending rate as reported as of the date of such payment by The Wall Street Journal.

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(e) Notwithstanding anything to the contrary contained herein, in the event of a disagreement between SteelCo and USX with respect to the calculation of Final Net Steel Liabilities pursuant to Section 5.14(b) hereof, then, pending resolution of such disagreement, SteelCo or USX, as the case may be, shall pay to the other party, as applicable, the amount of any undisputed portion of the adjustment to the Cash Settlement Amount, if any, resulting from the calculation of the Final Net Steel Liabilities, after expiration of the ninety-day period referred to in subsection (a) above.

(f) As used herein "Independent Accounting Firm" shall mean an internationally recognized accounting firm mutually selected and agreed upon by USX and SteelCo.

### ARTICLE VI

#### Conditions

Section 6.1 Conditions to the Separation Merger. The respective obligations of USX and Merger Sub to effect the Separation Merger are subject to the satisfaction or waiver (to the extent and as permitted by this Agreement and Applicable Law) of each of the following conditions:

(a) Consummation of Required Transactions. All of the actions and Transactions required by this Agreement to be performed or consummated prior to the Separation Effective Time shall have been performed or consummated.

(b) Separation Documents. Each of USX and SteelCo shall have entered into each of the Separation Documents.

(c) Registration. The Form S-4, and any required post-effective amendment thereto, and the Form 8-A shall have been declared effective under the Securities Act and the Exchange Act, respectively, and shall not be the subject of any stop order or proceeding to seek a stop order.

(d) Listing. The shares of United States Steel Common Stock to be issued in the Separation Merger shall have been approved for listing on the NYSE, the PSE and the CSE, subject to official notice of issuance.

(e) USX Stockholder Approval. The USX Stockholder Approval shall have been obtained at or prior to the Separation Effective Time in accordance with the DGCL.

(f) Financings and Value Transfer. SteelCo and USX shall have consummated the Financings and the Value Transfer contemplated by Section 4.8 hereof.

(g) Receipt of Private Letter Ruling. USX shall have obtained a private letter ruling from the Internal Revenue Service, in form and substance satisfactory to the Board, that the Separation will qualify as a tax-free transaction within the meaning of Section 355 of the Code, and such ruling shall be in full force and effect at the Separation Effective Time.

(h) Consents and Approvals. All material consents, authorizations and approvals of, and filings with, any Governmental Authority or any other Person required to consummate the Separation Merger shall have been obtained and be in full force and effect.

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(i) No Injunctions. No order, injunction or decree shall have been issued by any Governmental Authority and remain in effect which prohibits or prevents the consummation of the Separation Merger.

Section 6.2 Determination as to Fulfillment of Conditions. All determinations to be made concerning satisfaction or waiver of the conditions set forth in this Article VI shall be made by the Board, in its sole discretion, on behalf of each of the parties hereto, and shall be final and conclusive.

### ARTICLE VII

#### Intercompany Business Relationships Following the Separation

Section 7.1 Transition Services. Pursuant to the terms of the Transition Services Agreement, from and after the Separation Effective Time, USX shall provide to SteelCo, and SteelCo shall provide to USX, such services as provided for in the Transition Services Agreement and subject to the terms and conditions thereof.

Section 7.2 Intellectual Property, Trademarks and Licenses.

(a) License Agreement. Prior to the Separation Effective Time, USX and SteelCo shall enter into a License Agreement, substantially in the form of Appendix F hereto, with respect to the use of the Trademark for the name USX.

(b) USX Corporation Name. As soon as reasonably practicable, USX and SteelCo shall remove (or, if necessary, on an interim basis, cover up) any and all exterior and interior signs and identifiers which contain or pertain to (i) USX or "United States Steel," in the case of USX, or (ii) USX or "Marathon," in the case of SteelCo. After such reasonable period, (i) USX shall not use or display the names "USX" or "United States Steel" or any variations thereof, or other Trademarks, trade names, logos, or identifiers using such name or otherwise owned by or licensed to SteelCo which have not been assigned or licensed to USX, and (ii) SteelCo shall not use or display the names "USX" or "Marathon" or any variations thereof, or other Trademarks, trade names, logos, or identifiers using such name or otherwise owned by or licensed to USX which have not been assigned or licensed to SteelCo (collectively, "Non-Permitted Names"), without the prior written consent of the other; provided, however, that, notwithstanding the foregoing, nothing contained in this Agreement shall prevent USX or SteelCo from using the other's name in public filings with Governmental Authorities, materials intended for distribution to either party's stockholders or any other communication in any medium which describes the relationship between the parties.

(c) Products, Supplies and Documents. USX and SteelCo shall have the right to use their existing products, supplies, and documents (including, but not limited to, purchase orders, forms, labels, shipping materials, catalogues, stationery, sales brochures, operating manuals, instructional manuals, advertising materials and similar material) which have imprinted thereon or otherwise use a Non-Permitted Name following the Separation Closing Date; provided, however, that USX and SteelCo agree (i) to use only such supplies and documents existing in inventory as of the Separation Closing Date and (ii) not to order any additional supplies and documents which have imprinted thereon or otherwise use a Non-Permitted Name.

Section 7.3 Litigation.

(a) Subject to subsection (c) hereof and except as otherwise provided in the Tax Sharing Agreement, following the Separation Effective Time, USX shall

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have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the Marathon Group Liabilities and/or the Joint Liabilities (each, as hereinafter defined), including, but not limited to, the pending Actions listed in Section 7.3(a) of the Disclosure Letter (each, a "Marathon Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Marathon Action without the consent of SteelCo.

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(b) Subject to subsection (c) hereof, following the Separation Effective Time, SteelCo shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the U. S. Steel Group Liabilities (as hereinafter defined), including, but not limited to, the pending Actions listed in Section 7.3(b) of the Disclosure Letter (each, a "U. S. Steel Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such U. S. Steel Action without the consent of USX.

(c) Notwithstanding any provision of this Agreement, if USX or any of its respective directors, officers or employees is named as a party to a U. S. Steel Action or if SteelCo or any of its respective directors, officers or employees is named as a party to a Marathon Action, neither SteelCo nor USX, as the case may be, may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the prior written consent of such other named party (which consent may not be unreasonably withheld), unless such settlement (i) includes a complete release of such other named party and such party's directors, officers or employees (to the extent such directors, officers or employees are named in such Action) and (ii) does not require such other named party or such party's directors, officers or employees (to the extent such directors, officers or employees are named in such Action) to admit any Liability or make or forego any payment or forego or take any action. Each of SteelCo and USX shall cooperate fully with the other and its counsel in the investigation, defense and settlement of any U. S. Steel Action or Marathon Action.

### ARTICLE VIII

#### Employee Matters

Section 8.1 Employee Incentive Plans and Employee Arrangements. SteelCo and USX shall take all actions necessary so that SteelCo has established, amended and/or assumed at or prior to the Separation Effective Time such Employee Incentive Plans and Employee Arrangements as the parties deem necessary and appropriate.

Section 8.2 Treatment of USX Corporate Employees.

(a) In connection with the Separation, there will be an assignment or reassignment of USX Corporate Employees who currently provide accounting, audit, corporate finance, government affairs, investor relations, public affairs, strategic planning, legal, stock transfer, Tax and other services primarily related to corporate-wide matters to either Marathon Oil Corporation or SteelCo. Marathon Oil Corporation and SteelCo will be responsible for their own needs in these areas. Such USX Corporate Employees to be assigned to Marathon Oil Corporation, including, without limitation, those to be set forth on Section 8.2(a) (i) of the Disclosure Letter, will be covered by employee benefit plans applicable to Marathon Oil Corporation employees. Such USX Corporate Employees to be reassigned to SteelCo, including without limitation, those to be set forth on Section 8.2(a) (ii) of the Disclosure Letter, will be covered by the same employee benefit plans they were provided while USX

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Corporate Employees.

(b) The assets relating to all qualified defined pension benefits earned by USX Corporate Employees while under the employment of USX and Old USX will be retained and the benefits paid for by the USS Non-Union Plan. With respect to the USX Corporation Executive Management Supplemental Pension Program, the USX Corporation Non Tax-Qualified Pension Plan, and the USX Corporation Supplemental Thrift Program, all non-qualified benefit plans, following the Separation, Marathon Oil Corporation and SteelCo will share liability, Marathon Oil Corporation (65%) and SteelCo (35%), for the payment of benefits earned by USX Corporate Employees that are attributable to service by such employees while employed as USX Corporate Employees prior to the Separation, as adjusted, where applicable, for subsequent increases in compensation, including increases following the Separation.

(c) With regard to change in control agreements entered into with USX Corporate Employees prior to the Separation, in the case of USX Corporate Employees assigned to Marathon, following the Separation such

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agreements will be obligations of Marathon. In the case of USX Corporate Employees reassigned to SteelCo, following the Separation such agreements will be obligations of SteelCo.

### ARTICLE IX

#### Insurance Matters

Section 9.1 General. Except as otherwise specifically provided for herein or pursuant to the terms of the Insurance Assistance Agreement, SteelCo and USX understand and agree that as of the Separation Effective Time, all Insurance Arrangements providing for coverage for the assets and Liabilities of the U. S. Steel Group and the Marathon Group on a combined basis shall have been modified such that the responsibility for insuring the assets, Liabilities and business of the U. S. Steel Group shall be borne by SteelCo, and the responsibility for insuring the assets, Liabilities and business of the Marathon Group shall be borne by USX.

Section 9.2 Policies to be Transferred. At or prior to the Separation Effective Time, SteelCo and USX shall take all actions necessary to transfer to SteelCo the Insurance Arrangements listed on Section 9.2 of the Disclosure Letter.

Section 9.3 Insurance Assistance Agreement. On or prior to the Separation Effective Time, SteelCo and USX shall enter into the Insurance Assistance Agreement providing for the treatment of Joint Insurance Arrangements and the payment of insurance claims and deductibles following the Separation Effective Time.

Section 9.4 Directors' and Officers' Insurance. On or before the Separation Effective Time, the directors and officers of SteelCo and its Subsidiaries shall become insureds under a separate directors' and officers' insurance program to be established by SteelCo, at its sole cost and expense.

### ARTICLE X

#### Tax Matters

Section 10.1 Tax Sharing Agreement.

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(a) On or before the Separation Effective Time, SteelCo and USX shall enter into the Tax Sharing Agreement providing for the allocation and payment, following the Separation Effective Time, of any and all Liabilities relating to Taxes.

(b) Except to the extent that this Section 10.1 or another provision of this Agreement expressly indicates, this Agreement shall not govern any Tax matters, and any and all Liabilities relating to Taxes shall be governed exclusively by the Tax Sharing Agreement.

### ARTICLE XI

#### Additional Covenants

##### Section 11.1 Provision of Corporate Records.

(a) Prior to or as promptly as practicable after the Separation Effective Time, USX shall deliver to SteelCo all corporate books and records of the U. S. Steel Group in its possession and copies of the relevant portions of all corporate books and records of USX relating directly and primarily to the U. S. Steel Group, its assets, employees, businesses and Liabilities, including, without limitation, original corporate minute books, stock ledgers and certificates and the corporate seal of each corporation the capital stock of which is included in the U. S. Steel Group, copies of portions of the minute books of USX that are directly and primarily related

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to the U. S. Steel Group and documentation relating to the Liabilities of the U. S. Steel Group, including, in each case, all active agreements, active litigation files and government filings. From and after the Separation Effective Time, all such books, records and copies shall be the property of SteelCo.

(b) Prior to or as promptly as practicable after the Separation Effective Time, SteelCo shall deliver to USX all corporate books and records of the Marathon Group in its possession and copies of the relevant portions of all corporate books and records of SteelCo relating directly and primarily to the Marathon Group, its assets, businesses and Liabilities and the Marathon Employees, including, without limitation, original corporate minute books, stock ledgers and certificates and the corporate seal of each corporation the capital stock of which is included in the Marathon Group, copies of portions of the minute books of Old USX that are directly and primarily related to the Marathon Group and documentation relating to the Liabilities of the Marathon Group, including, in each case, all active agreements, active litigation files and government filings. From and after the Separation Effective Time, all such books, records and copies shall be the property of USX.

Section 11.2 Access to Information. From and after the Separation Effective Time, each of SteelCo and USX shall afford to the other and to the other's Representatives reasonable access and duplicating rights, during normal business hours and upon reasonable advance notice, to all Information within the possession or control of such party relating to the other party's pre-Separation business, assets or Liabilities or relating to or arising in connection with the relationship between the Groups on or prior to the Separation Effective Time, insofar as such access is reasonably required for a reasonable purpose, subject to the provisions below regarding Privileged Information. Without limiting the foregoing and except as otherwise provided in the Separation Documents, Information may be requested under this Section 11.2 for audit, accounting, claims, litigation and Tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations.

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In furtherance of the foregoing:

(a) Each party hereto acknowledges that:

(i) Each of SteelCo and USX has or may obtain Privileged Information;

(ii) there are a number of Litigation Matters affecting each or both of the U. S. Steel Group and the Marathon Group;

(iii) both SteelCo and USX have a common legal interest in Litigation Matters, in the Privileged Information, and in the preservation of the confidential status of the Privileged Information, in each case, relating to pre-Separation business of the U. S. Steel Group or the Marathon Group or relating to or arising in connection with the relationship between the Groups on or prior to the Separation Effective Time; and

(iv) both SteelCo and USX intend that the Transactions contemplated hereby and by the other Separation Documents and any transfer of Privileged Information in connection there-with shall not operate as a waiver of any applicable privilege.

(b) Each of SteelCo and USX agrees not to disclose or otherwise waive any privilege attaching to any Privileged Information relating to pre-Separation business of the U. S. Steel Group or the Marathon Group, respectively, or relating to or arising in connection with the relationship between the Groups on or prior to the Separation Effective Time, without providing prompt written notice to and obtaining the prior written consent of the other, which consent shall not be unreasonably withheld; provided, however, that SteelCo and USX may make such disclosure or waiver with respect to Privileged Information if such Privileged Information relates solely to the pre-Separation business of the U. S. Steel Group, in the case of SteelCo, or the Marathon Group, in the case of USX.

(c) Upon SteelCo or USX receiving any subpoena or other compulsory disclosure notice from a court, other Governmental Authority or otherwise that requests disclosure of Privileged Information, in each case, relating to pre-Separation business of the Marathon Group or the U. S. Steel Group, respectively, or relating to or arising in connection with the relationship between the Groups on or prior to

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the Separation Effective Time, in the event the recipient of such notice intends to disclose such Privileged Information, such recipient shall promptly provide to the other party (following the notice provisions set forth herein) a copy of such notice, the intended response, and all materials or Information relating to the other Group that might be disclosed. In the event of a disagreement as to the intended response or disclosure, unless and until the disagreement is resolved as provided in Section 15.2 hereof, the parties shall cooperate to assert all defenses to disclosure claimed by either party, and shall not disclose any disputed documents or Information until all legal defenses and claims of privilege have been finally determined.

Section 11.3 Production of Witnesses. Subject to Section 11.2 hereof, after the Separation Effective Time, each of SteelCo and USX shall make available to the other party, upon written request of the other, such company's directors,



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officers, employees and agents as witnesses to the extent that any such Person may reasonably be required in connection with any Litigation Matters, administrative or other proceedings in which the requesting party may from time to time be involved and relating to the pre-Separation business of the U. S. Steel Group or the Marathon Group or relating to or in connection with the relationship between the parties on or prior to the Separation Effective Time; provided, however, that, notwithstanding the foregoing, neither SteelCo nor USX shall be required to make available such company's directors, officers, employees or witnesses in response to a subpoena received by any member of the other Group from a third party.

Section 11.4 Confidentiality. From and after the Separation Effective Time, (i) each of SteelCo and USX shall, and shall use reasonable efforts to cause its employees, Affiliates and Representatives to, preserve the confidentiality of all Confidential Information concerning the other Group obtained by it prior to the Separation Effective Time or furnished to it pursuant to this Agreement or the other Separation Documents and (ii) neither SteelCo nor USX shall, and each of SteelCo and USX shall use reasonable efforts to cause its employees, Affiliates and Representatives not to, disclose or use the Confidential Information concerning the other Group for any purpose other than as expressly permitted pursuant to this Agreement or the other Separation Documents.

Section 11.5 Cooperation with Respect to Government Reports and Filings. USX agrees to provide SteelCo, and SteelCo agrees to provide USX, with such cooperation and Information as may be reasonably requested by the other in connection with the preparation or filing of any government report or other government filing contemplated by this Agreement or the other Separation Documents or in conducting any other government proceeding relating to pre-Separation business of the U. S. Steel Group or the Marathon Group, assets or Liabilities of either Group or relating to or in connection with the relationship between the Groups at or prior to the Separation Effective Time. Such cooperation and Information shall include, without limitation, promptly forwarding copies of appropriate notices and forms or other communications received from or sent to any Governmental Authority which relate to the U. S. Steel Group, in the case of USX, or the Marathon Group, in the case of SteelCo. Each party shall make its employees and facilities available during normal business hours and on reasonable prior notice to provide explanation of any documents or Information provided hereunder.

Section 11.6 Certain Limitations with Respect to Information.

(a) Any Information owned by one company that is provided to a requesting party pursuant to this Agreement or any other Separation Document shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

(b) A party providing Information hereunder or under any other Separation Document shall be entitled to be reimbursed by the requesting party for the reasonable costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the requesting party. Except as may be otherwise specifically provided elsewhere in this Agreement or in any of the Separation Documents, such costs shall be computed solely in accordance with the providing party's standard methodology and procedures,

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provided such methodology and procedures bear a reasonable relationship to the actual cost of providing such Information.

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(c) No party shall have any Liability to any other party in the event that any Information exchanged or provided pursuant to this Article XI which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate, in the absence of willful misconduct by the party providing such Information. No party shall have any Liability to any other party if any Information is destroyed after reasonable efforts by such party to comply with the provisions of Section 15.1 hereof.

(d) The rights and obligations granted under this Article XI are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in any other Separation Document.

Section 11.7 Protective Arrangements. In the event that any party either determines on the advice of its counsel that it is required to disclose any Information pursuant to Applicable Law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Information concerning any other party (or any Affiliate of such party) that is subject to the confidentiality provisions hereof, such party shall notify the other party prior to disclosing or providing such Information and shall cooperate at the expense of the requesting party in seeking any reasonable protective arrangements requested by such other party. Subject to the foregoing, the Person that received such request may thereafter disclose or provide Information to the extent required by such law (as so advised by counsel) or by lawful process or such Governmental Authority.

Section 11.8 Further Assurances. In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under Applicable Laws, regulations and agreements to consummate and make effective the Transactions contemplated by this Agreement. Without limiting the foregoing, each party hereto shall cooperate with the other party, and execute and deliver, or use reasonable efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, and take all such other actions as such party may reasonably be requested to take by the other party hereto from time to time, consistent with the terms of this Agreement and the Separation Documents, in order to effectuate the provisions and purposes of this Agreement and the transfers of assets and Liabilities and the other Transactions contemplated hereby.

Section 11.9 Assignment of Contracts and Rights.

(a) Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to transfer, convey or assign any Contract or any claim or right or any benefit arising under or resulting from such Contract if an attempted assignment thereof, without the consent of a third party, would constitute a breach or other contravention of the rights of such third party, or would in any way adversely affect the rights of the parties hereto under such asset. If any conveyance, transfer or assignment of any interest in, or Liability, obligation or commitment under, any Contract requires the consent of a third party, then such assignment or assumption shall be made subject to such consent being obtained.

(b) Subject to the satisfaction or waiver, to the extent permitted by Applicable Law, of the conditions to the Separation Merger set forth in Section 6.1, if any consent referred to in subsection (a) hereof is not obtained prior to the Separation Effective Time, USX and SteelCo shall cooperate (at their own expense) in any lawful and reasonable arrangement reasonably proposed by either

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party under which the party who is intended, under the terms of this Agreement, to receive an assignment of such Contract shall obtain the economic claims, rights and benefits under the Contract with respect to which the consent has not been obtained in accordance with this

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Agreement. Such reasonable arrangement may include (i) the subcontracting, sublicensing or subleasing of any and all rights under such Contract and (ii) the enforcement by either party of such rights under such Contract.

Section 11.10 No Restrictions on Post-Separation Competitive Activities. It is the explicit intent of each of the parties hereto that the provisions of this Agreement shall not include any non-competition or other similar restrictive arrangements with respect to the range of business activities which may be conducted by the parties hereto. Accordingly, each of the parties hereto acknowledges and agrees that nothing set forth in this Agreement shall be construed to create any explicit or implied restriction or other limitation on (a) the ability of any party hereto to engage in any business or other activity which competes with the business of any other party hereto, or (b) the ability of any party to engage in any specific line of business or engage in any business activity in any specific geographic area.

Section 11.11 Merger of United States Steel Financing Corp. Following the Separation Effective Time, SteelCo shall take all actions necessary to cause United States Steel Financing Corp., a Delaware corporation and a wholly owned subsidiary of SteelCo, to be merged with and into SteelCo, with SteelCo continuing as the surviving entity, in accordance with Section 18-209 of the DLLCA and Section 264 of the DGCL.

### ARTICLE XII

#### Mutual Release--No Representations or Warranties

Section 12.1 Mutual Release. Effective as of the Separation Effective Time and except as specifically set forth in this Agreement or any of the other Separation Documents, EACH OF STEELCO, ON THE ONE HAND, AND USX, ON THE OTHER HAND (ON ITS OWN BEHALF AND ON BEHALF ITS RESPECTIVE SUBSIDIARIES, SUCCESSORS AND ASSIGNS), RELEASES AND FOREVER DISCHARGES THE OTHER AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AFFILIATES, RECORD AND BENEFICIAL SECURITY HOLDERS (INCLUDING, WITHOUT LIMITATION, TRUSTEES AND BENEFICIARIES OF TRUSTS HOLDING SUCH SECURITIES), ADVISORS AND REPRESENTATIVES (IN THEIR RESPECTIVE CAPACITIES AS SUCH) AND THEIR RESPECTIVE HEIRS, EXECUTORS, ADMINISTRATORS, SUCCESSORS AND ASSIGNS, OF AND FROM ALL DEBTS, DEMANDS, ACTIONS, CAUSES OF ACTION, SUITS, ACCOUNTS, COVENANTS, CONTRACTS, AGREEMENTS, DAMAGES, CLAIMS (INCLUDING, WITHOUT LIMITATION, CLAIMS FOR DIRECT, CONSEQUENTIAL, EXEMPLARY, TREBLE AND PUNITIVE DAMAGES) AND LIABILITIES WHATSOEVER OF EVERY NAME AND NATURE, BOTH IN LAW AND IN EQUITY, WHICH THE RELEASING PARTY HAS OR EVER HAD, WHICH ARISE OUT OF OR RELATE TO, IN WHOLE OR IN PART, (A) THE BUSINESS, ASSETS, LIABILITIES AND OPERATIONS OF THE OTHER PARTY'S GROUP AND (B) EVENTS, CIRCUMSTANCES OR ACTIONS, WHETHER KNOWN OR UNKNOWN, TAKEN BY SUCH OTHER PARTY OCCURRING OR FAILING TO OCCUR, OR ANY CONDITIONS EXISTING, ON OR PRIOR TO THE SEPARATION EFFECTIVE TIME; provided, however, that the foregoing general release shall not apply to any Liabilities assumed, transferred, assigned, allocated or arising under this Agreement or any of the other Separation Documents and shall not affect any party's rights to enforce this Agreement or any of the other Separation Documents in accordance with their terms. Nothing in this Agreement shall impair any of the rights of any directors, officers or employees of USX or SteelCo, or any of their respective Subsidiaries, to seek indemnification under any certificate of incorporation or by-laws of USX or any of its predecessors or Subsidiaries, or

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under any indemnification agreements, arising out of or relating to actions or inactions of such directors or officers prior to the Separation Effective Time. SteelCo and USX acknowledge that the foregoing general release shall not release any third party from any Liabilities, whether arising prior to or after the Separation Effective Time.

Section 12.2 No Representations or Warranties. STEELCO UNDERSTANDS AND AGREES THAT USX IS NOT, AND USX UNDERSTANDS AND AGREES THAT STEELCO IS NOT, IN THIS

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AGREEMENT OR IN ANY OTHER AGREEMENT OR SEPARATION DOCUMENT, REPRESENTING OR WARRANTING TO THE OTHER IN ANY WAY AS TO SUCH GROUP'S ASSETS, BUSINESS OR LIABILITIES OR AS TO ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION WITH THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. Except as set forth in this Agreement and the other Separation Documents, both parties shall bear the economic and legal risk of the Transactions contemplated hereby, including, but not limited to, the Separation, that (a) the title of SteelCo or USX to any of their respective assets shall be other than good and marketable and free from encumbrances, (b) the title of SteelCo or USX to the shares of any Subsidiary of such party shall be other than good and marketable and free from encumbrances or (c) any party shall fail to obtain any consents or approvals relating to its business required in connection with the consummation of the Transactions contemplated by this Agreement.

### ARTICLE XIII

#### Indemnification

Section 13.1 USX's Agreement to Indemnify. Subject to the terms and conditions set forth in this Agreement, from and after the Separation Effective Time, USX shall indemnify, defend and hold harmless SteelCo and its directors, officers, employees, Representatives, advisors, agents and Affiliates (collectively, the "U. S. Steel Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the U. S. Steel Indemnified Parties arising out of, relating to or resulting from, directly or indirectly:

(a) Any and all Liabilities to the extent arising out of or relating to the business, assets or Liabilities of the Marathon Group ("Marathon Group Liabilities") (other than Liabilities relating to Taxes, which are addressed in the Tax Sharing Agreement) and, except as expressly provided otherwise herein, any Liabilities intended to be assumed by USX pursuant to Section 2.1(g) of the HoldCo Reorganization Agreement;

(b) USX's failure to observe from and after the Separation Effective Time its obligations under this Agreement or any of the other Separation Documents; and

(c) Except as otherwise provided in the Tax Sharing Agreement, the Financial Matters Agreement or any other Separation Document, sixty-five percent (65%) of any and all Liabilities arising out of or relating to (i) USX Corporate Assets or USX Corporate Employees, to the extent relating to or arising out of events or conditions occurring prior to the Separation Effective Time, (ii) the businesses, assets or Liabilities of Old USX or USX prior to the Separation Effective Time, to the extent not relating to or arising out of the businesses, assets or Liabilities of the U. S. Steel Group or the Marathon Group (each, as defined in the Restated Certificate), and (iii) the Transactions, this Agreement or the Separation Documents (to the extent not arising out of the Indemnified Party's failure to perform its obligations hereunder or thereunder) or the Proxy Statement

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(collectively, (i), (ii) and (iii) above are referred to herein as "Joint Liabilities").

Section 13.2 SteelCo's Agreement to Indemnify. Subject to the terms and conditions set forth in this Agreement, from and after the Separation Effective Time, SteelCo shall indemnify, defend and hold harmless USX and each of its directors, officers, employees, representatives, advisors, agents and Affiliates (collectively, the "USX Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the USX Indemnified Parties arising out of, relating to or resulting from, directly or indirectly:

(a) Any and all Liabilities to the extent arising out of or relating to the businesses, assets or Liabilities of the U. S. Steel Group to the extent not relating to the businesses of the Marathon Group (as defined in the Restated Certificate) ("U. S. Steel Group Liabilities") (other than Liabilities relating to Taxes, which are addressed in the Tax Sharing Agreement);

(b) SteelCo's failure to observe from and after the Separation Effective Time its obligations under this Agreement or any of the other Separation Documents; and

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(c) Except as otherwise provided in the Tax Sharing Agreement, the Financial Matters Agreement or any other Separation Document, thirty-five percent (35%) of any and all Joint Liabilities.

Section 13.3 Procedure for Indemnification. All claims for indemnification under this Article XIII shall be asserted and resolved as follows:

(a) Third-Party Claims. In the event that any claim or demand for which an Indemnifying Party may be liable to an Indemnified Party hereunder is asserted against or sought to be collected by a third party from an Indemnified Party (an "Asserted Liability"), the Indemnified Party shall as soon as possible notify the Indemnifying Party in writing of such Asserted Liability, specifying the nature of such Asserted Liability (the "Claim Notice"); provided that no delay on the part of the Indemnified Party in giving any such Claim Notice shall relieve the Indemnifying Party of any indemnification obligation hereunder except to the extent that the Indemnifying Party is materially prejudiced by such delay. The Indemnifying Party shall have 60 days (or less if the nature of the Asserted Liability requires) from its receipt of the Claim Notice to notify the Indemnified Party whether or not the Indemnifying Party desires, at the Indemnifying Party's sole cost and expense and by counsel of its own choosing, to defend against such Asserted Liability; provided, however, that if, under applicable standards of professional conduct a conflict on any significant issue between the Indemnifying Party and any Indemnified Party exists in respect of such Asserted Liability, then the Indemnifying Party shall reimburse the Indemnified Party for the reasonable fees and expenses of one additional counsel.

If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the investigation, defense and settlement thereof, but the Indemnifying Party shall control the investigation, defense and settlement thereof. If the Indemnified Party desires to participate in any such defense, it may do so at its sole cost and expense. If the Indemnifying Party elects not to defend against such Asserted Liability, then the Indemnifying Party shall have the right to participate in any such defense at its sole cost and expense, but the

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Indemnified Party shall control the investigation, defense and settlement thereof at the sole cost and expense of the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld), consent to any settlement unless such settlement (i) includes a complete release of the Indemnified Party and (ii) does not require the Indemnified Party to admit any Liability or make or forego any payment or forego or take any action. The Indemnifying Party shall not be liable for any settlement of any Asserted Liability effected without its prior written consent (which consent shall not be unreasonably withheld).

(b) Non-Third-Party Claims. In the event that an Indemnified Party should have a claim against the Indemnifying Party hereunder that does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a notice with respect to such claim to the Indemnifying Party. The Indemnifying Party shall have 60 days from the date such notice is delivered during which to notify the Indemnified Party in writing of any good faith objections it has to the Indemnified Party's notice or claims for indemnification, setting forth in reasonable detail each of the Indemnifying Party's objections thereto. If the Indemnifying Party does not deliver such written notice of objection within such 60-day period, the Indemnifying Party shall be deemed to not have any objections to such claim. If the Indemnifying Party does deliver such written notice of objection within such 60-day period, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve any such dispute within 60 days of the delivery by the Indemnifying Party of such written notice of objection. If the Indemnifying Party and the Indemnified Party are unable to resolve any such dispute within such 60-day period, such dispute shall be resolved in accordance with the procedures set forth in Section 15.2 hereof.

(c) Miscellaneous Indemnification Provisions.

(i) The Indemnifying Party agrees to indemnify any successors of the Indemnified Party to the same extent and in the same manner and on the same terms and conditions as the Indemnified Party is indemnified by the Indemnifying Party under this Article XIII.

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(ii) The amount that an Indemnifying Party is required to pay to any Indemnified Party pursuant to this Article XIII shall be reduced (retroactively or prospectively) by any Insurance Proceeds or other amounts actually recovered by or on behalf of such Indemnified Party in respect of the related Indemnifiable Loss. If an Indemnified Party shall have received the payment required by this Article XIII in respect of an Indemnifiable Loss and shall subsequently actually receive Insurance Proceeds or other amounts in respect of such Indemnifiable Loss, then such Indemnified Party shall pay to such Indemnifying Party a sum equal to the amount of such Insurance Proceeds or other amounts actually received, up to the aggregate amount of any payments received from such Indemnifying Party pursuant to this Article XIII in respect of such Indemnifiable Loss.

(iii) In determining the amount of any indemnity payable under this Article XIII, such amount shall be reduced by any related Tax benefits if and when actually realized or received (but only after taking into account any Tax benefits (including, without limitation, any net operating losses or other deductions) to which the Indemnified Party would be entitled without regard to such item), except to the extent such Tax benefit has already been taken into account in determining the

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amount of any indemnity pay-able under this Article XIII in respect of the related Indemnifiable Loss. Any such Tax benefit shall be promptly repaid by the Indemnified Party to the Indemnifying Party following the time at which such recovery is realized or received pursuant to the previous sentence, minus all reasonably allocable costs, charges and expenses incurred by the Indemnified Party in obtaining such Tax benefit. Notwithstanding the foregoing, if (x) the amount of Indemnifiable Losses for which the Indemnifying Party is obligated to indemnify the Indemnified Party is reduced by any Tax benefit in accordance with the provisions of the previous sentence and (y) the Indemnified Party subsequently is required to repay the amount of any such Tax benefit or such Tax benefit is disallowed, then the obligation of the Indemnifying Party to indemnify with respect to such amounts shall be reinstated immediately and such amounts shall be paid promptly to the Indemnified Party in accordance with the provisions of this Agreement.

### ARTICLE XIV

#### Termination and Amendment

Section 14.1 Termination at any Time by the Board. This Agreement may be terminated and the Transactions, including, without limitation, the Separation, may be abandoned at any time prior to the Separation Effective Time, whether prior to or following the Stockholders' Meeting, by and in the sole discretion of the Board, without the approval of any other party hereto or of USX's stockholders. In the event of such termination, no party hereto or to any other Separation Document shall have any Liability to any Person by reason of this Agreement or any other Separation Document.

Section 14.2 Amendment. This Agreement may be amended, modified or supplemented at any time as determined by the Board, and shall be evidenced by a written agreement signed by all of the parties hereto.

### ARTICLE XV

#### General Provisions

Section 15.1 Retention of Records. Except as otherwise agreed in writing, or as otherwise provided in the Separation Documents, each of SteelCo and USX shall comply with the current records retention policy of USX with respect to all Information in such party's possession or under its control relating directly and primarily to the pre-Separation business, assets or Liabilities of the other party's Group.

Section 15.2 Dispute Resolution.

(a) As of the Separation Effective Time, USX and SteelCo shall form a committee (the "Separation Committee") comprised of one Representative designated from time to time by USX in its sole discretion and

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one Representative designated from time to time by SteelCo in its sole discretion. Until the tenth anniversary of the Separation Effective Time, the Separation Committee shall be responsible for resolving any and all disputes between SteelCo and USX arising with respect to any matter, whether based in contract, tort, statute or otherwise (collectively, "Disputes"), including any dispute as to (i) whether any Action or other Liability is a Marathon Group Liability, or a U. S. Steel Group Liability, (ii) whether any asset belongs to the Marathon Group or the U. S. Steel Group, (iii) the interpretation of any

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provision of this Agreement or any other Separation Document and (iv) any other Disputes arising out of this Agreement or any other Separation Document, other than the Tax Sharing Agreement. In the event of any such Dispute, each of USX and SteelCo shall have the right to refer in writing such Dispute to the Separation Committee for resolution. The Separation Committee shall be required to render a written decision with respect to any Dispute within 30 days of its receipt of the referral. The decision of the Separation Committee with respect to any Dispute shall be binding on USX and SteelCo and their respective successors and assigns. All out-of-pocket expenses and costs incurred by USX or SteelCo in connection with the procedures set forth in this Section 15.2(a) shall be borne by the party incurring such expenses and costs.

(b) In the event that the Separation Committee is unable to reach a unanimous determination as to any Dispute pursuant to Section 15.2(a) hereof, each of USX and SteelCo shall have the right to bring an action to resolve such Dispute in the Court of Chancery of the State of Delaware, and each party hereby consents to, and waives any objections to, jurisdiction and venue in such court.

Section 15.3 Expenses. Except to the extent otherwise provided for in the Separation Documents, all out-of-pocket costs and expenses with respect to the Transactions contemplated hereby and by the other Separation Documents, including, without limitation, expenses relating to the Financings, (i) incurred at or prior to the Separation Effective Time, shall be borne sixty-five percent (65%) by USX and thirty-five percent (35%) by SteelCo, and (ii) incurred after the Separation Effective Time, shall be borne by the party incurring such expense.

Section 15.4 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of Delaware, without reference to choice of law principles, including matters of construction, validity and performance. Each of the parties hereto consents to the exclusive jurisdiction of the Court of Chancery of the State of Delaware in the event of any dispute arising out of this Agreement and agrees that it shall not attempt to deny or defeat such jurisdiction.

Section 15.5 Notices. Notices, requests, permissions, waivers, referrals and all other communications hereunder shall be in writing and shall be deemed to have been duly given if signed by the respective persons giving them (in the case of any corporation or limited liability company, the signature shall be by an officer thereof) and delivered by hand or by telecopy or on the date of receipt indicated on the return receipt if mailed (registered or certified, return receipt requested, properly addressed and postage prepaid):

If to SteelCo, to:

600 Grant Street  
Pittsburgh, PA 15219-4776  
Attention: General Counsel  
Facsimile: (412) 433-1145

If to USX prior to the Separation, to:

600 Grant Street  
Pittsburgh, PA 15219-4776  
Attention: General Counsel  
Facsimile: (412) 433-1145



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If to USX after the Separation, to:

5555 San Felipe Road  
Houston, TX 77056-2723  
Attention: General Counsel  
Facsimile: (713) 296-4375

Such names and addresses may be changed by notice given in accordance with this Section 15.5. Copies of all notices, requests, permissions, waivers, referrals and all other communications hereunder given prior to the Separation Effective Time shall be given to:

Skadden, Arps, Slate, Meagher & Flom LLP  
4 Times Square  
New York, NY 10036-6522  
Attention: Roger S. Aaron, Esquire  
Facsimile: (212) 735-2000

Section 15.6 Third-Party Beneficiaries. Except as provided in Article XIII hereof with respect to indemnification of U. S. Steel Indemnified Parties and USX Indemnified Parties hereunder, nothing in this Agreement shall confer any rights upon any Person or entity other than the parties hereto and their respective heirs, successors and permitted assigns.

Section 15.7 Entire Agreement. This Agreement and the other Separation Documents, together with the Disclosure Letter and all schedules, appendices, certificates, instruments and agreements delivered pursuant hereto and thereto, contain the entire understanding of the parties hereto and thereto with respect to the subject matter contained herein and therein, and supersede and cancel all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, respecting such subject matter.

Section 15.8 Headings. The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references herein to "Articles", "Sections" or "Appendices" shall be deemed to be references to Articles or Sections hereof or Appendices hereto unless otherwise indicated. All references herein to "Sections" of the Disclosure Letter shall be deemed to be references to the Disclosure Letter unless otherwise indicated.

Section 15.9 Schedules. The Disclosure Letter and all Appendices referenced in this Agreement and attached hereto are incorporated into this Agreement by reference and made a part hereof. The parties hereto shall be entitled to supplement or amend the Disclosure Letter at any time prior to the Separation Effective Time.

Section 15.10 Counterparts. This Agreement may be executed in one or more counterparts and each counterpart shall be deemed to be an original, but all of which shall constitute one and the same original.

Section 15.11 Parties in Interest; Assignment; Successors. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall inure to the benefit of and be binding upon SteelCo and USX and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies under or by reason of this Agreement.

Section 15.12 Severability; Enforcement. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to

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permit enforcement of such restriction to its fullest extent, each party agrees that a court of competent jurisdiction may enforce such restriction to the maximum extent permitted by law, and each party hereby

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consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

Section 15.13 Remedies. The parties agree that money damages or other remedy at law would not be a sufficient or adequate remedy for any breach or violation of, or a default under, this Agreement by them and that in addition to all other remedies available to them, each of them shall be entitled to the fullest extent permitted by law to an injunction restraining such breach, violation or default or threatened breach, violation or default and to any other equitable relief, including specific performance, without bond or other security being required.

[SIGNATURE PAGE FOLLOWS]

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In Witness Whereof, each of the parties has caused this Agreement and Plan of Reorganization to be duly executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

USX Corporation

/s/ E. F. Guna

By: \_\_\_\_\_

Name: E. F. Guna

Title: Vice President & Treasurer

United States Steel LLC

/s/ L. G. Schultz

By: \_\_\_\_\_

Name: L. G. Schultz

Title: Vice President

USX Merger Corporation

/s/ R. M. Stanton

By: \_\_\_\_\_

Name: R. M. Stanton

Title: President

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ANNEX B-1

[Letterhead of Credit Suisse First Boston]

July 31, 2001

Board of Directors  
USX Corporation  
600 Grant Street  
Pittsburgh, Pennsylvania 15219-4776

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Members of the Board:

We understand that the Board of Directors (the "Board") of USX Corporation ("USX") is considering the separation of its U. S. Steel Group and its Marathon Group into two independent companies (the "Separation"). The Separation will be accomplished through a merger of USX with a newly formed subsidiary of USX pursuant to the Agreement and Plan of Reorganization, to be dated as of the date hereof (the "Plan of Reorganization"), by and between USX and United States Steel LLC, a wholly owned subsidiary of USX that will be converted into a Delaware corporation named United States Steel Corporation ("United States Steel") in accordance with the Plan of Reorganization. As a result of the Separation, United States Steel will become an independent, publicly held company, wholly owned by the holders of the then outstanding shares of USX-U. S. Steel Group Common Stock ("U. S. Steel Group Shares"), which are currently traded under ticker symbol "X" and U. S. Steel Group Shares will cease to exist. Pursuant to the Plan of Reorganization, USX will change its name to Marathon Oil Corporation ("MOC") and will be wholly owned by the holders of the then outstanding shares of USX-Marathon Group Common Stock (which are currently traded under ticker symbol "MRO") ("Marathon Group Shares"). As a result of the Separation, the business of the U. S. Steel Group of USX (the "U. S. Steel Group") will be owned and operated by United States Steel and the business of the Marathon Group of USX (the "Marathon Group") will be owned and operated by MOC.

Immediately prior to and as a condition of the consummation of the Separation, a portion of the indebtedness and other obligations of USX will be repaid or retired and United States Steel will incur indebtedness and other obligations and agree to repay a portion of the indebtedness and other obligations of USX, such that the amount of indebtedness and other obligations for which United States Steel is responsible is \$900 million less than the net amounts attributed to the U. S. Steel Group immediately prior to the Separation (the "Value Transfer"). In addition to the Plan of Reorganization, USX and United States Steel will enter into certain related agreements, including a Financial Matters Agreement and a Tax Sharing Agreement (collectively, together with the Plan of Reorganization, the "Separation Agreement"), establishing certain arrangements between USX and United States Steel deemed necessary by USX and United States Steel in order to address various business, legal and regulatory issues resulting from the Separation. The Separation and the related transactions, including the Value Transfer, are collectively referred to as the "Transactions".

We have been requested to render to the Board our opinion with respect to the fairness, from a financial point of view, of the financial effects, taken as a whole, of the Transactions to the holders of the Marathon Group Shares and to the holders of the U. S. Steel Group Shares. We have not been requested to opine as to, and our opinion does not in any manner address, USX's underlying business decision to proceed with or effect the proposed Transactions.

In arriving at our opinion, we reviewed, among other things, (1) historical financial statements of USX, including the separate financial statements for the Marathon Group and the U. S. Steel Group, and certain other historical financial and operating data of USX, including the Marathon Group and the U. S. Steel Group, (2) certain publicly available information with respect to USX, including the Marathon Group and the U. S. Steel Group, (3) certain projected financial data with respect to USX, including the Marathon Group and the U. S. Steel Group, without giving effect to the Separation, and with respect to United States Steel and MOC,

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giving effect to the Separation, in each case as prepared by the management of USX, including the management of the Marathon Group and the management of the U. S. Steel Group (collectively, "Management"), (4) reported prices and trading activity for the Marathon Group Shares and the U. S. Steel Group Shares, (5) drafts of the Plan of Reorganization, the Financial Matters Agreement and the Tax Sharing Agreement, (6) the preliminary proxy materials filed by USX with the Securities and Exchange Commission in connection with the Separation, (7) the letter dated July 2, 2001 from USX to the Internal Revenue Service requesting a private letter ruling that the Separation will qualify as a tax-free distribution under Section 355 of the Internal Revenue Code and (8) the terms of the Marathon Group Shares and the U. S. Steel Group Shares as set forth in USX's certificate of incorporation as currently in effect. In addition, we have held discussions with Management with respect to, among other things, (1) the operations and financial condition of USX, including the Marathon Group and the U. S. Steel Group, and the plans of Management with respect to the business and affairs of USX, including the Marathon Group and the U. S. Steel Group, prior to the Separation and of United States Steel and MOC after the Separation, (2) certain projected financial data with respect to USX, including the Marathon Group and the U. S. Steel Group, without giving effect to the Separation, and with respect to United States Steel and MOC, giving effect to the Separation, in each case as prepared by Management, (3) the benefits and detriments to USX of continued ownership of both the Marathon Group and the U. S. Steel Group, (4) the expected impact of the Transactions on the operations and the financial and strategic flexibility of United States Steel and MOC after the Separation, (5) certain terms of the proposed Plan of Reorganization and (6) the effect of the Separation Agreement on the business, results of operations and financial condition of each of United States Steel and MOC. In addition, we undertook such other studies, analyses and investigations as we deemed appropriate for purposes of rendering our opinion.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of all of the financial and other information used by us without assuming any responsibility for independent verification of such information and have further relied upon the assurances of Management that they are not aware of any facts that would make such information inaccurate or misleading. With respect to the projected financial data of USX, including the Marathon Group and the U. S. Steel Group, and of United States Steel and MOC after the Separation prepared by Management, upon the advice of Management and with your consent we have assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Management as to the expected future prospects and financial performance of USX, including the Marathon Group and the U. S. Steel Group, and of United States Steel and MOC after the Separation, and we have relied on such projections in rendering our opinion. With respect to the estimates prepared by Management of the value of certain benefits and detriments of the Separation to each of United States Steel and MOC, with your consent, we have relied on such estimates and assumed that they were reasonably prepared and reflected the best currently available judgments of Management as to such benefits and detriments.

In arriving at our opinion, we have not conducted a physical inspection of the properties and facilities of USX, including the properties and facilities constituting the Marathon Group or the U. S. Steel Group, and have not made or obtained any evaluations or appraisals of the assets or liabilities of USX, including the assets or liabilities allocated or attributed to the Marathon Group or the U. S. Steel Group. We have not been requested to opine as to, and our opinion does not in any manner address, the solvency of United States Steel or MOC (including the impact of any contingent liabilities of United States Steel or MOC) after giving effect to the Transactions, which is the subject of a written opinion, dated as of the date of this opinion, of American Appraisal Associates, Inc. You also have advised us, and we have assumed, that the Transactions will be consummated in accordance with the terms of the Plan of Reorganization, without waiver, amendment or modification of any material term,

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condition or agreement set forth therein. We have also assumed that the Plan of Reorganization, the Financial Matters Agreement and the Tax Sharing Agreement, when executed, will conform to the drafts reviewed by us in all respects material to our analyses. In addition, you have not authorized us to solicit, and we have not solicited, any indications of interest from any third party with respect to a business combination or other extraordinary transaction involving USX or any of its assets or subsidiaries, including the assets or subsidiaries constituting the Marathon Group or the U. S. Steel Group. Similarly, we

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have not been engaged by you to participate, nor have we participated in, the negotiation of any terms of the Separation Agreement or the Transactions. Our opinion does not address whether the financial effects of the Transactions to the holders of Marathon Group Shares or U. S. Steel Group Shares are the most favorable that could have been obtained by either group of such holders.

We have not been asked to, and we do not, express an opinion as to the prices at which the common stock of United States Steel or MOC will actually trade following the Separation, and we can provide no assurance that the trading price of (A) a share of common stock of MOC following the Separation will be equal to or in excess of the trading price of a Marathon Group Share prior to the Separation or (B) a share of common stock of United States Steel following the Separation will be equal to or in excess of the trading price of a U. S. Steel Group Share prior to the Separation.

Our opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of this letter. Furthermore, we wish to advise you that certain elements of the Transactions are not susceptible to precise quantification and that, in connection with the preparation of this opinion, we have made judgments and estimates that we consider reasonable and appropriate under the circumstances.

We have acted as financial advisor to the Board in connection with the Transactions and will receive a fee for our services. A significant portion of our fee is contingent on consummation of the Separation. We have performed in the past and may perform in the future other investment banking financial advisory services for USX, MOC, United States Steel and their respective affiliates, including in connection with the offering by the U. S. Steel Group of its 7 year, 10.75% senior unsecured notes, for which we have received and will receive customary compensation.

In the ordinary course of our business, we actively trade in the debt and equity securities of USX for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board and is rendered to the Board in connection with its consideration of the Transactions. This opinion is not intended to be and does not constitute a recommendation to any holder of Marathon Group Shares or U. S. Steel Group Shares as to whether such stockholder should consent to the Transactions.

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that the financial effects, taken as a whole, of the Transactions are fair, from a financial point of view, to the holders of the Marathon Group Shares and to the holders of the U. S. Steel Group Shares.

Very truly yours,

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Credit Suisse First Boston  
Corporation

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ANNEX B-2

[Letterhead of Salomon Smith Barney]

July 31, 2001

Board of Directors  
USX Corporation  
600 Grant Street  
Pittsburgh, Pennsylvania 15219-4776

Members of the Board:

We understand that the Board of Directors (the "Board") of USX Corporation ("USX") is considering the separation of its U. S. Steel Group and its Marathon Group into two independent companies (the "Separation"). The Separation will be accomplished through a merger of USX with a newly formed subsidiary of USX pursuant to the Agreement and Plan of Reorganization, to be dated as of the date hereof (the "Plan of Reorganization"), by and between USX and United States Steel LLC, a wholly owned subsidiary of USX that will be converted into a Delaware corporation named United States Steel Corporation ("United States Steel") in accordance with the Plan of Reorganization. As a result of the Separation, United States Steel will become an independent, publicly held company, wholly owned by the holders of the then outstanding shares of USX-U. S. Steel Group Common Stock ("U. S. Steel Group Shares"), which are currently traded under ticker symbol "X" and U. S. Steel Group Shares will cease to exist. Pursuant to the Plan of Reorganization, USX will change its name to Marathon Oil Corporation ("MOC") and will be wholly owned by the holders of the then outstanding shares of USX-Marathon Group Common Stock (which are currently traded under ticker symbol "MRO") ("Marathon Group Shares"). As a result of the Separation, the business of the U. S. Steel Group of USX (the "U. S. Steel Group") will be owned and operated by United States Steel and the business of the Marathon Group of USX (the "Marathon Group") will be owned and operated by MOC.

Immediately prior to and as a condition of the consummation of the Separation, a portion of the indebtedness and other obligations of USX will be repaid or retired and United States Steel will incur indebtedness and other obligations and agree to repay a portion of the indebtedness and other obligations of USX, such that the amount of indebtedness and other obligations for which United States Steel is responsible is \$900 million less than the net amounts attributed to the U. S. Steel Group immediately prior to the Separation (the "Value Transfer"). In addition to the Plan of Reorganization, USX and United States Steel will enter into certain related agreements, including a Financial Matters Agreement and a Tax Sharing Agreement (collectively, together with the Plan of Reorganization, the "Separation Agreement"), establishing certain arrangements between USX and United States Steel deemed necessary by USX and United States Steel in order to address various business, legal and regulatory issues resulting from the Separation. The Separation and the related transactions, including the Value Transfer, are collectively referred to as the "Transactions".

We have been requested to render to the Board our opinion with respect to the fairness, from a financial point of view, of the financial effects, taken as a whole, of the Transactions to the holders of the Marathon Group Shares and to the holders of the U. S. Steel Group Shares. We have not been requested to

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opine as to, and our opinion does not in any manner address, USX's underlying business decision to proceed with or effect the proposed Transactions.

In arriving at our opinion, we reviewed, among other things, (1) historical financial statements of USX, including the separate financial statements for the Marathon Group and the U. S. Steel Group, and certain other historical financial and operating data of USX, including the Marathon Group and the U. S. Steel Group, (2) certain publicly available information with respect to USX, including the Marathon Group and the U. S. Steel Group, (3) certain projected financial data with respect to USX, including the Marathon Group and the U. S.

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Steel Group, without giving effect to the Separation, and with respect to United States Steel and MOC, giving effect to the Separation, in each case as prepared by the management of USX, including the management of the Marathon Group and the management of the U. S. Steel Group (collectively, "Management"), (4) reported prices and trading activity for the Marathon Group Shares and the U. S. Steel Group Shares, (5) drafts of the Plan of Reorganization, the Financial Matters Agreement and the Tax Sharing Agreement, (6) the preliminary proxy materials filed by USX with the Securities and Exchange Commission in connection with the Separation, (7) the letter dated July 2, 2001 from USX to the Internal Revenue Service requesting a private letter ruling that the Separation will qualify as a tax-free distribution under Section 355 of the Internal Revenue Code and (8) the terms of the Marathon Group Shares and the U. S. Steel Group Shares as set forth in USX's certificate of incorporation as currently in effect. In addition, we have held discussions with Management with respect to, among other things, (1) the operations and financial condition of USX, including the Marathon Group and the U. S. Steel Group, and the plans of Management with respect to the business and affairs of USX, including the Marathon Group and the U. S. Steel Group, prior to the Separation and of United States Steel and MOC after the Separation, (2) certain projected financial data with respect to USX, including the Marathon Group and the U. S. Steel Group, without giving effect to the Separation, and with respect to United States Steel and MOC, giving effect to the Separation, in each case as prepared by Management, (3) the benefits and detriments to USX of continued ownership of both the Marathon Group and the U. S. Steel Group, (4) the expected impact of the Transactions on the operations and the financial and strategic flexibility of United States Steel and MOC after the Separation, (5) certain terms of the proposed Plan of Reorganization and (6) the effect of the Separation Agreement on the business, results of operations and financial condition of each of United States Steel and MOC. In addition, we undertook such other studies, analyses and investigations as we deemed appropriate for purposes of rendering our opinion.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of all of the financial and other information used by us without assuming any responsibility for independent verification of such information and have further relied upon the assurances of Management that they are not aware of any facts that would make such information inaccurate or misleading. With respect to the projected financial data of USX, including the Marathon Group and the U. S. Steel Group, and of United States Steel and MOC after the Separation prepared by Management, upon the advice of Management and with your consent we have assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Management as to the expected future prospects and financial performance of USX, including the Marathon Group and the U. S. Steel Group, and of United States Steel and MOC after the Separation, and we have relied on such projections in rendering our opinion. With respect to the estimates prepared by Management of the value of certain benefits and detriments of the Separation to each of United States Steel and MOC, with your consent, we have relied on such

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estimates and assumed that they were reasonably prepared and reflected the best currently available judgments of Management as to such benefits and detriments.

In arriving at our opinion, we have not conducted a physical inspection of the properties and facilities of USX, including the properties and facilities constituting the Marathon Group or the U. S. Steel Group, and have not made or obtained any evaluations or appraisals of the assets or liabilities of USX, including the assets or liabilities allocated or attributed to the Marathon Group or the U. S. Steel Group. We have not been requested to opine as to, and our opinion does not in any manner address, the solvency of United States Steel or MOC (including the impact of any contingent liabilities of United States Steel or MOC) after giving effect to the Transactions, which is the subject of a written opinion, dated as of the date of this opinion, of American Appraisal Associates, Inc. You also have advised us, and we have assumed, that the Transactions will be consummated in accordance with the terms of the Plan of Reorganization, without waiver, amendment or modification of any material term, condition or agreement set forth therein. We have also assumed that the Plan of Reorganization, the Financial Matters Agreement and the Tax Sharing Agreement, when executed, will conform to the drafts reviewed by us in all respects material to our analyses. In addition, you have not authorized us to solicit, and we have not solicited, any indications of interest from any third party with respect to a business combination or other extraordinary transaction involving USX or any of its assets or subsidiaries, including the assets or subsidiaries constituting the Marathon Group or the U. S. Steel Group. Similarly, we

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have not been engaged by you to participate, nor have we participated in, the negotiation of any terms of the Separation Agreement or the Transactions. Our opinion does not address whether the financial effects of the Transactions to the holders of Marathon Group Shares or U. S. Steel Group Shares are the most favorable that could have been obtained by either group of such holders.

We have not been asked to, and we do not, express an opinion as to the prices at which the common stock of United States Steel or MOC will actually trade following the Separation, and we can provide no assurance that the trading price of (A) a share of common stock of MOC following the Separation will be equal to or in excess of the trading price of a Marathon Group Share prior to the Separation or (B) a share of common stock of United States Steel following the Separation will be equal to or in excess of the trading price of a U. S. Steel Group Share prior to the Separation.

Our opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of this letter. Furthermore, we wish to advise you that certain elements of the Transactions are not susceptible to precise quantification and that, in connection with the preparation of this opinion, we have made judgments and estimates that we consider reasonable and appropriate under the circumstances.

We have acted as financial advisor to the Board in connection with the Transactions and will receive a fee for our services. A significant portion of our fee is contingent on consummation of the Separation. We have performed in the past and may perform in the future other investment banking financial advisory services for USX, MOC, United States Steel and their respective affiliates, including in connection with the offering by the U. S. Steel Group of its 7 year, 10.75% senior unsecured notes, for which we have received and will receive customary compensation.

In the ordinary course of our business, we actively trade in the debt and equity securities of USX for our own account and for the accounts of our



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customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board and is rendered to the Board in connection with its consideration of the Transactions. This opinion is not intended to be and does not constitute a recommendation to any holder of Marathon Group Shares or U. S. Steel Group Shares as to whether such stockholder should consent to the Transactions.

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that the financial effects, taken as a whole, of the Transactions are fair, from a financial point of view, to the holders of the Marathon Group Shares and to the holders of the U. S. Steel Group Shares.

Very truly yours,

SALOMON SMITH BARNEY INC.

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ANNEX C

### UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS FOR UNITED STATES STEEL CORPORATION

The following unaudited pro forma condensed combined balance sheet as of June 30, 2001 gives effect to the \$900 million Value Transfer, new financing arrangements, the assignment of certain USX corporate assets and liabilities and the payment of Separation Costs as if such transactions had been consummated as of June 30, 2001. The following unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2001, and the year ended December 31, 2000, give effect to changes in net interest and other financial costs as a result of the Value Transfer and new financing arrangements, as if such transactions had been consummated at the beginning of the periods presented.

No pro forma adjustments were made for changes in the future level of corporate administrative costs to be incurred by United States Steel Corporation as compared with the historical level of such costs allocated to United States Steel. These costs are expected to continue at approximately the same level as previously allocated, except for insurance costs which are estimated to be higher by \$9 million annually.

No pro forma adjustments have been made in the unaudited pro forma condensed combined statements of operations for nonrecurring charges associated with the Separation. Such adjustments are reflected in the unaudited pro forma condensed combined balance sheet.

Following the Separation, United States Steel Corporation will account for its assets and liabilities based on the historical values at which they were carried by USX immediately prior to the Separation.

The pro forma adjustments included herein are based on available information and certain assumptions that management believes are reasonable and are described in the accompanying notes. The unaudited pro forma condensed combined financial statements do not necessarily represent United States Steel Corporation's financial position or results of operations had the transactions occurred at such dates or project United States Steel Corporation's financial position or results of operations for any future date or period. A number of factors may affect United States Steel Corporation's results. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" on page 26. In the opinion of management,

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all adjustments necessary to present fairly the unaudited pro forma condensed combined financial statements have been made. The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical combined financial statements of United States Steel, including the notes thereto, included in Annex D.

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### UNITED STATES STEEL CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET  
June 30, 2001  
Dollars in millions

	United States Steel Historical	Separation Adjustments	Value Transfer	United States Steel Corporation Pro Forma
	-----	-----	-----	-----
<b>ASSETS</b>				
Cash and cash equivalents...	\$ 254	\$(189) (A)	\$	\$ 65
Other current assets.....	2,422			2,422
Property, plant and equipment--net.....	3,098	20 (B)		3,118
Prepaid pensions.....	2,711			2,711
Other assets.....	469	31 (A) 5 (B)		505
	-----	-----	-----	-----
Total assets.....	\$8,954	\$(133)	\$	\$8,821
	=====	=====	=====	=====
<b>LIABILITIES AND EQUITY</b>				
Current liabilities other than debt.....	\$1,313	\$ (43) (A) (2) (B)	\$	\$1,268
Notes payable and long-term debt due within one year...	347	(329) (A)		18
Long-term debt.....	2,085	588 (A)	(900) (C)	1,773
Other long-term liabilities.....	3,100	(2) (A) (16) (B)		3,082
Preferred securities of subsidiaries.....	249	(249) (A)		--
Equity.....	1,860	(123) (A) 43 (B)	900 (C)	2,680
	-----	-----	-----	-----
Total liabilities and equity.....	\$8,954	\$(133)	\$ --	\$8,821
	=====	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

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UNITED STATES STEEL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

(A) Reflects the effects of the following:

- (1) Reversal of the attribution to United States Steel of the financial activities of USX, including invested cash, deferred financing costs, accrued interest payable, debt, and preferred securities of subsidiaries.
- (2) Recognition of existing USX debt for which United States Steel Corporation will be responsible under the Financial Matters Agreement.
- (3) New financing arrangements of United States Steel Corporation, the proceeds of which will be used to pay Marathon Oil Corporation in connection with the Separation and to pay United States Steel Corporation's portion of the Separation Costs.

For a more detailed description, see "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

The decrease in cash and cash equivalents of \$189 million reflects the reversal of the portion of USX invested cash historically attributed to United States Steel which will be included in the accounts of Marathon Oil Corporation.

The increase in other assets of \$31 million primarily reflects estimated deferred financing costs to be incurred related to the new financing arrangements.

The decrease in current liabilities other than debt of \$43 million primarily reflects the reversal of the portion of USX's accrued interest payable historically attributed to United States Steel which will be included in the accounts of Marathon Oil Corporation.

The net increase in debt of \$259 million (the sum of a decrease in notes payable and long-term debt due within one year of \$329 million and an increase in long-term debt of \$588 million) primarily reflects the refinancing of other obligations not classified as debt (Preferred securities of subsidiaries and 6.50% Preferred Stock), net of invested cash, and Separation Costs. The following table reconciles the amount of debt attributed to United States Steel to the pro forma balance of United States Steel Corporation debt.

	Dollars in millions -----
Debt attributed to United States Steel.....	\$2,432
Other obligations, net of invested cash, attributed to United States Steel which will be refinanced as debt:	
Preferred securities of subsidiaries.....	249
6.50% Preferred Stock.....	121
Invested cash.....	(189)

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Other financial activities.....	35
Excess of redemption value over carrying value of Trust Preferred.....	14
Separation Costs.....	29
	----
Net refinancing of other obligations.....	259
	-----
Debt before the Value Transfer.....	2,691
Value Transfer.....	(900)
	-----
Pro forma balance of United States Steel Corporation debt.....	\$1,791
	=====

The net decrease in other long-term liabilities of \$2 million reflects expected tax benefits related to Separation Costs.

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The net decrease in equity of \$123 million consists of the following:

	Dollars in millions
	-----
6.50% Preferred Stock, which will be repaid by Marathon Oil Corporation.....	\$121
Excess of redemption value of the Trust Preferred over carrying value.....	14
Other adjustments, net.....	(12)
	----
Net decrease in equity.....	\$123
	=====

The following illustrates the pro forma balance of United States Steel Corporation's debt at June 30, 2001:

	Dollars in millions
	-----
USX debt that will be the responsibility of United States Steel Corporation:	
USSK Loan Facility.....	\$ 325
Industrial revenue bonds (for which Marathon Oil Corporation remains obligated).....	479
Fairfield caster sublease.....	84
Capital lease obligations and other.....	6
New financing arrangements:	
To pay Marathon Oil Corporation.....	\$868
To pay Separation Costs.....	29
	-----
Total new financing arrangements.....	897
	-----
Total debt.....	1,791

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Less notes payable and long-term debt within one year.....	18
	-----
Total long-term debt.....	\$1,773
	=====

The new financing arrangements include the July 27 and September 11, 2001 sale of an aggregate of \$535 million of Senior Notes at an annual interest rate of 10.75%. The Senior Notes were issued at a discount that resulted in proceeds of \$530 million. At least \$300 million of these financing requirements will be funded through the preliminary tax settlement with Marathon Oil Corporation which will occur immediately prior to the Separation. For more information regarding this tax settlement, see "RELATIONSHIP BETWEEN UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION AFTER THE SEPARATION--Tax Sharing Agreement" on page 118. The remaining \$67 million of new financing arrangements may include a combination of additional senior notes, lease financings, new preferred or other security offerings, including an exchange of existing securities for new securities, and amounts drawn under new credit facilities, including a secured accounts receivable facility and a secured inventory facility.

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- (B) Reflects the assignment of certain USX corporate assets and liabilities to United States Steel Corporation. For a more detailed description, see "THE SEPARATION--Assignment of Other USX Corporate Assets and Certain Liabilities in the Separation" on page 53. The effects can be summarized as follows:

	Dollars in millions				
	Property, Plant and Equipment	Other Assets	Current Liabilities	Other Liabilities	Total
Property, plant and equipment.....	\$ 20	\$ --	\$ --	\$ --	\$ 20
Assets and liabilities associated with employee benefits.....	--	5	2	66	73
Income tax assets and liabilities, including tax effect of above adjustments.....	--	--	--	(50)	(50)
Increase in equity.....	\$ 20	\$ 5	\$ 2	\$ 16	\$ 43

- (C) Reflects adjustments related to the \$900 million Value Transfer. In connection with the Separation, a portion of USX indebtedness and other obligations will be repaid or retired and United States Steel Corporation will incur indebtedness and other obligations and agree to repay a portion of the indebtedness and other obligations of USX, such that the amount of

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indebtedness and other obligations for which United States Steel Corporation is responsible is \$900 million less than the net amounts attributed to United States Steel immediately prior to the Separation. For a more detailed description of the Value Transfer, see "THE SEPARATION-- Financing Arrangements Relating to the Separation" on page 47.

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UNITED STATES STEEL CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
Six Months Ended June 30, 2001  
Dollars in millions (except per share amounts)

	United States Steel Historical	Separation Adjustments	United States Steel Corporation Pro forma
	-----	-----	-----
Revenues and other income.....	\$3,301	\$	\$3,301
Costs and expenses:			
Cost of revenues (excludes items shown below).....	3,148		3,148
Selling, general and administrative expenses .....	3		3
Depreciation, depletion and amortization.....	152		152
Taxes other than income taxes.....	126		126
	-----	-----	-----
Total costs and expenses.....	3,429		3,429
	-----	-----	-----
Income (loss) from operations.....	(128)		(128)
Net interest and other financial costs .....	36	(18) (A)	18
	-----	-----	-----
Income (loss) before income taxes.....	(164)	18	(146)
Provision (credit) for income taxes....	(143)	6 (B)	(137)
	-----	-----	-----
Net income (loss).....	(21)	12	(9)
Dividends on preferred stock.....	4	(4) (C)	--
	-----	-----	-----
Net income (loss) applicable to common stock.....	\$ (25)	\$ 16	\$ (9)
	=====	=====	=====
Net income (loss) per common share: (D) Basic and diluted.....			\$ (.10)

See Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

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UNITED STATES STEEL CORPORATION

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
Year Ended December 31, 2000  
Dollars in millions (except per share amounts)

	United States Steel Historical -----	Separation Adjustments -----	United States Steel Corporation Pro forma -----
Revenues and other income.....	\$6,132	\$	\$6,132
Costs and expenses:			
Cost of revenues (excludes items shown below).....	5,656		5,656
Selling, general and administrative expenses (credits).....	(223)		(223)
Depreciation, depletion and amortization.....	360		360
Taxes other than income taxes.....	235		235
	-----	----	-----
Total costs and expenses.....	6,028		6,028
	-----	----	-----
Income from operations.....	104		104
Net interest and other financial costs.....	105	(68) (A)	37
	-----	----	-----
Income (loss) before income taxes.....	(1)	68	67
Provision for income taxes.....	20	24 (B)	44
	-----	----	-----
Net income (loss).....	(21)	44	23
Dividends on preferred stock.....	8	(8) (C)	--
	-----	----	-----
Net income (loss) applicable to common stock.....	\$ (29)	\$ 52	\$ 23
	=====	====	=====
Net income (loss) per common share: (D) Basic and diluted.....			\$ 0.26

See Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

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### UNITED STATES STEEL CORPORATION

#### NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

- (A) Reflects a decrease in net interest and other financial costs as a result of a decrease in the amount of indebtedness of United States Steel Corporation following the Separation, as compared to the amount of USX debt attributed to United States Steel. The decrease primarily reflects the \$900 million Value Transfer. Pro forma interest costs have been calculated based on pro forma average levels of debt for the six months ended June 30, 2001, and for the year ended December 31, 2000. Pro forma debt reflects new financing arrangements, the proceeds of which will be used to pay Marathon

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Oil Corporation in connection with the Separation and to pay United States Steel Corporation's portion of the Separation Costs.

The assumed interest rate for new financing arrangements was 10% based upon expected market conditions and the expected credit rating of United States Steel Corporation. The pro forma average interest rate for the six months ended June 30, 2001 for existing USX debt and other obligations for which United States Steel Corporation will be responsible was approximately 6 3/4%. The weighted average interest rate for the six months ended June 30, 2001 for all United States Steel Corporation pro forma debt and other obligations was approximately 8 1/4%. A 1/8 percentage point change in the assumed interest rate for new financing arrangements would have changed annual interest costs by approximately \$1 million.

- (B) Reflects the income tax effects of adjustment (A).
- (C) Reflects the elimination of preferred stock dividends on the 6.50% Preferred Stock, which will be repaid by Marathon Oil Corporation.
- (D) Weighted average shares of common stock outstanding (basic and diluted) for United States Steel Corporation, on a pro forma basis, were 88,906,000 for the six months ended June 30, 2001, and 88,613,000 for the year ended December 31, 2000.

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### UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS FOR MARATHON OIL CORPORATION

The following unaudited pro forma condensed balance sheet as of June 30, 2001 gives effect to the discontinuance of the businesses of United States Steel Corporation, the \$900 million Value Transfer, the assignment of certain USX corporate assets and liabilities to United States Steel Corporation, the payment of Separation Costs and the distribution of New U. S. Steel Shares to the holders of U. S. Steel Group Shares as if such transactions had been consummated as of June 30, 2001. The following unaudited pro forma condensed statements of operations for the six months ended June 30, 2001 and the year ended December 31, 2000 give effect to the discontinuance of the businesses of United States Steel Corporation and interest changes as a result of the Value Transfer and the repayment of the 6.5% Preferred Stock as if such transactions had been consummated at the beginning of the periods presented. The unaudited pro forma condensed statements of operations of Marathon Oil Corporation for the years ended December 31, 1999 and 1998 give effect to the discontinuance of the businesses of United States Steel Corporation but do not give effect to any adjustments associated with the Separation.

No pro forma adjustments were made for changes in the future level of corporate administrative costs to be incurred by Marathon Oil Corporation as compared with the historical level of such costs allocated to Marathon. These costs are expected to continue at approximately the same level as previously allocated, except for insurance costs which are estimated to be higher by \$2 million annually.

No pro forma adjustments have been made in the unaudited pro forma condensed statements of operations for nonrecurring charges including the Separation Costs and the loss on the Separation. Such adjustments are reflected in the unaudited pro forma condensed balance sheet.

The pro forma adjustments included herein are based on available information and certain assumptions that management believes are reasonable and are described in the accompanying notes. The unaudited pro forma condensed



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financial statements do not necessarily represent Marathon Oil Corporation's financial position or results of operations had the transactions occurred at such dates or project Marathon Oil Corporation's financial position or results of operations for any future date or period. A number of factors may affect Marathon Oil Corporation's results. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" on page 26. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed financial statements have been made. The unaudited pro forma condensed financial statements should be read in conjunction with the historical financial statements of USX Corporation, including the notes thereto, included in Annex E.

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MARATHON OIL CORPORATION

UNAUDITED PRO FORMA CONDENSED BALANCE SHEET  
June 30, 2001  
Dollars in millions

	USX Historical	Discontinued Operations Adjustments		Marathon Oil Corporation Pro Forma Before Separation Adjustments	Separation Adjustments	Value Transfer	Marathon Oil Corporation Pro Fo
	-----	-----		-----	-----	-----	-----
<b>ASSETS</b>							
Cash and cash equivalents.....	\$ 723	\$ (254) (A)		\$ 469	\$ 189 (C)	\$	\$ 6
Other current assets....	6,465	(2,422) (A)		4,366	20 (C)		4,3
		323 (B)					
Net investment in discontinued operations.....		1,860 (A)		1,860	(123) (C)	900 (F)	-
					43 (D)		
					(2,680) (E)		
Property, plant and equipment--net.....	12,977	(3,098) (A)		9,879	(20) (D)		9,8
Prepaid pensions.....	2,928	(2,711) (A)		217			2
Other assets.....	1,421	(469) (A)		1,073	551 (C)		1,5
		121 (B)			(82) (D)		
Total assets.....	\$24,514	\$ (6,650)		\$17,864	\$ (2,102)	\$900	\$16,6
	=====	=====		=====	=====	=====	=====
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities</b>							
other than debt.....	\$ 4,655	\$ (1,313) (A)		\$ 3,665	\$ 25 (C)	\$	\$ 3,6
		323 (B)			2 (D)		
Notes payable and long-term debt due within one year.....	686	(347) (A)		339	344 (C)		6
Long-term debt.....	3,673	(2,085) (A)		1,588	367 (C)	900 (F)	2,8
Other long-term liabilities.....	5,363	(3,100) (A)		2,384	(4) (C)		2,3
		121 (B)			(61) (D)		

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Preferred securities of subsidiaries.....	433	(249) (A)	184	66 (C)		2
Minority interest in Marathon Ashland Petroleum LLC.....	2,010		2,010			2,0
Equity.....	7,694		7,694	(150) (C)		4,8
				(11) (C)		
				(1,797) (E)		
				(883) (E)		
	-----	-----	-----	-----	----	-----
Total liabilities and equity.....	\$24,514	\$ (6,650)	\$17,864	\$ (2,102)	\$900	\$16,6
	=====	=====	=====	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Balance Sheet

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MARATHON OIL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET

- (A) Reflects the reclassification of all assets and liabilities of the businesses of United States Steel Corporation to discontinued operations. The measurement date for discontinued operations purposes will be on or about the Separation Effective Time.
- (B) Reflects the establishment of payables to United States Steel previously eliminated in consolidation, primarily related to income taxes under USX's tax allocation policy.
- (C) Reflects the effects of the following:
  - (1) Recognition of the financial activities of USX formerly attributed to United States Steel, including invested cash, deferred financing costs, accrued interest payable, debt, and preferred securities of subsidiaries.
  - (2) Reversal of existing USX debt for which United States Steel Corporation will be responsible under the Financial Matters Agreement.
  - (3) Establishment of receivables from United States Steel Corporation under the Financial Matters Agreement for obligations relating to industrial revenue bonds and a sublease of the Fairfield caster.
  - (4) Payment from United States Steel Corporation, the proceeds of which will be used to redeem the Trust Preferred, to repay the 6.5% Preferred Stock, to repay the Receivables Facility and to fund a portion of the Separation Costs.
  - (5) New financing arrangements of Marathon Oil Corporation, the proceeds of which will be used to fund the remaining portion of the Separation Costs.

For a more detailed description, see "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

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The increase in cash of \$189 million reflects the recognition of the portion of USX invested cash historically attributed to United States Steel which will be included in the accounts of Marathon Oil Corporation.

The increase in other current assets of \$20 million reflects the principal and accrued interest on industrial revenue bonds and the Fairfield caster lease for which Marathon Oil Corporation remains obligated but United States Steel Corporation assumes responsibility for repayment.

The increase in other assets of \$551 million primarily reflects receivables from United States Steel Corporation of \$470 million related to industrial revenue bonds for which Marathon Oil Corporation remains obligated but United States Steel Corporation assumes responsibility for repayment and \$78 million related to a sublease of the Fairfield caster to United States Steel Corporation.

The increase in current liabilities other than debt of \$25 million primarily reflects the recognition of the portion of USX's accrued interest payable historically attributed to United States Steel which will be included in the accounts of Marathon Oil Corporation.

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The net increase in debt of \$711 million (the sum of an increase in notes payable and long-term debt due within one year of \$344 million and an increase in long-term debt of \$367 million) primarily reflects the refinancing of other obligations (Preferred securities of subsidiaries and 6.50% Preferred Stock), net of invested cash, by United States Steel Corporation, the refinancing of other obligations and Separation Costs by Marathon Oil Corporation, and certain obligations assumed by United States Steel Corporation but reflected as both an asset and liability by Marathon Oil Corporation. The following table reconciles the amount of total USX debt to the pro forma balance of Marathon Oil Corporation debt.

	Dollars in millions -----
Total USX debt.....	\$4,359
Less debt attributed to discontinued operations.....	2,432
	-----
Debt of Marathon Oil Corporation before separation adjustments.....	1,927
Other obligations, net of invested cash, which will be refinanced by United States Steel Corporation:	
Preferred securities of subsidiaries.....	(249)
6.50% Preferred Stock.....	(121)
Invested cash.....	189
Other financial activities.....	(35)
Excess of redemption value over carrying value of Trust Preferred.....	(14)
Other obligations which will be refinanced by Marathon Oil Corporation:	
Separation Costs.....	60
Redemption of the Trust Preferred.....	197
Repayment of the 6.50% Preferred Stock.....	121
Obligations assumed by United States Steel Corporation, reflected as both an asset and liability by Marathon Oil Corporation:	

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Industrial revenue bonds.....	479
Fairfield caster lease.....	84
	----
Net refinancing of other obligations and obligations assumed by United States Steel Corporation.....	711
	-----
Debt before the Value Transfer.....	2,638
Value Transfer.....	900
	-----
Pro forma balance of Marathon Oil Corporation debt.....	\$3,538
	=====

The decrease in other long-term liabilities of \$4 million reflects expected tax benefits related to the Separation Costs.

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The increase in preferred securities of subsidiaries of \$66 million reflects the recognition of the portion of such obligations historically attributed to United States Steel which will be included in the accounts of Marathon Oil Corporation.

The decrease in equity of \$150 million consists of the following:

	Dollars in millions -----
Repayment of 6.50% Preferred Stock.....	\$121
Adjustments related to Separation Costs.....	29
	----
Net decrease in equity.....	\$150
	=====

The extraordinary loss of \$11 million on the redemption of the Trust Preferred, net of the income tax benefit, included in pro forma equity is calculated below:

	Dollars in millions -----
Redemption cost (3,937,163 shares redeemed at \$50 per share).....	\$ 197
Carrying value.....	(183)
Writeoff of deferred financing costs.....	4
	-----
Extraordinary loss before income tax benefit.....	18
Income tax benefit.....	(7)
	-----
Extraordinary loss, net of income tax benefit.....	\$ 11
	=====

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The extraordinary loss is reflected on the unaudited pro forma condensed balance sheet but not in the unaudited pro forma condensed statements of operations.

The decrease in net investment in discontinued operations of \$123 million reflects the offsetting impact of these adjustments on United States Steel Corporation. For a detailed description, see "UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS FOR UNITED STATES STEEL CORPORATION" on pages C-1 to C-8.

The pro forma sources and uses of funds received from United States Steel Corporation and from new financing arrangements were as follows:

	Dollars in millions -----
Payment from United States Steel Corporation.....	\$868 ====
Repayment of the Receivables Facility.....	\$350
Redemption of the Trust Preferred.....	197
Repayment of the 6.50% Preferred Stock.....	121
Repayment of other debt obligations.....	140
Payment of Separation Costs.....	60 ----
Total.....	\$868 ====

The payment from United States Steel Corporation will be reduced by the amount paid by Marathon to United States Steel in the preliminary tax settlement. This amount is expected to be at least \$300 million. For more information regarding this tax settlement, see "RELATIONSHIP BETWEEN UNITED STATES STEEL CORPORATION AND MARATHON OIL CORPORATION AFTER THE SEPARATION--Tax Sharing Agreement" on page 118.

The decrease in other long-term liabilities of \$4 million reflects expected tax benefits related to the Separation Costs.

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- (D) Reflects the assignment of certain USX corporate assets and liabilities to United States Steel Corporation. For a more detailed description, see "THE SEPARATION--Assignment of Other USX Corporate Assets and Certain Liabilities in the Separation" on page 53. The effects can be summarized as follows:

Dollars in millions				
Property, Plant and Other Equipment Assets	Other Assets	Current Liabilities	Other Liabilities	Total

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Property, plant and equipment.....	\$ (20)	\$ --	\$ --	\$ --	\$ (20)
Assets and liabilities associated with employee benefits.....	--	(5)	(2)	(66)	(73)
Reclassification of intercompany balances..	--	(77)	--	77	--
Income tax assets and liabilities, including the tax effect of above adjustments.....	--	--	--	50	50
	----	-----	-----	-----	-----
Net effect on net investment in discontinued operations.....	\$ (20)	\$ (82)	\$ (2)	\$ 61	\$ (43)
	=====	=====	=====	=====	=====

(E) Reflects the removal of the net investment in discontinued operations. Also reflects the distribution of New U. S. Steel Shares to the holders of U. S. Steel Group Shares as a dividend. Because the net investment in discontinued operations exceeded the fair value, as measured by the aggregate market value of the U. S. Steel Group Shares at June 30, 2001, a nonrecurring non-cash charge would have been recognized as follows:

	Dollars in millions -----
Market value of the U. S. Steel Group Shares (89,156,721 shares of stock issued and outstanding at \$20.15 per share).....	\$1,797
Less net investment in discontinued operations.....	2,680
	-----
Loss on separation.....	\$ (883)
	=====

(F) Reflects adjustments related to the \$900 million Value Transfer. In connection with the Separation, a portion of USX indebtedness will be repaid or retired and United States Steel Corporation will incur indebtedness and agree to repay a portion of the indebtedness and other obligations of USX, such that the amount of indebtedness and other obligations for which United States Steel Corporation is responsible is \$900 million less than the net amounts attributed to United States Steel immediately prior to the Separation. For a more detailed description of the Value Transfer, see "THE SEPARATION--Financing Arrangements Relating to the Separation" on page 47.

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MARATHON OIL CORPORATION

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS  
Six Months Ended June 30, 2001  
Dollars in millions (except per share amounts)

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	USX Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Pro Forma Before Separation Adjustments	Separat Adjustm
	-----	-----	-----	-----
Revenues and other income.....	\$21,188	\$(3,301) (A) 24 (B)	\$17,911	\$
Costs and expenses:				
Cost of revenues (excludes items shown below)..	15,560	(3,148) (A) 24 (B)	12,436	
Selling, general and administrative expenses...	329	(3) (A) 14 (C)	340	
Depreciation, depletion and amortization.....	761	(152) (A)	609	
Taxes other than income taxes.....	2,450	(126) (A)	2,324	
Exploration expenses.....	49	--	49	
	-----	-----	-----	-----
Total costs and expenses.....	19,149	(3,391)	15,758	
Income from operations.....	2,039	114	2,153	
Net interest and other financial costs.....	109	(36) (A) 10 (D)	83	
Minority interest in Marathon Ashland Petroleum LLC.....	427	--	427	
	-----	-----	-----	-----
Income before income taxes.....	1,503	140	1,643	(
Provision for income taxes.....	434	143 (A) (8) (E)	569	(
	-----	-----	-----	-----
Income from continuing operations.....	1,069	5	1,074	(
Discontinued operations:				
Results of operations, net of tax.....	--	(5) (A)	(5)	
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle.....	1,069	--	1,069	(
Cumulative effect of change in accounting principle.....	(8)	--	(8)	
	-----	-----	-----	-----
Net income.....	\$ 1,061	\$ --	\$ 1,061	\$ (
	=====	=====	=====	=====
Applicable to Marathon Stock: (I)				
Income before cumulative effect of change in accounting principle.....	\$ 1,090			
Per share--basic.....	3.53			
--diluted.....	3.52			
Cumulative effect of change in accounting principle.....	\$ (8)			
Per share--basic.....	(0.03)			
--diluted.....	(0.02)			
Net income.....	\$ 1,082			
Per share--basic and diluted.....	3.50			
Applicable to Steel Stock: (I)				
Income (loss) before cumulative effect of change in accounting principle.....	\$ (25)			
Per share--basic and diluted.....	(0.28)			
Cumulative effect of change in accounting principle.....	\$ --			

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Per share--basic and diluted.....	--
Net income (loss).....	\$ (25)
Per share--basic and diluted.....	(0.28)
Applicable to Marathon Oil Corporation Stock: (I)	
Income before cumulative effect of change in accounting principle.....	
Per share--basic.....	
--diluted.....	
Cumulative effect of change in accounting principle.....	
Per share--basic.....	
--diluted.....	
Net income.....	
Per share--basic and diluted.....	

See Notes to Unaudited Pro Forma Condensed Statement of Operations.

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MARATHON OIL CORPORATION

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

Year Ended December 31, 2000

Dollars in millions (except per share amounts)

	USX Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Pro Forma Before Separation Adjustments	Separation Adjustments	Marathon Oil Corporation Pro Forma
	-----	-----	-----	-----	-----
Revenues and other income.....	\$39,914	\$ (6,132) (A) 77 (B)	\$33,859	\$	\$33,859
Costs and expenses:					
Cost of revenues (excludes items shown below).....	31,056	(5,656) (A) 77 (B)	25,477		25,477
Selling, general and administrative expenses.....	402	223 (A) 18 (C)	643		643
Depreciation, depletion and amortization.....	1,605	(360) (A)	1,245		1,245
Taxes other than income taxes.....	4,861	(235) (A)	4,626		4,626
Exploration expenses..	238	--	238		238
	-----	-----	-----	----	-----
Total costs and expenses.....	38,162	(5,933)	32,229		32,229
	-----	-----	-----	----	-----
Income from operations..	1,752	(122)	1,630		1,630
Net interest and other					



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financial costs.....	341	(105) (A)	236	89 (F)	325
Minority interest in Marathon Ashland Petroleum LLC.....	498	--	498		498
	-----	-----	-----	----	-----
Income before income taxes.....	913	(17)	896	(89)	807
Provision for income taxes.....	502	(20) (A) (6) (E)	476	(33) (G)	443
	-----	-----	-----	----	-----
Income from continuing operations.....	411	9	420	(56)	364
Discontinued operations: Results of operations, net of tax.....	--	(9) (A)	(9)	9 (H)	--
	-----	-----	-----	----	-----
Net income.....	\$ 411	\$ --	\$ 411	\$ (47)	\$ 364
	=====	=====	=====	=====	=====
Applicable to Marathon Stock: (I) Per share--basic and diluted Net income.....	\$ 1.39				
Applicable to Steel Stock: (I) Per share--basic and diluted Net income (loss).....	\$ (0.33)				
Applicable to Marathon Oil Corporation Stock: (I) Per share--basic and diluted Net income.....					\$ 1.17

See Notes to Unaudited Pro Forma Condensed Statement of Operations

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MARATHON OIL CORPORATION

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS  
Year Ended December 31, 1999  
Dollars in millions

	USX Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Pro Forma Before Separation Adjustments
	-----	-----	-----
Revenues and other income.....	\$29,119	\$ (5,470) (A)	\$23,707
		58 (B)	
Costs and expenses:			

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Cost of revenues (excludes items shown below).....	21,679	(5,084) (A) 58 (B)	16,653
Selling, general and administrative expenses.....	203	283 (A) 12 (C)	498
Depreciation, depletion and amortization.....	1,254	(304) (A)	950
Taxes other than income taxes.....	4,433	(215) (A)	4,218
Exploration expenses.....	238		238
Inventory market valuation credits.....	(551)		(551)
	-----	-----	-----
Total costs and expenses.....	27,256	(5,250)	22,006
	-----	-----	-----
Income from operations.....	1,863	(162)	1,701
Net interest and other financial costs.....	362	(74) (A)	288
Minority interest in Marathon Ashland Petroleum LLC.....	447		447
	-----	-----	-----
Income before income taxes.....	1,054	(88)	966
Provision for income taxes.....	349	(25) (A) (4) (E)	320
	-----	-----	-----
Income from continuing operations...	705	(59)	646
Discontinued operations:			
Results of operations, net of tax..		59 (A)	59
Extraordinary losses.....	7		7
	-----	-----	-----
Net income.....	\$ 698	\$ --	\$ 698
	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Statement of Operations

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MARATHON OIL CORPORATION

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

Year Ended December 31, 1998

Dollars in millions

	USX Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Pro Forma Before Separation Adjustments
	-----	-----	-----
Revenues and other income.....	\$28,077	\$ (6,477) (A) 23 (B)	\$21,623
Costs and expenses:			
Cost of revenues (excludes items shown below).....	20,211	(5,604) (A) 23 (B)	14,630

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Selling, general and administrative expenses.....	304	201 (A) 9 (C)	514
Depreciation, depletion and amortization.....	1,224	(283) (A)	941
Taxes other than income taxes.....	4,241	(212) (A)	4,029
Exploration expenses.....	313		313
Inventory market valuation charges.....	267		267
	-----	-----	-----
Total costs and expenses.....	26,560	(5,866)	20,694
	-----	-----	-----
Income from operations.....	1,517	(588)	929
Net interest and other financial costs.....	279	(42) (A)	237
Minority interest in Marathon Ashland Petroleum LLC.....	249		249
	-----	-----	-----
Income before income taxes.....	989	(546)	443
Provision for income taxes.....	315	(173) (A) (3) (E)	139
	-----	-----	-----
Income from continuing operations...	674	(370)	304
Discontinued operations:			
Results of operations, net of tax.....		370 (A)	370
	-----	-----	-----
Net income.....	\$ 674	\$ --	\$ 674
	=====	=====	=====

See Notes to Unaudited Pro Forma Condensed Statement of Operations

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MARATHON OIL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

- (A) Reflects the reclassification of all revenues and expenses of the businesses of United States Steel to discontinued operations. The measurement date for discontinued operations purposes will be on or about the Separation Effective Time.
- (B) Reflects the establishment of revenues and the related cost of revenues for intercompany sales previously eliminated in consolidation.
- (C) Reflects the reversal of general corporate overhead expenses allocated to United States Steel that are not permitted to be reflected in discontinued operations.
- (D) Reflects the reversal of a portion of the interest expense allocated to United States Steel that is not permitted to be reflected in discontinued operations. The only period in which allocated interest exceeded the permitted amount was the six months ended June 30, 2001.
- (E) Reflects the income tax effects of adjustments (C) and (D).
- (F) Reflects an increase in net interest and other financial costs as a result

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of an increase in the amount of indebtedness of Marathon Oil Corporation following the Separation, as compared to the amount of USX debt attributed to Marathon. The increase primarily reflects the \$900 million Value Transfer and the repayment of the 6.50% Preferred Stock. Pro forma interest costs have been calculated based on pro forma average levels of debt for the six months ended June 30, 2001, and for the year ended December 31, 2000. Pro forma debt reflects the redemption of the Trust Preferred Securities and 6.50% Preferred Stock, repayment of the Receivables Facility, and payments from United States Steel Corporation for debt attributed to United States Steel prior to the Separation that will remain with Marathon Oil Corporation. In 2001, pro forma debt also includes the effects of additional drawings on existing lines of credit to fund Marathon's portion of the Separation Costs and to fund a portion of the repayment of the Receivables Facility. For the majority of the year 2000, the amount of debt that would have remained with Marathon Oil Corporation was less than the net debt levels of USX attributed to Marathon, adjusted for the \$900 million Value Transfer. As a result, pro forma debt for 2000 reflects additional drawings on existing lines of credit to fund the redemption of the Trust Preferred Securities and 6.5% Preferred Stock, to repay the Receivables Facility, and to pay Marathon's share of the Separation Costs.

The assumed interest rate for new financings was 6% in 2001 and 7% in 2000, which was based on the average borrowing rates on available lines of credit. A 1/8 percentage point change in the assumed financing rate would have changed annualized interest costs in 2000 by approximately \$1 million.

- (G) Reflects the income tax effects of adjustments (F).
- (H) Reflects the elimination of discontinued operations as a result of the Separation. Also includes amounts related to corporate administrative costs and interest costs allocated to United States Steel but not classified as discontinued operations.
- (I) Weighted average shares of common stock outstanding were 308,928,000 (basic) and 309,338,000 (diluted) for both Marathon Group and, on a pro forma basis, Marathon Oil Corporation for the six month period ended June 30, 2001. Weighted average shares of common stock outstanding were 311,531,000 (basic) and 311,761,000 (diluted) for both Marathon Group and, on a pro forma basis, Marathon Oil Corporation for year ended December 31, 2000. Weighted average shares of common stock outstanding (basic and diluted) for the U. S. Steel Group were 88,906,000 for the six months ended June 30, 2001, and 88,613,000 for the year ended December 31, 2000. Preferred stock dividends of \$4 million and \$8 million reduced net income applicable to U. S. Steel Group Shares for the six months ended June 30, 2001, and for the year ended December 31, 2000, respectively.

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ANNEX D

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Historical Financial Information for United States Steel

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Report of Independent Accountants

To the Stockholders of USX Corporation

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and of cash flows present fairly, in all material respects, the financial position of United States Steel at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of USX Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania  
 February 7, 2001

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UNITED STATES STEEL

COMBINED STATEMENT OF OPERATIONS

2000	1999	1998
-----	-----	-----
(Dollars in		

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millions)

Revenues and other income:			
Revenues.....	\$6,090	\$5,536	\$6,378
Income (loss) from investees.....	(8)	(89)	46
Net gains on disposal of assets.....	46	21	54
Other income (loss).....	4	2	(1)
	-----	-----	-----
Total revenues and other income.....	6,132	5,470	6,477
	-----	-----	-----
Costs and expenses:			
Cost of revenues (excludes items shown below).....	5,656	5,084	5,604
Selling, general and administrative expenses (credits) (Note 12).....	(223)	(283)	(201)
Depreciation, depletion and amortization.....	360	304	283
Taxes other than income taxes.....	235	215	212
	-----	-----	-----
Total costs and expenses.....	6,028	5,320	5,898
	-----	-----	-----
Income from operations.....	104	150	579
Net interest and other financial costs (Note 7).....	105	74	42
	-----	-----	-----
Income (loss) before income taxes and extraordinary losses.....	(1)	76	537
Provision for income taxes (Note 15).....	20	25	173
	-----	-----	-----
Income (loss) before extraordinary losses.....	(21)	51	364
Extraordinary losses (Note 6).....	--	7	--
	-----	-----	-----
Net income (loss).....	(21)	44	364
Dividends on preferred stock.....	8	9	9
	-----	-----	-----
Net income (loss) available to USX's net investment....	\$ (29)	\$ 35	\$ 355
	=====	=====	=====

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

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UNITED STATES STEEL

COMBINED BALANCE SHEET

December 31

-----  
2000                      1999  
-----

(Dollars in millions)

ASSETS

Current assets:			
Cash and cash equivalents.....	\$	219	\$ 22
Receivables, less allowance for doubtful accounts of \$57 and \$10.....		625	486
Receivables subject to a security interest (Note			

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11).....	350	350
Receivables from related parties (Note 13).....	366	99
Inventories (Note 14).....	946	743
Deferred income tax benefits (Note 15).....	201	281
Other current assets.....	10	--
	-----	-----
Total current assets.....	2,717	1,981
Investments and long-term receivables, less reserves of \$38 and \$3 (Note 16).....	439	475
Long-term receivables from related parties (Note 13)...	97	97
Property, plant and equipment--net (Note 21).....	2,739	2,516
Prepaid pensions (Note 12).....	2,672	2,404
Other noncurrent assets.....	47	52
	-----	-----
Total assets.....	\$ 8,711	\$ 7,525
	=====	=====
LIABILITIES		
Current liabilities:		
Notes payable.....	\$ 70	\$ --
Accounts payable.....	755	751
Accounts payable to related parties (Note 13).....	5	6
Payroll and benefits payable.....	202	322
Accrued taxes.....	173	177
Accrued interest.....	47	15
Long-term debt due within one year (Note 11).....	139	13
	-----	-----
Total current liabilities.....	1,391	1,284
Long-term debt (Note 11).....	2,236	902
Deferred income taxes (Note 15).....	666	348
Employee benefits (Note 12).....	1,767	2,245
Deferred credits and other liabilities.....	483	441
Preferred stock of subsidiary (Note 10).....	66	66
Mandatorily redeemable convertible preferred securities of a subsidiary trust holding solely junior subordinated convertible debentures of USX (Note 18)..	183	183
EQUITY (Note 19)		
Preferred stock.....	2	3
USX's net investment.....	1,950	2,073
Deferred compensation.....	(3)	--
Accumulated other comprehensive income (loss).....	(30)	(20)
	-----	-----
Total equity.....	1,919	2,056
	-----	-----
Total liabilities and equity.....	\$ 8,711	\$ 7,525
	=====	=====

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

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UNITED STATES STEEL  
COMBINED STATEMENT OF CASH FLOWS

2000    1999    1998  
-----  
(Dollars in

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millions)

Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income (loss).....	\$ (21)	\$ 44	\$ 364
Adjustments to reconcile to net cash provided from (used in) operating activities:			
Extraordinary losses.....	--	7	--
Depreciation, depletion and amortization.....	360	304	283
Pensions and other postretirement benefits.....	(847)	(256)	(215)
Deferred income taxes.....	389	107	158
Net gains on disposal of assets.....	(46)	(21)	(54)
Changes in:			
Current receivables--sold.....	--	(320)	(30)
--operating turnover.....	(263)	(242)	232
Inventories.....	(63)	(14)	7
Current accounts payable and accrued expenses.....	(262)	239	(285)
All other--net.....	126	72	(80)
	-----	-----	-----
Net cash provided from (used in) operating activities.....	(627)	(80)	380
	-----	-----	-----
Investing activities:			
Capital expenditures.....	(244)	(287)	(310)
Acquisition of U. S. Steel Kosice s.r.o., net of cash acquired of \$59.....	(10)	--	--
Disposal of assets.....	21	10	21
Restricted cash--withdrawals.....	2	15	35
--deposits.....	(2)	(17)	(35)
Investees--investments.....	(35)	(15)	(73)
--loans and advances.....	(10)	--	(1)
All other--net.....	8	--	14
	-----	-----	-----
Net cash used in investing activities.....	(270)	(294)	(349)
	-----	-----	-----
Financing activities (Note 10):			
Increase in attributed portion of USX consolidated debt.....	1,208	147	13
Specifically attributed debt:			
Borrowings.....	--	350	--
Repayments.....	(6)	(11)	(4)
Steel Stock issued.....	--	--	55
Preferred stock repurchased.....	(12)	(2)	(8)
Dividends paid.....	(97)	(97)	(96)
	-----	-----	-----
Net cash provided from (used in) financing activities.....	1,093	387	(40)
	-----	-----	-----
Effect of exchange rate changes on cash.....	1	--	--
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents....	197	13	(9)
Cash and cash equivalents at beginning of year.....	22	9	18
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 219	\$ 22	\$ 9
	=====	=====	=====

See Note 9, for supplemental cash flow information.

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



UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying combined financial statements represent a carve-out financial statement presentation of the businesses comprising United States Steel, and are not intended to be a complete presentation of the financial position, the results of operations and cash flows of United States Steel on a stand-alone basis. These combined financial statements are presented as if United States Steel existed as an entity separate from the remaining businesses of USX Corporation (USX) during the periods presented. The allocations and estimates included in these combined financial statements are determined using the methodologies described in Note 4.

United States Steel through its Domestic Steel segment, is engaged in the production, sale and transportation of steel mill products, coke, taconite pellets and coal; the management of mineral resources; real estate development; engineering and consulting services and, through its U.S. Steel Kosice segment, primarily located in the Slovak Republic, in the production and sale of steel mill products and coke for the central European market. Most businesses within the Domestic Steel segment are divisions of USX. Certain business activities are conducted through joint ventures and partially owned companies, such as USS-POSCO Industries, PRO-TEC Coating Company, Clairton 1314B Partnership, Republic Technologies International LLC and Rannila Kosice s.r.o.

The accompanying combined financial statements include the historical operations of certain divisions of USX and certain subsidiaries of USX. In this context, no direct ownership existed among all the various units comprising United States Steel; accordingly, USX's net investment in United States Steel (USX's net investment) is shown in lieu of Common Stockholder's Equity in the combined financial statements. The combined financial statements included herein have been prepared from USX's historical accounting records.

2. Summary of Principal Accounting Policies

Principles applied in consolidation--Investments in entities over which United States Steel has significant influence are accounted for using the equity method of accounting and are carried at United States Steel's share of net assets plus loans and advances.

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

Income from investees includes United States Steel's proportionate share of income from equity method investments. Also, gains or losses from a change in ownership of an unconsolidated investee are recognized in the period of change.

Use of estimates--Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of long-lived assets; valuation allowances for receivables, inventories and deferred income tax assets; environmental liabilities;

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liabilities for potential tax deficiencies and potential litigation claims and settlements; and assets and obligations related to employee benefits. Additionally, certain estimated liabilities are recorded when management commits to a plan to close an operating facility or to exit a business activity. Actual results could differ from the estimates and assumptions used.

Revenue recognition--Revenues are recognized generally when products are shipped or services are provided to customers, the sales price is fixed and determinable, and collectibility is reasonably assured. Costs associated with revenues, including shipping and other transportation costs, are recorded in cost of revenues.

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### UNITED STATES STEEL

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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

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

Derivative instruments--United States Steel uses commodity-based derivative instruments to manage its exposure to price risk. Management is authorized to use futures, forwards, swaps and options related to the purchase of natural gas, refined products and nonferrous metals used in steel operations. Recorded deferred gains or losses are reflected within other current and noncurrent assets or accounts payable and deferred credits and other liabilities, as appropriate.

Long-lived assets--Depreciation is generally computed using a modified straight-line method based upon estimated lives of assets and production levels. The modification factors for domestic steel producing assets range from a minimum of 85% at a production level below 81% of capability, to a maximum of 105% for a 100% production level. No modification is made at the 95% production level, considered the normal long-range level.

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

United States Steel evaluates impairment of its long-lived assets on an individual asset basis or by logical groupings of assets. Assets deemed to be impaired are written down to their fair value, including any related goodwill, using discounted future cash flows and, if available, comparable market values.

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

Major maintenance activities--United States Steel incurs planned major maintenance costs primarily for blast furnace relines. Such costs are separately capitalized in property, plant and equipment and are amortized over

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their estimated useful life, which is generally the period until the next scheduled reline.

Environmental remediation--United States Steel provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Generally, the timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of known environmental exposure and are discounted in certain instances.

Postemployment benefits--United States Steel recognizes an obligation to provide postemployment benefits, primarily for disability-related claims covering indemnity and medical payments to certain employees. The obligation for these claims and the related periodic costs are measured using actuarial techniques and assumptions, including an appropriate discount rate, analogous to the required methodology for measuring pension and other postretirement benefit obligations. Actuarial gains and losses are deferred and amortized over future periods.

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

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### UNITED STATES STEEL

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

#### 3. New Accounting Standards

In the fourth quarter of 2000, United States Steel adopted the following accounting pronouncements primarily related to the classification of items in the financial statements. The adoption of these new pronouncements had no net effect on the financial position or results of operations of United States Steel, although they required reclassifications of certain amounts in the financial statements, including all prior periods presented.

- . In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101) "Revenue Recognition in Financial Statements," which summarizes the SEC staff's interpretations of generally accepted accounting principles related to revenue recognition and classification.
- . In 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board (EITF) issued EITF Consensus No. 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent," which addresses whether certain items should be reported as a reduction of revenue or as a component of both revenues and cost of revenues, and EITF Consensus No. 00-10 "Accounting for Shipping and Handling Fees and Costs," which addresses the classification of costs incurred for shipping goods to customers.
- . In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and

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collateral and requires certain disclosures. United States Steel adopted certain recognition and reclassification provisions of SFAS 140, which were effective for fiscal years ending after December 15, 2000. The remaining provisions of SFAS 140 are effective after March 31, 2001.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which later was amended by SFAS Nos. 137 and 138. This Standard requires recognition of all derivatives as either assets or liabilities at fair value. Changes in fair value will be reflected in either current period net income or other comprehensive income, depending on the designation of the derivative instrument. United States Steel may elect not to designate a derivative instrument as a hedge even if the strategy would be expected to qualify for hedge accounting treatment. The adoption of SFAS No. 133 will change the timing of recognition for derivative gains and losses as compared to previous accounting standards.

United States Steel will adopt the Standard effective January 1, 2001. The transition adjustment resulting from the adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle. The transition adjustment for United States Steel is expected to be immaterial. The amounts reported as other comprehensive income will be reflected in net income when the anticipated physical transactions are consummated. It is not possible to estimate the effect that this Standard will have on future results of operations.

#### 4. Corporate Activities

Financial activities--As a matter of policy, USX manages most financial activities on a centralized, consolidated basis. Such financial activities include the investment of surplus cash; the issuance, repayment and repurchase of short-term and long-term debt; the issuance, repurchase and redemption of preferred stock; and the issuance and repurchase of common stock. Transactions related primarily to invested cash, short-term and

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### UNITED STATES STEEL

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

long-term debt (including convertible debt), related net interest and other financial costs, and preferred stock and related dividends are attributed to United States Steel based upon its cash flows for the periods presented and its initial capital structure. Most financing transactions are not specifically attributed to United States Steel but represent attributed amounts of USX's financial activities. See Note 10, for United States Steel's attributed portion of USX's financial activities. However, transactions such as leases, certain collateralized financings, certain indexed debt instruments, financial activities of consolidated entities which are less than wholly owned by USX and transactions related to securities convertible solely into USX-U. S. Steel Group Common Stock are or will be specifically attributed to and reflected in their entirety in the financial statements of United States Steel.

Corporate general and administrative costs--Corporate general and administrative costs are allocated to United States Steel by USX based upon utilization or other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and revenues. The costs allocated to United States Steel were \$25 million in 2000, \$17 million in 1999 and \$24 million in 1998, and primarily consist of employment costs including pension effects, professional services,

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facilities and other related costs associated with corporate activities.

Income taxes--All members of the USX affiliated group are included in the consolidated United States federal income tax return filed by USX. Accordingly, the provision for federal income taxes and the related payments or refunds of tax are determined on a consolidated basis. The consolidated provision and the related tax payments or refunds have been reflected in the United States Steel financial statements in accordance with USX's tax allocation policy. In general, such policy provides that the consolidated tax provision and related tax payments or refunds are allocated to United States Steel for financial statement purposes, based upon its financial income, taxable income, credits, preferences, and other directly related amounts.

For tax provision and settlement purposes, tax benefits resulting from attributes (principally net operating losses and various tax credits), which cannot be utilized by United States Steel on a separate return basis but which can be utilized on a consolidated basis in that year or in a carryback year, are allocated to United States Steel if it generated the attributes. To the extent that United States Steel is allocated a consolidated tax attribute which, as a result of expiration or otherwise, is not ultimately utilized on the consolidated tax return, the prior years' allocation of such attribute is adjusted such that the effect of the expiration is borne by United States Steel if it generated the attribute. Also, if a tax attribute cannot be utilized on a consolidated basis in the year generated or in a carryback year, the prior years' allocation of such consolidated tax effects is adjusted in a subsequent year to the extent necessary to allocate the tax benefits to United States Steel if it would have realized the tax benefits on a separate return basis. As a result, the allocated amounts of taxes payable or refundable are not necessarily comparable to those that would have resulted if United States Steel had filed its own separate tax returns.

### 5. Business Combination

On November 24, 2000, United States Steel acquired U. S. Steel Kosice s.r.o. (USSK), which is located in the Slovak Republic. USSK was formed in June 2000 to hold the steel operations and related assets of VSZ a.s. (VSZ), a diversified Slovak corporation. The cash purchase price was \$69 million. Additional payments to VSZ of not less than \$25 million and up to \$75 million are contingent upon the future performance of USSK. Additionally, \$325 million of debt was included with the acquisition. The acquisition was accounted for under the purchase method of accounting. The 2000 results of operations include the operations of USSK from the date of acquisition.

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## UNITED STATES STEEL

### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

Prior to this transaction, United States Steel and VSZ were equal partners in VSZ U. S. Steel s.r.o. (VSZUSS), a tin mill products manufacturer. The assets of USSK included VSZ's interest in VSZUSS. The acquisition of the remaining interest in VSZUSS was accounted for under the purchase method of accounting. Previously, United States Steel had accounted for its investment in VSZUSS under the equity method of accounting.

The following unaudited pro forma data for United States Steel includes the results of operations of USSK for 2000 and 1999, giving effect to the acquisition as if it had been consummated at the beginning of the years presented. The pro forma data is based on historical information and does not

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necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations. In addition, VSZ did not historically provide carve-out financial information for its steel operations in accordance with generally accepted accounting principles in the United States. Therefore, United States Steel made certain estimates and assumptions regarding revenue and costs in the preparation of the following unaudited pro forma data.

	Year Ended December 31	
	2000	1999
	-----	
	(In millions)	
Revenues and other income.....	\$7,094	\$6,472
Income before extraordinary loss.....	57	36
Net income.....	57	29

6. Extraordinary Losses

In 1999, United States Steel irrevocably deposited with a trustee the entire 5.5 million common shares it owned in RTI International Metals, Inc. (RTI). The deposit of the shares resulted in the satisfaction of United States Steel's obligation under its 6 3/4% Exchangeable Notes (indexed debt) due February 1, 2000. Under the terms of the indenture, the trustee exchanged one RTI share for each note at maturity. All shares were required for satisfaction of the indexed debt; therefore, none reverted back to United States Steel.

As a result of the above transaction, United States Steel recorded in 1999 an extraordinary loss of \$5 million, net of a \$3 million income tax benefit, representing prepaid interest expense and the write-off of unamortized debt issue costs, and a pretax charge of \$22 million, representing the difference between the carrying value of the investment in RTI and the carrying value of the indexed debt, which is included in net gains on disposal of assets.

In 1999, Republic Technologies International, LLC, an equity investee of United States Steel, recorded an extraordinary loss related to the early extinguishment of debt. As a result, United States Steel recorded an extraordinary loss of \$2 million, net of a \$1 million income tax benefit, representing its share of the extraordinary loss.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

7. Other Items

	2000	1999	1998
	----	----	----
	(In millions)		
Net interest and other financial costs			

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Interest and other financial income:			
Interest income.....	\$ 3	\$ 1	\$ 5
Other.....	7	--	--
	----	----	----
Total.....	10	1	5
	----	----	----
Interest and other financial costs:			
Interest incurred.....	88	45	40
Less interest capitalized.....	3	6	6
	----	----	----
Net interest.....	85	39	34
Interest on tax issues.....	11	15	16
Financial costs on trust preferred securities.....	13	13	13
Financial costs on preferred stock of subsidiary.....	5	5	5
Amortization of discounts.....	1	1	2
Expenses on sales of accounts receivable.....	--	15	21
Adjustment to settlement value of indexed debt.....	--	(13)	(44)
	----	----	----
Total.....	115	75	47
	----	----	----
Net interest and other financial costs.....	\$105	\$ 74	\$ 42
	=====	=====	=====

Foreign currency transactions

For 2000, the aggregate foreign currency transaction gain included in determining net income was \$7 million. There were no foreign currency transaction gains or losses in 1999 and 1998.

8. Segment Information

United States Steel consists of two reportable operating segments: 1) Domestic Steel and 2) U. S. Steel Kosice (USSK). Domestic Steel includes the United States operations of United States Steel, while USSK includes the United States Steel operations in the Slovak Republic. Domestic Steel is engaged in the domestic production and sale of steel mill products, coke and taconite pellets; the management of mineral resources; coal mining; engineering and consulting services; and real estate development and management. USSK is engaged in the production and sale of steel mill products and coke and primarily serves European markets.

Segment income represents income from operations allocable to both operating segments and does not include net interest and other financial costs and provisions for income taxes. Additionally, the following items are not allocated to operating segments:

- . Net pension credits associated with pension plan assets and liabilities
- . Certain costs related to former United States Steel business activities
- . Allocated USX corporate general and administrative costs. These costs primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities.
- . Certain other items not allocated to operating segments for business performance reporting purposes (see reconciliation schedule on page D-13)

Information on assets by segment is not provided as it is not reviewed by the chief operating decision maker.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

The following represents the operations of United States Steel:

	Domestic Steel	USSK	Total
	-----	-----	-----
	(In millions)		
2000			
Revenues and other income:			
Customer.....	\$5,981	\$ 92	\$6,073
Other subsidiaries of USX(a).....	17	--	17
Equity in losses of unconsolidated investees.....	(8)	--	(8)
Other.....	50	--	50
	-----	-----	-----
Total revenues and other income.....	\$6,040	\$ 92	\$6,132
	=====	=====	=====
Segment income.....	\$ 23	\$ 2	\$ 25
Significant noncash items included in segment income - depreciation, depletion and amortization(b).....	285	4	289
Capital expenditures.....	239	5	244
1999			
Revenues and other income:			
Customer.....	\$5,519	\$--	\$5,519
Other subsidiaries of USX(a).....	17	--	17
Equity in losses of unconsolidated investees.....	(43)	--	(43)
Other.....	46	--	46
	-----	-----	-----
Total revenues and other income.....	\$5,539	\$--	\$5,539
	=====	=====	=====
Segment income.....	\$ 91	\$--	\$ 91
Significant noncash items included in segment income - depreciation, depletion and amortization.....	304	--	304
Capital expenditures(c).....	286	--	286
1998			
Revenues and other income:			
Customer.....	\$6,374	\$--	\$6,374
Other subsidiaries of USX(a).....	2	--	2
Equity in earnings of unconsolidated investees.....	46	--	46
Other.....	55	--	55
	-----	-----	-----
Total revenues and other income.....	\$6,477	\$--	\$6,477
	=====	=====	=====
Segment income.....	\$ 517	\$--	\$ 517
Significant noncash items included in segment income - depreciation, depletion and amortization.....	283	--	283
Capital expenditures(c).....	305	--	305

-----  
(a) Revenues and transfers with other subsidiaries of USX were conducted under



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- terms comparable to those with unrelated parties.
- (b) Difference between segment total and United States Steel total represents amounts for impairment of coal assets.
- (c) Differences between segment total and United States Steel total represent amounts related to corporate administrative activities.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

The following schedules reconcile segment amounts to amounts reported in United States Steel's combined financial statements:

	2000	1999	1998
	-----	-----	-----
	(In millions)		
Revenues and Other Income:			
Revenues and other income of reportable segments.....	\$6,132	\$5,539	\$6,477
Items not allocated to segments:			
Impairment and other costs related to an investment in an equity investee.....	--	(47)	--
Loss on investment in RTI stock used to satisfy indexed debt obligations.....	--	(22)	--
	-----	-----	-----
Total revenues and other income.....	\$6,132	\$5,470	\$6,477
	=====	=====	=====
Income:			
Income for reportable segments.....	\$ 25	\$ 91	\$ 517
Items not allocated to segments:			
Impairment of coal assets.....	(71)	--	--
Impairment and other costs related to an investment in an equity investee.....	--	(47)	--
Loss on investment in RTI stock used to satisfy indexed debt obligations.....	--	(22)	--
Administrative expenses.....	(25)	(17)	(24)
Net pension credits.....	266	228	186
Costs related to former businesses activities.....	(91)	(83)	(100)
	-----	-----	-----
Total income from operations.....	\$ 104	\$ 150	\$ 579
	=====	=====	=====

Revenues by Product:

	2000	1999	1998
	-----	-----	-----
	(In millions)		
Sheet and semi-finished steel products.....	\$3,288	\$3,433	\$3,598
Tubular, plate and tin mill products.....	1,731	1,140	1,546
Raw materials (coal, coke and iron ore).....	626	549	744
Other(a).....	445	414	490

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(a) Includes revenue from the sale of steel production by-products,

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engineering and consulting services, real estate development and resource management.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

Geographic Area:

The information below summarizes the operations in different geographic areas.

Year	Revenues and Other Income			Total	Assets (a)
	Within Geographic Areas	Between Geographic Areas			
(In millions)					
United States.....	2000	\$6,027	\$--	\$6,027	\$2,745
	1999	5,452	--	5,452	2,889
	1998	6,460	--	6,460	3,043
Slovak Republic.....	2000	95	--	95	376
	1999	3	--	3	60
	1998	6	--	6	66
Other Foreign Countries.....	2000	10	--	10	10
	1999	15	--	15	3
	1998	11	--	11	3
Total.....	2000	\$6,132	\$--	\$6,132	\$3,131
	1999	5,470	--	5,470	2,952
	1998	6,477	--	6,477	3,112

-----  
(a) Includes property, plant and equipment and investments.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

9. Supplemental Cash Flow Information

	2000	1999	1998
Cash provided from (used in) operating activities			

(In millions)

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included:				
Interest and other financial costs paid (net of amount capitalized).....	\$ (71)	\$ (77)	\$ (76)	
Income taxes refunded (paid), including settlements with USX under the tax allocation policy.....	81	3	(29)	
Consolidated USX debt:				
Commercial paper:				
Issued.....	\$ 3,362	\$ 6,282	\$ --	
Repayments.....	(3,450)	(6,117)	--	
Credit agreements:				
Borrowings.....	437	5,529	17,486	
Repayments.....	(437)	(5,980)	(16,817)	
Other credit arrangements--net.....	150	(95)	55	
Other debt:				
Borrowings.....	--	319	671	
Repayments.....	(54)	(87)	(1,053)	
	-----	-----	-----	
Total.....	\$ 8	\$ (149)	\$ 342	
	=====	=====	=====	
Activity attributed to United States Steel.....	\$ 1,208	\$ 147	\$ 13	
Activity attributed to other subsidiaries of USX.....	(1,200)	(296)	329	
	-----	-----	-----	
Total.....	\$ 8	\$ (149)	\$ 342	
	=====	=====	=====	
Noncash investing and financing activities:				
Stock issued for dividend reinvestment and employee stock plans.....	\$ 5	\$ 2	\$ 2	
Disposal of assets:				
Deposit of RTI common shares in satisfaction of indexed debt.....	--	56	--	
Interest in USS/Kobe contributed to Republic...	--	40	--	
Other disposals of assets--notes or common stock received.....	14	1	2	
Business combinations:				
Acquisition of USSK:				
Liabilities assumed.....	568	--	--	
Contingent consideration payable at present value.....	21	--	--	
Investee liabilities consolidated in step acquisition.....	3	--	--	
Other acquisitions:				
Liabilities assumed.....	--	26	--	
Investee liabilities consolidated in step acquisition.....	--	26	--	

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

10. Financial Activities Attributed to United States Steel

The following is the portion of USX financial activities attributed to United States Steel. These amounts exclude amounts specifically attributed to United States Steel.

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	United States Steel		Consolidated USX	
	December 31			
	2000	1999	2000	1999
	(In millions)			
Cash and cash equivalents.....	\$ 171	\$ 1	\$ 364	\$ 9
Other noncurrent assets.....	3	1	7	8
<b>Total assets.....</b>	<b>\$ 174</b>	<b>\$ 2</b>	<b>\$ 371</b>	<b>\$ 17</b>
Notes payable.....	\$ 70	\$--	\$ 150	\$ --
Accrued interest.....	45	13	95	95
Long-term debt due within one year (Note 11).....	130	7	277	54
Long-term debt (Note 11).....	1,804	466	3,734	3,771
Preferred stock of subsidiary.....	66	66	250	250
<b>Total liabilities.....</b>	<b>\$2,115</b>	<b>\$552</b>	<b>\$4,506</b>	<b>\$4,170</b>

	United States Steel (a)			Consolidated USX		
	2000	1999	1998	2000	1999	1998
	(In millions)					
Net interest and other financial costs (Note 7).....	\$59	\$39	\$29	\$309	\$334	\$324

(a) United States Steel's net interest and other financial costs reflect weighted average effects of all financial activities attributed by USX.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

11. Long-Term Debt

United States Steel's portion of USX's consolidated long-term debt is as follows:

	United States Steel	Consolidated USX
--	---------------------	------------------

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	December 31			
	2000	1999	2000	1999
	(In millions)			
Specifically attributed debt (a):				
Receivables facility.....	\$ 350	\$350	\$ 350	\$ 350
Sale-leaseback financing and capital leases.....	88	92	95	107
Other.....	3	--	4	1
Total.....	441	442	449	458
Less amount due within one year.....	9	6	10	7
Total specifically attributed long-term debt.....	\$ 432	\$436	\$ 439	\$ 451
USX debt attributed to United States Steel (b).....	\$1,946	\$477	\$4,036	\$3,852
Less unamortized discount.....	12	4	25	27
Less amount due within one year.....	130	7	277	54
Total long-term debt not specifically attributed.....	\$1,804	\$466	\$3,734	\$3,771
Total long-term debt due within one year.....	\$ 139	\$ 13	\$ 287	\$ 61
Total long-term debt due after one year.....	2,236	902	4,173	4,222

- 
- (a) As described in Note 4, certain financial activities are specifically attributed to and reflected in their entirety in the financial statements of United States Steel.
  - (b) Long-term debt activities of USX Corporation, not specifically attributed, are attributed to United States Steel based on its cash flows.

12. Pensions and Other Postretirement Benefits

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

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

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
(In millions)				
Change in benefit obligations				
Benefit obligations at January 1.....	\$6,716	\$ 7,549	\$ 1,896	\$ 2,113
Service cost.....	76	87	12	15
Interest cost.....	505	473	147	133
Plan amendments.....	--	381(a)	--	14
Actuarial (gains) losses.....	430	(822)	260	(225)
Plan merger and acquisition.....	--	42	--	7
Settlements, curtailments and termination benefits.....	--	(207)	--	--
Benefits paid.....	(806)	(787)	(166)	(161)
Benefit obligations at December 31....	\$6,921	\$ 6,716	\$ 2,149	\$ 1,896
Change in plan assets				
Fair value of plan assets at January 1.....				
1.....	\$9,995	\$10,243	\$ 281	\$ 265
Actual return on plan assets.....	139	729	26	20
Acquisition.....	(1)	26	--	1
Employer contributions.....	--	--	576(b)	34
Trustee distributions(c).....	(16)	(14)	--	--
Settlements paid.....	--	(207)	--	--
Benefits paid from plan assets.....	(805)	(782)	(41)	(39)
Fair value of plan assets at December 31.....	\$9,312	\$ 9,995	\$ 842	\$ 281
Funded status of plans at December 31.....				
1.....	\$2,391(d)	\$ 3,279(d)	\$ (1,307)	\$ (1,615)
Unrecognized net gain from transition.....				
1.....	(2)	(69)	--	--
Unrecognized prior service cost.....	719	817	12	19
Unrecognized actuarial gains.....	(462)	(1,639)	(241)	(526)
Additional minimum liability.....	(19)	(16)	--	--
Prepaid (accrued) benefit cost.....	\$2,627	\$ 2,372	\$ (1,536)	\$ (2,122)

- 
- (a) Results primarily from a five-year labor contract with the United Steelworkers of America ratified in August 1999.
  - (b) Includes contributions of \$530 million to a Voluntary Employee Benefit Association trust, comprised of \$30 million in contractual requirements and an elective contribution of \$500 million. Also includes a \$30 million elective contribution to the non-union retiree life insurance trust.
  - (c) Represents transfers of excess pension assets to fund retiree health care benefits accounts under Section 420 of the Internal Revenue Code.
  - (d) Includes a plan that has accumulated benefit obligations in excess of plan assets:

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	2000	1999
	----	----
Aggregate accumulated benefit obligations.....	\$ (40)	\$ (29)
Aggregate projected benefit obligations...	(49)	(39)
Aggregate plan assets.....	--	--

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

	Pension Benefits			Other Benefits		
	2000	1999	1998	2000	1999	1998
	-----	-----	-----	-----	-----	-----
	(In millions)					
Components of net periodic benefit cost (credit)						
Service cost.....	\$ 76	\$ 87	\$ 71	\$ 12	\$ 15	\$ 15
Interest cost.....	505	473	487	147	133	141
Expected return on plan assets.....	(841)	(781)	(769)	(24)	(21)	(21)
Amortization--net transition gain.....	(67)	(67)	(69)	--	--	--
--prior service costs.....	98	83	72	4	4	4
--actuarial (gains) losses..	(44)	6	6	(29)	(12)	(16)
Multiemployer and other plans.....	--	--	1	9 (a)	7 (a)	13 (a)
Settlement and termination (gains) losses.....	--	(35) (b)	10 (b)	--	--	--
	-----	-----	-----	-----	-----	-----
Net periodic benefit cost (credit).....	\$ (273)	\$ (234)	\$ (191)	\$119	\$126	\$136
	=====	=====	=====	=====	=====	=====

- 
- (a) Represents payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992 based on assigned beneficiaries receiving benefits. The present value of this unrecognized obligation is broadly estimated to be \$84 million, including the effects of future medical inflation, and this amount could increase if additional beneficiaries are assigned.
- (b) Relates primarily to the 1998 voluntary early retirement program.

Pension Benefits		Other Benefits	
2000	1999	2000	1999
----	----	----	----

Weighted average actuarial assumptions at December 31

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Discount rate.....	7.5%	8.0%	7.5%	8.0%
Expected annual return on plan assets.....	8.9%	8.5%	8.5%	8.5%
Increase in compensation rate.....	4.0%	4.0%	4.0%	4.0%

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 5% for 2006 and remain at that level thereafter.

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

	1-Percentage- Point Increase	1-Percentage- Point Decrease
	-----	-----
	(In millions)	
Effect on total of service and interest cost components.....	\$ 16	\$ (14)
Effect on other postretirement benefit obligations.....	177	(151)

13. Transactions with Related Parties

Revenues and purchases--United States Steel revenues for sales to other subsidiaries of USX totaled \$17 million in both 2000 and 1999 and \$2 million in 1998. United States Steel purchases from other subsidiaries of USX totaled \$60 million, \$41 million and \$21 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, United States Steel receivables from related parties totaled \$366 million and \$99 million, respectively, related to transactions with other subsidiaries of USX. At December 31, 2000 and 1999, United States Steel accounts payable to related parties totaled \$5 million and \$6 million, respectively, related to transactions with other subsidiaries of USX. These transactions were conducted under terms comparable to those with unrelated parties.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

Income taxes receivable from/payable to USX--At December 31, 2000 and 1999, amounts receivable or payable for income taxes were included in the balance sheet as follows:

	December 31	
	-----	
	2000	1999
	----	----
	(In millions)	

Current:



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Receivables.....	\$364	\$ 97
Accounts payable.....	4	1
Noncurrent:		
Receivables.....	97	97

These amounts have been determined in accordance with the tax allocation policy described in Note 4. Amounts classified as current are settled in cash in the year succeeding that in which such amounts are accrued. Noncurrent amounts represent estimates of tax effects of certain issues for years that are still under various stages of audit and administrative review. Such tax effects are not settled until the audit of those respective tax years is closed. The amounts ultimately settled for open tax years will be different than recorded noncurrent amounts based on the final resolution of all of the audit issues for those years.

14. Inventories

	December 31	
	2000	1999
	(In millions)	
Raw materials.....	\$214	\$101
Semi-finished products.....	429	392
Finished products.....	210	193
Supplies and sundry items.....	93	57
Total.....	\$946	\$743

At December 31, 2000 and 1999, respectively, the LIFO method accounted for 91% and 93% of total inventory value. Current acquisition costs were estimated to exceed the above inventory values at December 31 by approximately \$380 million and \$370 million in 2000 and 1999, respectively. Cost of revenues was reduced and income from operations was increased by \$3 million in 2000 as a result of liquidations of LIFO inventories.

15. Income Taxes

Income tax provisions and related assets and liabilities attributed to United States Steel are determined in accordance with the USX tax allocation policy (Note 4).

Provisions (credits) for income taxes were:

	2000			1999			1998		
	(In millions)			(In millions)			(In millions)		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal.....	\$ (357)	\$340	\$ (17)	\$ (84)	\$ 99	\$15	\$19	\$149	\$168
State and local.....	(12)	49	37	1	8	9	3	9	12
Foreign.....	--	--	--	1	--	1	(7)	--	(7)

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Total.....	\$ (369)	\$389	\$ 20	\$ (82)	\$107	\$25	\$15	\$158	\$173
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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

	2000	1999	1998
	----	----	----
	(In millions)		
Statutory rate applied to income before income taxes.....	\$--	\$27	\$188
Excess percentage depletion.....	(3)	(7)	(11)
Effects of foreign operations, including foreign tax credits.....	(5)	(2)	(11)
State and local income taxes after federal income tax effects.....	24	6	8
Credits other than foreign tax credits.....	(3)	(3)	(3)
Adjustments of prior years' federal income taxes.....	5	--	--
Other.....	2	4	2
	----	----	----
Total provisions.....	\$ 20	\$25	\$173
	=====	=====	=====

Deferred tax assets and liabilities resulted from the following:

	December 31	
	2000	1999
	-----	-----
	(In millions)	
Deferred tax assets:		
Minimum tax credit carryforwards.....	\$ 39	\$ 131
State tax loss carryforwards (expiring in 2001 through 2020).....	55	65
Employee benefits.....	782	998
Receivables, payables and debt.....	52	68
Expected federal benefit for deducting state deferred income taxes.....	16	--
Contingency and other accruals.....	71	52
Other.....	2	11
Valuation allowances--state.....	(34)	(41)
	-----	-----
Total deferred tax assets (a).....	983	1,284
	-----	-----
Deferred tax liabilities:		
Property, plant and equipment.....	248	274
Prepaid pensions.....	1,046	921

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Inventory.....	15	16
Investments in subsidiaries and equity investees.....	82	96
Other.....	61	44
	-----	-----
Total deferred tax liabilities.....	1,452	1,351
	-----	-----
Net deferred tax liabilities.....	\$ 469	\$ 67
	=====	=====

-----  
(a) USX expects to generate sufficient future taxable income to realize the benefit of United States Steel's deferred tax assets.

The consolidated tax returns of USX for the years 1990 through 1997 are under various stages of audit and administrative review by the IRS. United States Steel believes it has made adequate provision for income taxes and interest which may become payable for years not yet settled.

Pretax income in 2000 included \$8 million attributable to foreign sources.

Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 2000, amounted to \$18 million. No provision for deferred U.S. income taxes has been made for these subsidiaries because United States Steel intends to permanently reinvest such earnings in those foreign operations. If such earnings were not permanently reinvested, a deferred tax liability of \$6 million would have been required.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

16. Investments and Long-Term Receivables

	December 31	
	2000	1999
	-----	
	-----	
	(In millions)	
Equity method investments.....	\$ 325	\$ 397
Other investments.....	67	39
Receivables due after one year.....	5	11
Deposits of restricted cash.....	3	2
Other.....	39	26
	-----	-----
Total.....	\$ 439	\$ 475
	=====	=====

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

2000      1999      1998

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(In millions)

Income data--year:

Revenues and other income.....	\$3,484	\$3,027	\$3,163
Operating income (loss).....	112	(57)	193
Net income (loss).....	(166)	(193)	97

Balance sheet data--December 31:

Current assets.....	\$ 911	\$ 995
Noncurrent assets.....	2,196	2,402
Current liabilities.....	1,171	1,181
Noncurrent liabilities.....	1,307	1,251

United States Steel acquired a 25% interest in VSZ during 2000. VSZ does not provide its shareholders with financial statements prepared in accordance with generally accepted accounting principles in the United States (USGAAP). Although shares of VSZ are traded on the Bratislava Stock Exchange, those securities do not have a readily determinable fair value as defined under USGAAP. Accordingly, United States Steel accounts for its investment in VSZ under the cost method of accounting.

In 1999, United States Steel and Kobe Steel, Ltd. (Kobe Steel) completed a transaction that combined the steelmaking and bar producing assets of USS/Kobe Steel Company (USS/Kobe) with companies controlled by Blackstone Capital Partners II. The combined entity was named Republic Technologies International, LLC and is a wholly owned subsidiary of Republic Technologies International Holdings, LLC (Republic). As a result of this transaction, United States Steel recorded \$47 million in charges related to the impairment of the carrying value of its investment in USS/Kobe and costs related to the formation of Republic. These charges were included in income (loss) from investees in 1999. In addition, United States Steel made a \$15 million equity investment in Republic. United States Steel owned 50% of USS/Kobe and now owns 16% of Republic. United States Steel accounts for its investment in Republic under the equity method of accounting. The seamless pipe business of USS/Kobe was excluded from this transaction. That business, now known as Lorain Tubular Company, LLC, became a wholly owned subsidiary of United States Steel at the close of business on December 31, 1999.

Dividends and partnership distributions received from equity investees were \$10 million in 2000, \$2 million in 1999 and \$19 million in 1998.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

United States Steel's purchases of transportation services and semi-finished steel from equity investees totaled \$566 million, \$361 million and \$331 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, U. S. Steel's payables to these investees totaled \$66 million and \$60 million, respectively. United States Steel's revenues for steel and raw material sales to equity investees totaled \$958 million, \$831 million and \$725 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, United States Steel's receivables from these investees were \$177 million. Generally, these transactions were conducted under long-term, market-based contractual arrangements.

17. Leases

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

	Capital Leases	Operating Leases
	-----	-----
	(In millions)	
2001.....	\$ 11	\$ 79
2002.....	11	56
2003.....	11	40
2004.....	11	37
2005.....	11	29
Later years.....	84	64
Sublease rentals.....	--	(62)
	-----	-----
Total minimum lease payments.....	139	\$243
		=====
Less imputed interest costs.....	51	
	-----	
Present value of net minimum lease payments included in long-term debt.....	\$ 88	
	-----	
		=====

Operating lease rental expense:

	2000	1999	1998
	----	----	----
	(In millions)		
Minimum rental.....	\$132	\$124	\$131
Contingent rental.....	17	18	19
Sublease rentals.....	(6)	(6)	(7)
	-----	-----	-----
Net rental expense.....	\$143	\$136	\$143
	=====	=====	=====

United States Steel leases a wide variety of facilities and equipment under operating leases, including land and building space, office equipment, production facilities and transportation equipment. Most long-term leases include renewal options and, in certain leases, purchase options.

18. Trust Preferred Securities

In 1997, USX exchanged approximately 3.9 million 6.75% Convertible Quarterly Income Preferred Securities (Trust Preferred Securities) of USX Capital Trust I, a Delaware statutory business trust (Trust), for an equivalent number of shares of its 6.50% Cumulative Convertible Preferred Stock (6.50% Preferred Stock) (Exchange). The Exchange resulted in the recording of Trust Preferred Securities at a fair value of \$182 million.

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## NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

USX owns all of the common securities of the Trust, which was formed for the purpose of the Exchange. (The Trust Common Securities and the Trust Preferred Securities are together referred to as the Trust Securities.) The Trust Securities represent undivided beneficial ownership interests in the assets of the Trust, which consist solely of USX 6.75% Convertible Junior Subordinated Debentures maturing March 31, 2037 (Debentures), having an aggregate principal amount equal to the aggregate initial liquidation amount (\$50.00 per security and \$203 million in total) of the Trust Securities issued by the Trust. Interest and principal payments on the Debentures will be used to make quarterly distributions and to pay redemption and liquidation amounts on the Trust Preferred Securities. The quarterly distributions, which accumulate at the rate of 6.75% per annum on the Trust Preferred Securities and the accretion from fair value to the initial liquidation amount, are charged to income and included in net interest and other financial costs.

Under the terms of the Debentures, USX has the right to defer payment of interest for up to 20 consecutive quarters and, as a consequence, monthly distributions on the Trust Preferred Securities will be deferred during such period. If USX exercises this right, then, subject to limited exceptions, it may not pay any dividend or make any distribution with respect to any shares of its capital stock.

The Trust Preferred Securities are convertible at any time prior to the close of business on March 31, 2037 (unless such right is terminated earlier under certain circumstances) at the option of the holder, into shares of USX-U.S. Steel Group Common Stock at a conversion price of \$46.25 per share (equivalent to a conversion ratio of 1.081 shares for each Trust Preferred Security), subject to adjustment in certain circumstances.

The Trust Preferred Securities may be redeemed at any time at the option of USX, at a premium of 101.95% of the initial liquidation amount through March 31, 2001, and thereafter, declining annually to the initial liquidation amount on April 1, 2003, and thereafter. They are mandatorily redeemable at March 31, 2037, or earlier under certain circumstances.

Payments related to quarterly distributions and to the payment of redemption and liquidation amounts on the Trust Preferred Securities by the Trust are guaranteed by USX on a subordinated basis. In addition, USX unconditionally guarantees the Trust's Debentures. The obligations of USX under the Debentures, and the related indenture, trust agreement and guarantee constitute a full and unconditional guarantee by USX of the Trust's obligations under the Trust Preferred Securities.

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## UNITED STATES STEEL

## NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

### 19. Equity

2000	1999	1998
-----	-----	-----

(In millions,

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except per share  
data)

Preferred stock:			
Balance at beginning of year.....	\$ 3	\$ 3	\$ 3
Repurchased.....	(1)	--	--
	-----	-----	-----
Balance at end of year.....	2	3	3
	-----	-----	-----
USX's net investment:			
Balance at beginning of year.....	2,073	2,126	1,808
Net income (loss).....	(21)	44	364
Repurchase of 6.50% preferred stock.....	(11)	(2)	(8)
Common stock issued.....	6	2	59
Dividends on preferred stock.....	(8)	(9)	(9)
Dividends on common stock (per share \$1.00).....	(89)	(88)	(88)
	-----	-----	-----
Balance at end of year.....	1,950	2,073	2,126
	-----	-----	-----
Deferred compensation:			
Balance at beginning of year.....	--	(1)	(1)
Changes during year, net of taxes.....	(3)	1	--
	-----	-----	-----
Balance at end of year.....	(3)	--	(1)
	-----	-----	-----
Accumulated other comprehensive income (loss):			
Minimum pension liability adjustments (Note 12):			
Balance at beginning of year.....	(7)	(27)	(25)
Changes during year, net of taxes (b).....	3	20	(2)
	-----	-----	-----
Balance at end of year.....	(4)	(7)	(27)
	-----	-----	-----
Foreign currency translation adjustment:			
Balance at beginning of year.....	(13)	(8)	(3)
Changes during year, net of taxes (b).....	(13)	(5)	(5)
	-----	-----	-----
Balance at end of year.....	(26)	(13)	(8)
	-----	-----	-----
Total accumulated other comprehensive income (loss) (a).....	(30)	(20)	(35)
	-----	-----	-----
Total equity.....	\$1,919	\$2,056	\$2,093
	=====	=====	=====

(a) Total comprehensive income (loss) for United States Steel for the years 2000, 1999 and 1998 was \$(31) million, \$59 million and \$357 million, respectively.

(b) Related income tax provision (credit):

Minimum pension liability adjustment.....	\$ (1)	\$ (11)	\$ 1
Foreign currency translation adjustments.....	(5)	3	2

20. Stock-Based Compensation Plans

The 1990 Stock Plan of USX, as amended and restated, authorizes the Compensation Committee of the board of directors of USX to grant restricted stock, stock options and stock appreciation rights of USX-U. S. Steel Group Common Stock to key management employees. Up to 0.8 percent of the outstanding stock, as determined on December 31 of the preceding year, are available for

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grants during each calendar year the 1990 Plan is in effect. In addition, awarded shares that do not result in shares being issued are available for subsequent grant, and any ungranted shares from prior years' annual allocations are available for subsequent grant during the years the 1990 Plan is in effect. As of December 31, 2000, 2,108,128 shares were available for grants in 2001.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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

Deferred compensation 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 expensed over the balance of the vesting period and adjusted if conditions of the restricted stock grant are not met.

The following table presents information on restricted stock grants:

	2000	1999	1998
	-----	-----	-----
Number of shares granted.....	305,725	18,272	17,742
Weighted-average grant-date fair value per share.....	\$ 23.00	\$28.22	\$37.28

Stock options represent the right to purchase shares of stock at the market value of the stock at date of grant. Certain options contain the right to receive cash and/or common stock equal to the excess of the fair market value of shares of common stock, as determined in accordance with the plan, over the option price of shares. Most stock options vest after one-year service period and all expire 10 years from the date they are granted.

The following is a summary of stock option activity:

	Shares	Price(a)
	-----	-----
Balance December 31, 1997.....	1,633,100	\$34.35
Granted.....	611,515	37.28
Exercised.....	(230,805)	32.00
Canceled.....	(21,240)	35.89
	-----	
Balance December 31, 1998.....	1,992,570	35.50
Granted.....	656,400	28.22
Exercised.....	(2,580)	24.92
Canceled.....	(20,005)	38.51
	-----	



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Balance December 31, 1999.....	2,626,385	33.67
Granted.....	915,470	23.00
Exercised.....	(400)	24.30
Canceled.....	(62,955)	38.19
	-----	
Balance December 31, 2000.....	3,478,500	30.78
	=====	

-----  
(a) Weighted-average exercise price

The weighted-average grant-date fair value per option was \$6.63 in 2000, \$6.95 in 1999 and \$8.29 in 1998.

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

The following table represents stock options at December 31, 2000:

Range of Exercise Prices	Outstanding			Exercisable	
	Number of Shares Under Option	Weighted-Average Remaining Contractual Life	Weight-Average Exercise Price	Number of Shares Under Option	Weight-Average Exercise Price
\$23.00-28.22	1,592,305	8.8 years	\$25.17	678,135	\$28.10
31.69-34.44	1,050,920	5.2	32.53	1,050,920	32.53
37.28-44.19	835,275	6.0	39.26	835,275	39.26
	-----			-----	
Total	3,478,500			2,564,330	
	=====			=====	

Actual stock-based compensation expense was \$1 million in 2000 and 1999 and there was no amount in 1998. Incremental compensation expense, as determined under a fair value model, was not material. Therefore, pro forma net income has been omitted.

USX has a deferred compensation plan for non-employee directors of its Board of Directors. The plan permits participants to defer some or all of their annual retainers in the form of common stock units or cash and it requires new directors to defer at least half of their annual retainer in the form of common stock units. Common stock units are book entry units equal in value to a share of stock. Deferred stock benefits are distributed in shares of common stock within five business days after a participant leaves the Board of Directors. During 2000, 4,872 shares of stock were issued and during 1999, 3,798 shares of stock were issued. During 1998, no shares of common stock were issued.

21. Property, Plant and Equipment

December 31

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	2000	1999
	(In millions)	
Land and depletable property.....	\$ 161	\$ 152
Buildings.....	602	484
Machinery and equipment.....	8,409	8,007
Leased assets.....	98	105
Total.....	9,270	8,748
Less accumulated depreciation, depletion and amortization.....	6,531	6,232
Net.....	\$2,739	\$2,516

Amounts in accumulated depreciation, depletion and amortization for assets acquired under capital leases (including sale-leasebacks accounted for as financings) were \$79 million and \$81 million at December 31, 2000 and 1999, respectively.

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

22. Derivative Instruments

United States Steel remains at risk for possible changes in the market value of derivative instruments; however, such risk should be mitigated by price changes in the underlying hedged item. United States Steel is

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UNITED STATES STEEL

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

also exposed to credit risk in the event of nonperformance by counterparties. The credit-worthiness of counterparties is subject to continuing review, including the use of master netting agreements to the extent practical, and full performance is anticipated.

The following table sets forth quantitative information by class of derivative instrument:

	Fair Value Assets (Liabilities) (a)	Carrying Amount Assets (Liabilities)	Recorded Deferred Gain or (Loss)	Aggregate Contract Values (b)
	(In millions)			
December 31, 2000:				
OTC commodity swaps--other than trading(c).....	\$-- ====	\$-- ====	\$-- ====	\$18 ===

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December 31, 1999:

OTC commodity swaps--other than trading.....	\$ 3 =====	\$ 3 =====	\$ 3 =====	\$37 =====
---	---------------	---------------	---------------	---------------

- 
- (a) The fair value amounts are based on exchange-traded index prices and dealer quotes.
  - (b) Contract or notional amounts do not quantify risk exposure, but are used in the calculation of cash settlements under the contracts.
  - (c) The OTC swap arrangements vary in duration with certain contracts extending into 2001.

23. Fair Value of Financial Instruments

Fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement. The following table summarizes financial instruments, excluding derivative financial instruments disclosed in Note 22, by individual balance sheet account. As described in Note 4, United States Steel's specifically attributed financial instruments and the portion of USX's financial instruments attributed to United States Steel are as follows:

	December 31			
	2000		1999	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
	(In millions)			
Financial assets:				
Cash and cash equivalents.....	\$ 219	\$ 219	\$ 22	\$ 22
Receivables (including related parties' receivables).....	1,341	1,341	935	935
Investments and long-term receivables.....	137	137	122	122
	-----	-----	-----	-----
Total financial assets.....	\$1,697	\$1,697	\$1,079	\$1,079
	=====	=====	=====	=====
Financial liabilities:				
Notes payable.....	\$ 70	\$ 70	\$ --	\$ --
Accounts payable.....	760	760	739	739
Accrued interest.....	47	47	15	15
Long-term debt (including amounts due within one year).....	2,375	2,287	835	823
Preferred stock of subsidiary and trust preferred securities.....	182	249	232	249
	-----	-----	-----	-----
Total financial liabilities.....	\$3,434	\$3,413	\$1,821	\$1,826
	=====	=====	=====	=====

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NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

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Fair value of financial instruments classified as current assets or liabilities approximates carrying value due to the short-term maturity of the instruments. Fair value of investments and long-term receivables was based on discounted cash flows or other specific instrument analysis. Certain foreign cost method investments are excluded from investments and long-term receivables because the fair value is not readily determinable. United States Steel is subject to market risk and liquidity risk related to its investments; however, these risks are not readily quantifiable. Fair value of preferred stock of subsidiary and trust preferred securities was based on market prices. Fair value of long-term debt instruments was based on market prices where available or current borrowing rates available for financings with similar terms and maturities.

Financial guarantees are United States Steel's only unrecognized financial instrument. It is not practicable to estimate the fair value of this form of financial instrument obligation because there are no quoted market prices for transactions which are similar in nature. For details relating to financial guarantees, see Note 24.

### 24. Contingencies and Commitments

United States 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 United States Steel's combined financial statements.

#### Environmental matters--

United States 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 \$137 million and \$101 million at December 31, 2000 and 1999, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed.

For a number of years, United States Steel has made substantial capital expenditures to bring existing facilities into compliance with various laws relating to the environment. In 2000 and 1999, such capital expenditures totaled \$18 million and \$32 million, respectively. United States 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.

#### Guarantees--

Guarantees of the liabilities of unconsolidated entities of United States Steel totaled \$82 million at December 31, 2000, and \$88 million at December 31, 1999. In the event that any defaults of guaranteed liabilities occur, United States Steel has access to its interest in the assets of the investees to reduce potential losses resulting from these guarantees. As of December 31, 2000, the largest guarantee for a single such entity was \$59 million.

#### Commitments--

At December 31, 2000 and 1999, United States Steel's contract commitments to acquire property, plant and equipment totaled \$206 million and \$83 million,

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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 and ending on

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### UNITED STATES STEEL

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

December 31, 2010. USSK is required to report periodically to the Slovak government on its status toward meeting this commitment. The first reporting period ends on December 31, 2003.

United States Steel entered into a 15-year take-or-pay arrangement in 1993, which requires United States Steel to accept pulverized coal each month or pay a minimum monthly charge of approximately \$1 million. Charges for deliveries of pulverized coal totaled \$23 million in 2000, 1999 and 1998. If United States Steel elects to terminate the contract early, a maximum termination payment of \$96 million, which declines over the duration of the agreement, may be required.

#### 25. Events Occurring After the Opinion Date (Unaudited)

On March 1, 2001, USX completed the purchase of the tin mill products business of LTV Corporation (LTV), which is now operated as East Chicago Tin. In this noncash transaction, USX assumed approximately \$66 million of certain employee related obligations from LTV. The acquisition was accounted for using the purchase method of accounting. Results of operations for the six months of 2001 include the operations of East Chicago Tin from the date of acquisition.

On March 23, 2001, Transtar, Inc. (Transtar) completed its previously announced reorganization with its two voting shareholders, USX and Transtar Holdings, L.P. (Holdings), an affiliate of Blackstone Capital Partners L. P. As a result of this transaction, United States Steel became the sole owner of Transtar and certain of its subsidiaries. Holdings became owner of the other subsidiaries of Transtar. United States Steel accounted for this change in its ownership interest using the purchase method of accounting. United States Steel recognized in the first quarter of 2001, a pretax gain of \$70 million (included in income (loss) from investees) and a favorable deferred tax adjustment of \$33 million related to this transaction. United States Steel previously accounted for its investment in Transtar under the equity method of accounting.

During the first quarter of 2001, USX reached an agreement with the IRS regarding its review of USX's consolidated tax returns for the years 1990 and 1991. In the first quarter of 2001, United States Steel recorded a favorable adjustment of \$67 million to net interest and financial costs and an unfavorable adjustment of \$15 million to provision for income taxes, both of which were related to prior years' taxes.

United States Steel has a 16% investment in Republic Technologies International LLC (Republic) which was accounted for under the equity method of accounting. During the first quarter of 2001, United States Steel discontinued applying the equity method since investments in and advances to Republic had been reduced to zero. Also, United States Steel has recognized certain debt obligations of \$14 million previously assumed by Republic. On April 2, 2001, Republic filed a voluntary petition with the U.S. Bankruptcy Court to reorganize its operations under Chapter 11 of the U.S. Bankruptcy Code. In the first quarter of 2001, as a result of Republic's action, United States Steel

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recorded a pretax charge of \$74 million for the potentially uncollectible receivables from Republic.

On July 2, 2001, a corporate reorganization was implemented to create a new holding company structure. USX became a holding company that owns all of the outstanding equity of Marathon Oil Company, an Ohio Corporation which, directly and indirectly, owns and operates the businesses of the USX-Marathon Group, and United States Steel LLC, a Delaware limited liability company which owns and operates the businesses of the USX-U. S. Steel Group.

This reorganization in corporate form is independent of the Proposed Separation of the energy and steel businesses of USX Corporation.

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### UNITED STATES STEEL

#### NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

On July 31, 2001, USX announced that its board of directors approved the definitive plan of reorganization to separate the energy and steel businesses of USX (Proposed Separation). The Proposed Separation envisions a tax-free spin-off of the steel business of USX into a freestanding, publicly traded company to be known as United States Steel Corporation. Holders of current USX-U. S. Steel Group Common Stock will become holders of United States Steel Corporation Common Stock. Holders of current USX-Marathon Group Common Stock will continue to hold their shares in USX which will be renamed Marathon Oil Corporation. The Proposed Separation does not contemplate a cash distribution to stockholders. The Proposed Separation is subject to the approval of the holders of a majority of the outstanding shares of each class of current USX common stock, receipt of a favorable private letter ruling from the Internal Revenue Service ("IRS") on the tax-free nature of the transaction, completion of necessary financing arrangements and receipt of necessary regulatory and third party consents. The transaction is expected to occur on or about December 31, 2001.

On May 31, 2001 a major fire damaged the cold-rolling mill at USS-POSCO, which is fifty percent owned by United States Steel. Damage was predominantly limited to the cold-rolling mill area of the plant. USS-POSCO maintains insurance coverage against such losses, including coverage for business interruption. The mill is expected to resume production in the first quarter of 2002, although full-production may not be achieved until mid-2002. Until such time, the plant will continue customer shipments using cold-rolled coils from United States Steel and POSCO as substitute feedstock.

On August 14, 2001, United States Steel announced its intention to permanently close the cold rolling and tin mill operations at Fairless Works, with an annual finishing capability of 1.5 million tons, on or after November 12, 2001. Under its labor agreement, United States Steel is required to discuss the proposed shutdown with the United Steel Workers of America before making a final decision. United States Steel also announced that, subject to market conditions, it currently intends to continue operating the hot dip galvanizing line at Fairless Works. The anticipated financial impact of the shutdown, which is predominately noncash, will be recorded in the second half of 2001 and is estimated to be a pretax charge of \$35 to \$45 million.

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### UNITED STATES STEEL

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SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2000				1999			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
(In millions, except per share data)								
Revenues and other income:								
Revenues (a).....	\$1,417	\$1,462	\$1,629	\$1,582	\$1,492	\$1,415	\$1,344	\$1,285
Other income (loss)...	(4)	13	27	6	8	(40)	1	(35)
Total.....	1,413	1,475	1,656	1,588	1,500	1,375	1,345	1,250
Income (loss) from operations.....	(159)	60	112	91	75	(26)	103	(2)
Income (loss) before extraordinary losses...	(139)	19	56	43	34	(29)	55	(9)
Net income (loss).....	(139)	19	56	43	34	(31)	55	(14)

(a) Certain items have been reclassified between revenues and cost of revenues, primarily to give effect to new accounting standards as disclosed in Note 3 of the Notes to Combined Financial Statements. Amounts reclassified in the first, second and third quarters of 2000 were \$41 million, \$45 million and \$45 million, respectively, and for the first, second, third and fourth quarters of 1999 were \$39 million, \$41 million, \$38 million and \$38 million, respectively.

SUPPLEMENTARY INFORMATION ON MINERAL RESERVES (UNAUDITED)

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

Production History

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

	2000	1999	1998
Coal:			
#50 Mine/Pinnacle Preparation Plant.....	3.3	4.1	4.5
Oak Grove Mine/Concord Preparation Plant.....	2.2	2.1	2.8
Total coal production.....	5.5	6.2	7.3
Iron Ore Pellets:			
Minntac Mine and Pellet Plant.....	16.3	14.3	15.8

Adverse mining conditions in the form of unforeseen geologic conditions

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

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

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SUPPLEMENTARY INFORMATION ON MINERAL RESERVES (UNAUDITED)--(Continued)

Coal Reserves

United States Steel had 786.6 million short tons of recoverable coal reserves classified as proven and probable at December 31, 2000. Proven and probable reserves are defined by sites for inspection, sampling, and measurement generally less than 1 mile apart, such that continuity between points and subsequent economic evaluation can be assured.

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

The following table summarizes our proven and probable coal reserves as of December 31, 2000, the status of the reserves as assigned or unassigned, our property interest in the reserves, and certain characteristics of the reserves:

Location	Proven and Probable Reserves (1) (5)	Reserve Control		Coal Characteristics		As Received BTU Pounds
		Owned	Leased	Grade	Volatility	
Assigned Reserves (2):						
Oak Grove Mine, AL.....	52.1	52.1	--	Metallurgical	Low	>12,