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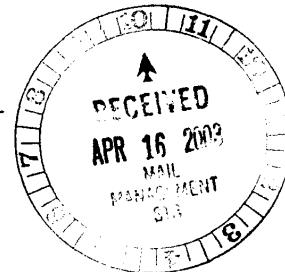
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April 15, 2003

Re: Finance Docket No. 34311, United States Steel
Corporation - Control Exemption - Delray
Connecting Railroad Company



The Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

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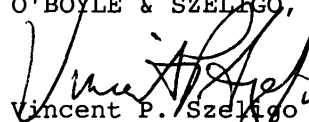
Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are an original and 10 copies of the Response of United States Steel Corporation to AK Steel's Petition to Revoke Exemption. In addition, a floppy disk with a word perfect version of the pleading is enclosed.

Please acknowledge receipt, by date-stamping the enclosed acknowledgment copy of this letter and the cover page of the notice of exemption, and returning them to us in the enclosed self-addressed, stamped envelope.

Very truly yours,

WICK, STREIFF, MEYER,
O'BOYLE & SZELIGO, P.C.


Vincent P. Szeligo

Enclosures

cc: Richard J. Munsch, Esq.
Parties of Record

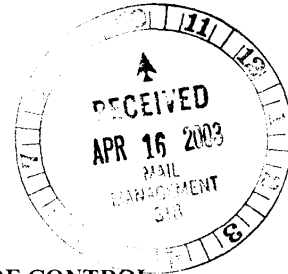
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207631
ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34311



UNITED STATES STEEL CORPORATION - ACQUISITION OF CONTROL
EXEMPTION - DELRAY CONNECTING RAILROAD COMPANY

RESPONSE OF UNITED STATES STEEL CORPORATION TO AK STEEL'S
PETITION TO REVOKE EXEMPTION

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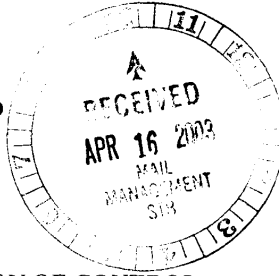
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Counsel for United States Steel Corporation

Dated: April 15, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34311



UNITED STATES STEEL CORPORATION - ACQUISITION OF CONTROL
EXEMPTION - DELRAY CONNECTING RAILROAD COMPANY

RESPONSE OF UNITED STATES STEEL CORPORATION TO AK STEEL'S
PETITION TO REVOKE EXEMPTION

I. BACKGROUND

On February 19, 2003, the Board published United States Steel Corporation's ("U.S. Steel") notice of exemption to acquire control of Delray Connecting Railroad Company ("Delray"), a wholly owned subsidiary of National Steel Corporation ("National Steel"). National Steel is a Debtor-in-Possession under a Chapter 11 proceeding pending in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, Case Nos. 02-08699, et seq. As stated in U.S. Steel's verified notice of exemption filed January 21, 2003, U.S. Steel proposed the acquisition of substantially of all National Steel's steelmaking assets, including National Steel's Great Lakes Facility - the Delray's principal customer. The proposed acquisition was outlined in a January 9, 2003 U.S. Steel/National Steel Asset Purchase Agreement which, *inter alia*, called for National Steel's transfer of 100% of its stock ownership in the Delray. U.S. Steel's verified notice disclosed that the acquisition was contingent upon bankruptcy court and other regulatory approvals, and upon successful negotiation of a new labor agreement with the United Steelworkers of America.

Pursuant to 49 CFR §1180.2(d)(2), the exemption became effective 7 days after the notice was filed, or approximately January 28, 2003. Although the proposed exempt transaction cannot occur unless and until the Bankruptcy Court determines that U.S. Steel is the successful bidder, on April 9, 2003 AK Steel Corporation ("AK Steel") filed a Petition to Revoke the exemption on the grounds that U.S. Steel has now made a different proposal in response to Bankruptcy Court competitive bidding procedures.

Bankruptcy Court procedures for competitive bidding were established after AK Steel submitted a competing bid on January 23, 2003, thereby initiating a bidding war for the acquisition of a slightly different bundle of specified National Steel assets. These procedures call for an auction on April 16, 2003, and a Bankruptcy Court hearing on April 21, 2003 to approve a sale to the successful bidder. On April 11, 2003, National Steel attached both the AK Steel and the U.S. Steel proposed Asset Purchase Agreements to a Form 8-K filing with the Securities and Exchange Commission. The 8-K filing and attached Asset Purchase Agreements are available to the public on the SEC's EDGAR database.

II. ARGUMENT

Because the bidding procedures applicable to the sale of National Steel assets require an auction and a subsequent sale confirmation hearing, common sense explains that U.S. Steel's initial offer could differ in some respects from that ultimately reached after the bankruptcy approval process had run its course. This possibility was implicit in U.S. Steel's statement that its proposed sale was subject to contingencies in the attached Agreement of Sale, as well as Bankruptcy Court and regulatory agency approvals. U.S. Steel's increased bid in the bankruptcy auction process is outlined in U.S. Steel's April 11, 2003, Press Release, a copy of which is attached as Appendix 1. AK Steel's

contention that U.S. Steel's notice of exemption contains false or misleading information is not well explained in its Petition to Revoke, which contains absolutely no discussion as to how the changed circumstances tie into a transportation related matter subject to the Board's jurisdiction. Rather, AK Steel baldly asserts that something about U.S. Steel's latest bid requires that the Board revoke the earlier exemption and require that U.S. Steel subject the new offer to "Board review".

AK Steel fails to grasp the fact that the Board neither approves nor denies a notice for exemption filed under 49 C.F.R. § 1180.2(d)(2). The regulation provides that an exemption arises 7 days after the filing of a verified notice which demonstrates that three simple elements are present. Since the accuracy of the three essential elements verified by U.S. Steel have not been disputed by AK Steel, it has not raised an issue as to whether U.S. Steel has submitted material "false or misleading information". The three elements necessary to support an exemption, as summarized by the Board in its February 19, 2003 Federal Register publication, are:

- (i) the railroads (Delray and the Transtar Railroads) do not connect;
- (ii) the transaction is not part of a series of anticipated transactions that would connect these railroads with each other or any railroad in their corporate family; and
- (iii) the transaction does not involve a Class I carrier.

68 FR 8076-02, 2003 WL 354370.

Although U.S. Steel's latest proposal offers more money, involves one additional facility, and is no longer dependent upon antitrust clearance or the negotiation of a satisfactory labor agreement with the USWA¹, these three essential transportation elements remain unchanged: the Delay's lines

¹ In a March 31, 2003 Press Release, a copy of which is attached as Appendix 2, U.S. Steel announced that the Department of Justice Antitrust Division has closed its investigation related to U.S. Steel's proposed acquisition of substantially all of National Steel Corporation's assets, thus clearing the way for U.S. Steel to pursue the national Steel purchase free of antitrust considerations. In an April 9, 2003 Press Release, a copy of which is attached as

still would not connect with those of Transtar; the transaction is still not part of a series of anticipated transactions that would connect these railroads; and the transaction still does not involve a Class I railroad. U.S. Steel today controls the same Transtar Railroads which it did when the notice of exemption was filed; none is a Class I carrier.

As the Board well knows, it is common practice for parties to submit a notice of exemption in advance of a definitive agreement. The regulations do not require that all terms of a transaction be final prior to submission of a notice of exemption. The level of background information required to be submitted with a notice of exemption is described as "a brief summary" of the transaction. See 49 C.F.R. ¶ 1180.4(g), 1180.6(a)(1)(i)-(iii), (a)(5)-(6) and (a)(7)(ii).² These required subjects all relate to the general purpose of the transaction, intent to continue rail service and protect affected labor interests, and the possibility that the acquired rail line might physically connect with existing lines of the purchaser. AK Steel has raised no issue with regard to any of these transportation matters subject to regulation by the Board.

Since the regulations allow submission of a notice of exemption prior to the time that a definitive agreement has been struck, it is obvious that the regulations contemplate that the final terms of the transaction may differ from those in mind at the time the notice is submitted. It is nonsense to expect that a party to a transaction will constantly re-file its notice of exemption every time one term in a proposed sale is modified, unless the modification relates to rail issues, such as the effect on rail service, the interests of railroad employees, or the actual or potential connection

Appendix 3, U.S. Steel announced that it had reached a satisfactory new labor agreement for U.S. Steel and National Steel Represented Facilities.

² ¶ 1180.7(ii) requires that a copy of the agreement entered into, or proposed to be entered into be attached, but notes that a final signed contract or agreement need not be filed.

of rail lines. None of the transportation related issues or terms has been changed from those described in the notice of exemption.

Finally, U.S. Steel urges the Board to dismiss AK Steel's petition on the grounds that AK Steel lacks standing to pursue the statutory remedy. Under 49 U.S.C. § 10502(d), the Board may revoke an exemption if it finds that regulation of the transaction at issue is necessary to carry out the rail transportation policy (RTP) of 49 U.S.C. § 10101. Although proceedings under Section 10502 may be initiated by the Board, the Secretary of Transportation, or by an interested party, AK Steel, through its failure to raise a transportation related issue or argue that revocation is necessary to carry out the RTP, has not shown itself to be an interested party. AK Steel has not challenged the accuracy of any fact contained in the notice of exemption relating to transportation matters regulated by the Board. Instead, the tenor of its objection is that the notice of exemption failed to disclose the subsequently arising facts concerning AK Steel initiation a bidding war for the purchase of National Steel's assets, and U.S. Steel's counter-offer.³ That fact has no relevance to the critical elements which support the exemption. In light of AK Steel's failure to raise any transportation regulation issues, it is clear that AK Steel lacks standing to pursue a petition for revocation.

Furthermore, the complete lack of any transportation related issues in AK Steel's petition demonstrates that it will be unable to meet the relevant burden of proof required to support revocation of an exemption. "The party seeking revocation of an exemption has the burden of proof, and petitions to revoke must be based on reasonable, specific concerns demonstrating that reconsideration of the exemption is warranted and that regulation of the transaction is necessary."

³ Referring to the Asset Purchase Agreement attached to the notice of exemption, AK Steel's Petition at page 4 concedes that "U.S. Steel's description of that transaction was generally accurate at the time U.S. Steel filed its Notice."

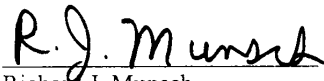
Sault Ste. Marie Bridge Company - Acquisition and Operation Exemption - Lines of Union Pacific Railroad Co, STB FD No. 33290, at p.2 (7/7/2000) and Yolo Shortline Railroad Company - Lease and Operation Exemption - Port of Sacramento, STB FD No. 34114, (1/31/2003).

AK Steel's petition makes no attempt to meet this standard; the petition does not even suggest or argue that regulation of the Delray rail transaction is necessary to carry out the rail transportation policy stated in 40 U.S.C. § 10101.

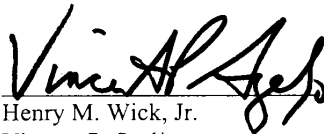
III. CONCLUSION

For the reasons set forth above, U.S. Steel requests that the Board deny AK Steel's Petition to Revoke the exemption of U.S. Steel's proposed acquisition of Delray Connecting Railroad.

Respectfully submitted,



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United States Steel

United States Steel Corporation - Press Releases



Printer-friendly copy

U. S. Steel Confirms Bid for National Steel Assets

PITTSBURGH, April 11 /PRNewswire-FirstCall/ -- United States Steel Corporation (NYSE: X) confirmed that it has submitted a bid to National Steel Corporation to purchase substantially all of National's steelmaking and steel finishing assets and the assets of National Steel Pellet Company for a price of \$975 million, payable through \$775 million in cash and the assumption of \$200 million of National liabilities. This price is in addition to the significant value that U. S. Steel will provide to National's employees through its progressive new labor agreement with the United Steelworkers of America (USWA) announced on Wednesday.

Commenting on the new tentative labor agreement, U. S. Steel Chairman and Chief Executive Officer Thomas J. Usher said, "This innovative agreement builds value for our employees and the employees of National Steel while providing us the flexibility to staff and operate our facilities on a world competitive basis. The agreement also allows us to address critical issues related to steel companies in bankruptcy in a humane way."

U. S. Steel's bid is consistent with the terms of its January 9, 2003, Asset Purchase Agreement with National, adjusted for the addition of the National Steel Pellet assets. The January Agreement was conditioned on obtaining a satisfactory labor agreement. Because of the groundbreaking agreement reached with the USWA this week, the bid submitted to National on April 10 is not conditioned on a labor agreement. U. S. Steel has also received all necessary regulatory approvals to close the National acquisition, and the bid is subject only to customary closing conditions.

Usher stated, "We remain the best solution for National's customers, employees, retirees, creditors, suppliers and the communities in which National operates. We have a labor agreement that ensures continuity of National's business operations and uninterrupted supply to National's customers, provides secure jobs and competitive wages for the National employees, and assists in the fair and humane resolution of the legacy problems that have plagued National and the domestic steel industry. It's time to resolve the National Steel bankruptcy in the best way for all interested parties. We have offered a fair value for National's assets, and we are prepared to close the deal immediately following Bankruptcy Court approval."

National Steel has been operating under the protection of the U. S. Bankruptcy Code since March 6, 2002, and the United States Bankruptcy Court for the Northern District of Illinois has established a bidding procedure that includes an auction on April 16, 2003, and a hearing to confirm the winning bid on April 21, 2003.

Under its bid, U. S. Steel would acquire facilities at National's two integrated steel plants, Great Lakes Steel, in Ecorse and River Rouge, Mich., and the Granite City Division in Granite City, Ill.; the Midwest finishing facility in Portage, Ind., near Gary, Ind.; ProCoil Corporation in Canton, Mich.; National Steel Pellet Company's iron ore pellet operations in Keewatin, Minn. and various other subsidiaries; and joint-venture interests, including National's share of Double G Coatings, L.P. in Jackson, Miss.

For more information about U. S. Steel visit our web site at <http://www.ussteel.com>.

SOURCE United States Steel Corporation

APPENDIX 1

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United States Steel

United States Steel Corporation - Press Releases

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U. S. Steel Receives Antitrust Clearance for Proposed National Steel Acquisition

PITTSBURGH, March 31 /PRNewswire-FirstCall/ -- The Department of Justice Antitrust Division advised United States Steel Corporation (NYSE: X) today that its investigation related to U. S. Steel's proposed acquisition of substantially all of National Steel Corporation's assets has been closed. This notification clears the way for U. S. Steel to pursue the National Steel purchase free of antitrust considerations.

Regarding this development, U. S. Steel Chairman and CEO Thomas J. Usher said, "We are delighted to have this timely resolution in a way that allows us to achieve efficiencies that will benefit the combined entity and all of our customers. This is another important step in the process to acquire National Steel.

"Signing a new progressive labor agreement covering the USWA-represented plants of both U. S. Steel and National is the next important step, and we are making good progress on that front. We are confident that we will have a labor agreement in place and be prepared to bid for National. We look forward to participating in the bankruptcy auction."

SOURCE United States Steel Corporation

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Last Updated: Monday, December 31, 2001 09:18:19 AM

APPENDIX 2

http://www.prnewswire.com/cgi-bin/micro_stories.pl?ACCT=no&TICK=X&STORY=/www/story/03-31-20.. 4/15/0



United States Steel

United States Steel Corporation - Press Releases



Printer-friendly copy

U. S. Steel and USWA Reach Progressive New Labor Agreement for U. S. Steel and National Steel Represented Facilities

PITTSBURGH, April 9 /PRNewswire-FirstCall/ -- United States Steel Corporation (NYSE: X) and the United Steelworkers of America (USWA) today announced a tentative agreement on a new progressive labor contract covering the USWA-represented plants of both U. S. Steel and the facilities now owned by bankrupt National Steel Corporation. The agreement, which is subject to ratification, is modeled after a pattern contract developed by the USWA that has been adapted to U. S. Steel's unique circumstances.

Commenting on the announcement, U. S. Steel Chairman and Chief Executive Officer Thomas J. Usher said, "This innovative agreement builds value for our employees and the employees of National Steel while providing us the flexibility to staff and operate our facilities on a world competitive basis. The agreement also allows us to address critical issues related to steel companies in bankruptcy in a humane way. The leadership of the USWA was instrumental in reaching this agreement at this critical stage in the domestic steel industry's history.

"This groundbreaking agreement moves us another step closer to acquiring National Steel. With this labor contract, antitrust clearance and our strong liquidity position, we look forward to participating in the upcoming bankruptcy auction. We continue to believe that our acquisition of National's assets is the best solution for National's employees, communities, customers, suppliers and other stakeholders."

The new agreement, which expires September 2008, creates a more variable and world competitive cost structure. It provides for a workforce restructuring through which U. S. Steel expects to achieve productivity improvements of at least 20 percent. The agreement also enables U. S. Steel to significantly reduce its employee and retiree healthcare expenses through the introduction of variable cost sharing mechanisms. U. S. Steel also anticipates realigning its non-represented staff in the near-term so as to achieve significant productivity gains. Implementation of the new agreement and related actions will involve some upfront cash costs primarily for early retirement incentives and will result in the recognition of significant accounting charges related to pensions and other postretirement benefits.

In addition, the company has confirmed that ratification of the contract would result in termination of the previously announced letter of intent to sell its raw materials and transportation units.

Further details about the tentative agreement will not be made available until after the ratification process is complete.

This release contains forward-looking statements with regards to a new labor agreement and the potential acquisition of the assets of National Steel Corporation. The new labor agreement is subject to ratification by USWA members and the productivity improvements cited in relation to the agreement are dependent on our success in implementing the provisions of the agreement. Whether such acquisition will be implemented and the timing of such implementation will depend upon a number of factors, many of which are beyond the control of United States Steel Corporation and National Steel Corporation. Among the factors are the absence of any injunctions blocking consummation of the acquisition; and the results of the auction process contemplated in National's bankruptcy court filing.

For more information about U. S. Steel, visit our web site at <http://www.ussteel.com>.

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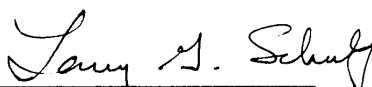
APPENDIX 3

http://www.prnewswire.com/cgi-bin/micro_stories.pl?ACCT=no&TICK=X&STORY=/www/story/04-09-20.. 4/14/0

VERIFICATION

I, Larry G. Schultz, Vice President & Controller of United States Steel Corporation, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am authorized to file this Verification for this Response to Petition of AK Steel on behalf of United States Steel Corporation.

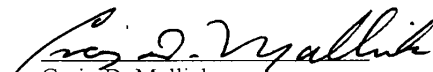
Executed this 15th day of April, 2003.


Larry G. Schultz

CERTIFICATION

I, Craig D. Mallick, declare under penalty of perjury that I am ^{an}~~the~~ Assistant Secretary of United States Steel Corporation, that Larry G. Schultz is the Vice President & Controller of United States Steel Corporation; and that Larry G. Schultz is authorized to file the foregoing Verification for this Response to Petition of AK Steel on behalf of United States Steel Corporation.

Executed this 15th day of April, 2003.


Craig D. Mallick

CERTIFICATE OF SERVICE

I hereby certify that I have this 15th day of April, 2003, caused copies of the foregoing
Response of U.S. Steel to AK Steel's Petition to Revoke Exemption to be served by first-class U.S.

mail upon the following:

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Senior Vice President and
Chief Financial Officer
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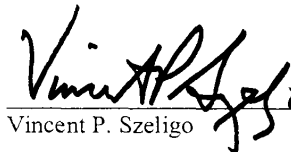
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