

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2022

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **1-16811**



**United States Steel Corporation**

**United States Steel Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**25-1897152**

(IRS Employer Identification No.)

**600 Grant Street, Pittsburgh, PA**

(Address of principal executive offices)

**15219-2800**

(Zip Code)

**(412) 433-1121**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
United States Steel Corporation Common Stock	X	New York Stock Exchange
United States Steel Corporation Common Stock	X	Chicago Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Common stock outstanding at October 24, 2022 – 234,268,944 shares

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### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in those sections. Generally, we have identified such forward-looking statements by using the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “target,” “forecast,” “aim,” “should,” “plan,” “goal,” “future,” “will,” “may” and similar expressions or by using future dates in connection with any discussion of, among other things, the construction or operation of new or existing facilities or operating capabilities, the timing, size and form of share repurchase transactions, operating performance, trends, events or developments that we expect or anticipate will occur in the future, statements relating to volume changes, share of sales and earnings per share changes, anticipated cost savings, potential capital and operational cash improvements, changes in global supply and demand conditions and prices for our products, international trade duties and other aspects of international trade policy, statements regarding our future strategies, products and innovations, statements regarding our greenhouse gas emissions reduction goals and statements expressing general views about future operating results. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements are not historical facts, but instead represent only the Company’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company’s control. It is possible that the Company’s actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Management believes that these forward-looking statements are reasonable as of the time made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, the risks and uncertainties described in this report and in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and those described from time to time in our future reports filed with the Securities and Exchange Commission.

References in this Quarterly Report on Form 10-Q to (i) “U. S. Steel,” “the Company,” “we,” “us,” and “our” refer to United States Steel Corporation and its consolidated subsidiaries unless otherwise indicated by the context, (ii) “Big River Steel” refers to Big River Steel Holdings LLC and its direct and indirect subsidiaries unless otherwise indicated by the context and (iii) “Transtar” refers to Transtar LLC and its direct and indirect subsidiaries unless otherwise indicated by the context.

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

(Dollars in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net sales:</b>				
Net sales	\$ 4,667	\$ 5,623	\$ 15,304	\$ 13,676
Net sales to related parties (Note 19)	536	341	1,423	977
Total (Note 6)	5,203	5,964	16,727	14,653
<b>Operating expenses (income):</b>				
Cost of sales	4,359	3,881	12,843	10,633
Selling, general and administrative expenses	95	108	324	316
Depreciation, depletion and amortization	198	196	594	587
Earnings from investees	(71)	(57)	(202)	(106)
Gain on sale of Transtar (Note 5)	—	(506)	—	(506)
Asset impairment charges (Note 1)	—	—	157	28
Gain on equity investee transactions (Note 5)	—	—	—	(111)
Restructuring and other charges (Note 20)	23	—	57	37
Net (gain) loss on sale of assets	(6)	7	(10)	(8)
Other gains, net	(9)	(7)	(22)	(18)
Total	4,589	3,622	13,741	10,852
<b>Earnings before interest and income taxes</b>				
	614	2,342	2,986	3,801
Interest expense	38	75	127	251
Interest income	(15)	(1)	(20)	(3)
(Gain) loss on debt extinguishment	(2)	26	—	282
Other financial costs	9	17	27	39
Net periodic benefit income	(60)	(37)	(182)	(97)
Net interest and other financial (benefits) costs	(30)	80	(48)	472
<b>Earnings before income taxes</b>				
	644	2,262	3,034	3,329
Income tax expense (Note 12)	154	260	684	224
Net earnings	490	2,002	2,350	3,105
Less: Net earnings attributable to noncontrolling interests	—	—	—	—
<b>Net earnings attributable to United States Steel Corporation</b>				
	\$ 490	\$ 2,002	\$ 2,350	\$ 3,105
<b>Earnings per common share (Note 13):</b>				
Earnings per share attributable to United States Steel Corporation stockholders:				
-Basic	\$ 2.07	\$ 7.41	\$ 9.33	\$ 11.80
-Diluted	\$ 1.85	\$ 6.97	\$ 8.38	\$ 11.13

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

**UNITED STATES STEEL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Unaudited)

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net earnings	\$ 490	\$ 2,002	\$ 2,350	\$ 3,105
Other comprehensive (loss) income, net of tax:				
Changes in foreign currency translation adjustments	(92)	(26)	(220)	(50)
Changes in pension and other employee benefit accounts	—	15	(2)	244
Changes in derivative financial instruments	18	60	54	9
Total other comprehensive (loss) income, net of tax	(74)	49	(168)	203
Comprehensive income including noncontrolling interest	416	2,051	2,182	3,308
Comprehensive income attributable to noncontrolling interest	—	—	—	—
Comprehensive income attributable to United States Steel Corporation	\$ 416	\$ 2,051	\$ 2,182	\$ 3,308

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

**UNITED STATES STEEL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(Unaudited)

(Dollars in millions)	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 7)	\$ 3,364	\$ 2,522
Receivables, less allowance of \$37 and \$44	1,859	1,968
Receivables from related parties (Note 19)	176	121
Inventories (Note 8)	2,759	2,210
Other current assets	294	331
Total current assets	8,452	7,152
Long-term restricted cash (Note 7)	123	76
Operating lease assets	154	185
Property, plant and equipment	20,437	19,676
Less accumulated depreciation and depletion	12,459	12,422
Total property, plant and equipment, net	7,978	7,254
Investments and long-term receivables, less allowance of \$4 in both periods	832	694
Intangibles, net (Note 9)	488	519
Deferred income tax benefits (Note 12)	—	32
Goodwill (Note 9)	920	920
Other noncurrent assets	1,011	984
Total assets	\$ 19,958	\$ 17,816
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,116	\$ 2,809
Accounts payable to related parties (Note 19)	164	99
Payroll and benefits payable	482	425
Accrued taxes	245	365
Accrued interest	45	68
Current operating lease liabilities	51	58
Short-term debt and current maturities of long-term debt (Note 15)	59	28
Total current liabilities	4,162	3,852
Noncurrent operating lease liabilities	112	136
Long-term debt, less unamortized discount and debt issuance costs (Note 15)	3,863	3,863
Employee benefits	204	235
Deferred income tax liabilities (Note 12)	588	122
Deferred credits and other noncurrent liabilities	499	505
Total liabilities	9,428	8,713
Contingencies and commitments (Note 21)		
<b>Stockholders' Equity (Note 17):</b>		
Common stock (282,441,077 and 279,522,227 shares issued) (Note 13)	282	280
Treasury stock, at cost (48,172,133 shares and 15,708,839 shares)	(1,054)	(334)
Additional paid-in capital	5,179	5,199
Retained earnings	5,867	3,534
Accumulated other comprehensive income (Note 18)	163	331
Total United States Steel Corporation stockholders' equity	10,437	9,010
Noncontrolling interests	93	93
Total liabilities and stockholders' equity	\$ 19,958	\$ 17,816

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

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

(Dollars in millions)	Nine Months Ended September 30,	
	2022	2021
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>		
<b>Operating activities:</b>		
Net earnings	\$ 2,350	\$ 3,105
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, depletion and amortization	594	587
Gain on sale of Transtar (Note 5)	—	(506)
Asset impairment charges (Note 1)	157	28
Gain on equity investee transactions	—	(111)
Restructuring and other charges (Note 20)	57	37
Loss on debt extinguishment	—	282
Pensions and other postretirement benefits	(164)	(88)
Deferred income taxes (Note 12)	561	59
Net gain on sale of assets	(10)	(8)
Equity investee earnings, net of distributions received	(181)	(106)
Changes in:		
Current receivables	(36)	(1,281)
Inventories	(697)	(539)
Current accounts payable and accrued expenses	188	968
Income taxes receivable/payable	(88)	137
All other, net	19	41
Net cash provided by operating activities	<u>2,750</u>	<u>2,605</u>
<b>Investing activities:</b>		
Capital expenditures	(1,138)	(460)
Acquisition of Big River Steel, net of cash acquired (Note 5)	—	(625)
Proceeds from sale of Transtar (Note 5)	—	627
Proceeds from cost reimbursement government grants (Note 21)	53	—
Proceeds from sale of assets	28	25
Other investing activities	(8)	(3)
Net cash used in investing activities	<u>(1,065)</u>	<u>(436)</u>
<b>Financing activities:</b>		
Repayment of short-term debt (Note 15)	—	(180)
Revolving credit facilities - borrowings, net of financing costs (Note 15)	—	50
Revolving credit facilities - repayments (Note 15)	—	(911)
Issuance of long-term debt, net of financing costs (Note 15)	291	862
Repayment of long-term debt (Note 15)	(375)	(2,719)
Net proceeds from public offering of common stock (Note 22)	—	790
Common stock repurchased (Note 22)	(699)	—
Proceeds from government incentives (Note 21)	82	—
Other financing activities	(51)	(12)
Net cash used in financing activities	<u>(752)</u>	<u>(2,120)</u>
<b>Effect of exchange rate changes on cash</b>	<b>(46)</b>	<b>(15)</b>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>887</b>	<b>34</b>
<b>Cash, cash equivalents and restricted cash at beginning of year (Note 7)</b>	<b>2,600</b>	<b>2,118</b>
<b>Cash, cash equivalents and restricted cash at end of period (Note 7)</b>	<b>\$ 3,487</b>	<b>\$ 2,152</b>
<b>Non-cash investing and financing activities:</b>		
Change in accrued capital expenditures	\$ 373	\$ 58
U. S. Steel common stock issued for employee/non-employee director stock plans	46	28
Capital expenditures funded by finance lease borrowings	43	11
Export Credit Agreement (ECA) financing	—	23

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

## Notes to Condensed Consolidated Financial Statements (Unaudited)

### 1. **Basis of Presentation and Significant Accounting Policies**

The year-end Consolidated Balance Sheet data was derived from audited statements but does not include all disclosures required for complete financial statements by accounting principles generally accepted in the United States of America (U.S. GAAP). The other information in these condensed financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair statement of the results for the periods covered, including assessment of certain accounting matters using all available information such as consideration of forecasted financial information in context with other information reasonably available to us. However, our future assessment of our current expectations, including consideration of the unknown future impacts of the COVID-19 pandemic, could result in material impacts to our consolidated financial statements in future reporting periods. All such adjustments are of a normal recurring nature unless disclosed otherwise. These condensed financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. Additional information is contained in the United States Steel Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which should be read in conjunction with these condensed financial statements.

#### **Asset Impairments**

In the second quarter 2022, the Company recognized charges of approximately \$151 million for the write-off of the blast furnaces and related fixed assets for the permanent idling of the iron making process at the Company's Great Lakes Works facility, which had been idled on an indefinite basis during 2020. The coil finishing process at Great Lakes Works continues to operate and remains a component of the Company's operating plans.

In May 2019, U. S. Steel announced that it planned to construct a new endless casting and rolling facility at its Edgar Thomson Plant in Braddock, Pennsylvania, and a cogeneration facility at its Clairton Plant in Clairton, Pennsylvania, both part of the Company's Mon Valley Works. The Company purchased certain equipment for this project before delaying groundbreaking in March 2020 in response to COVID-19. In April 2021, the Company determined not to pursue this project, re-evaluated the use of the already purchased equipment, and subsequently transferred suitable equipment to the Mini Mill segment to be used on the new three-million-ton mini mill flat-rolled facility under construction in Osceola, Arkansas (BR2). Total impairments of \$56 million were recognized for this project in 2021, \$28 million of which was recognized during the nine-month period ended September 30, 2021.

There were no triggering events that required an impairment evaluation of our long-lived asset groups as of September 30, 2022.

### 2. **New Accounting Standards**

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASU 2021-08). ASU 2021-08 requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, *Revenue from Contracts with Customers*. ASU 2021-08 is effective for public companies with fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption of all amendments in the same period permitted. The Company will apply the guidance prescribed by ASU 2021-08 to business combinations, if any, that take place subsequent to the effective date.

In September 2022, the FASB issued Accounting Standards Update 2022-04, *Disclosure of Supplier Finance Program Obligations* (ASU 2022-04). ASU 2022-04 requires that an entity disclose certain information about supplier finance programs used in connection with the purchase of goods and services. ASU 2022-04 is effective for all entities with fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption of all amendments is permitted. The Company is currently assessing the impact of ASU 2022-04.

### 3. **Recently Adopted Accounting Standards**

In August 2020, the FASB issued Accounting Standards Update 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (ASU 2020-06). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 also requires entities to provide expanded disclosures about the terms and features of convertible instruments and amends certain guidance in ASC 260 on the computation of earnings per share (EPS) for convertible instruments and contracts on an entity's own equity. The update requires entities to use the If-Converted Method for calculating diluted earnings per share, retiring the previous alternative calculation of the Treasury Stock Method for calculating diluted earnings per share for convertible instruments.

U. S. Steel has adopted this guidance using the modified retrospective implementation method as of January 1, 2022. The cumulative effect of the changes made to our consolidated January 1, 2022, balance sheet for the adoption of ASU 2020-06 was as follows:

<i>(in millions)</i>	Balance as of December 31, 2021	Adjustments due to ASU 2020-06	Balance as of January 1, 2022
<b>Condensed Consolidated Balance Sheet</b>			
<b>Assets</b>			
Deferred income tax benefits	32	4	36
<b>Liabilities</b>			
Long-term debt, less unamortized discount and debt issuance costs	3,863	74	3,937
Deferred income tax liabilities	122	(15)	107
<b>Equity</b>			
Additional paid-in capital	5,199	(78)	5,121
Retained Earnings	3,534	22	3,556

In November 2021, the FASB issued Accounting Standards Update 2021-10, *Disclosures by Business Entities about Government Assistance* (ASU 2021-10). ASU 2021-10 provides expanded annual disclosure requirements for business entities that account for a transaction with a government by applying a grant or contribution accounting model by analogy. U. S. Steel adopted this guidance effective January 1, 2022. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

#### 4. **Segment Information**

U. S. Steel has four reportable segments: North American Flat-Rolled (Flat-Rolled), Mini Mill, U. S. Steel Europe (USSE); and Tubular Products (Tubular). The Mini Mill segment reflects the acquisition of Big River Steel after the purchase of the remaining equity interest on January 15, 2021 (see Note 5 for further details) and Big River 2 (BR2) which is under construction in Osceola, Arkansas. The Tubular segment includes the electric arc furnace at our Fairfield Tubular Operations in Fairfield, Alabama. The results of our real estate businesses and of our former railroad business are combined and disclosed in the Other category.

The results of segment operations for the three months ended September 30, 2022 and 2021 are:

(In millions) Three Months Ended September 30, 2022	Customer Sales	Intersegment Sales	Net Sales	Earnings from investees	Earnings (loss) before interest and income taxes
Flat-Rolled	\$ 3,248	\$ 104	\$ 3,352	\$ 59	\$ 505
Mini Mill	602	60	662	—	1
USSE	925	2	927	—	(32)
Tubular	425	—	425	12	155
Total reportable segments	5,200	166	5,366	71	629
Other	3	—	3	—	21
Reconciling Items and Eliminations	—	(166)	(166)	—	(36)
Total	\$ 5,203	\$ —	\$ 5,203	\$ 71	\$ 614
<b>Three Months Ended September 30, 2021</b>					
Flat-Rolled	\$ 3,541	\$ 36	\$ 3,577	\$ 53	\$ 1,015
Mini Mill	949	156	1,105	—	424
USSE	1,246	2	1,248	—	394
Tubular	216	6	222	4	—
Total reportable segments	5,952	200	6,152	57	1,833
Other	12	9	21	—	(2)
Reconciling Items and Eliminations	—	(209)	(209)	—	511
Total	\$ 5,964	\$ —	\$ 5,964	\$ 57	\$ 2,342

The results of segment operations for the nine months ended September 30, 2022 and 2021 are:

(In millions) Nine Months Ended September 30, 2022	Customer Sales	Intersegment Sales	Net Sales	Earnings from investees	Earnings (loss) before interest and income taxes
Flat-Rolled	\$ 9,926	\$ 303	\$ 10,229	\$ 175	\$ 1,795
Mini Mill	2,158	337	2,495	—	549
USSE	3,518	10	3,528	—	512
Tubular	1,115	5	1,120	27	339
Total reportable segments	16,717	655	17,372	202	3,195
Other	10	—	10	—	16
Reconciling Items and Eliminations	—	(655)	(655)	—	(225)
Total	\$ 16,727	\$ —	\$ 16,727	\$ 202	\$ 2,986
<b>Nine Months Ended September 30, 2021</b>					
Flat-Rolled	\$ 8,804	\$ 142	\$ 8,946	\$ 90	\$ 1,740
Mini Mill	2,158	360	2,518	—	840
USSE	3,122	4	3,126	—	706
Tubular	534	13	547	10	(29)
Total reportable segments	14,618	519	15,137	100	3,257
Other	35	65	100	6	20
Reconciling Items and Eliminations	—	(584)	(584)	—	524
Total	\$ 14,653	\$ —	\$ 14,653	\$ 106	\$ 3,801

A summary of total assets by segment is as follows:

(In millions)	September 30, 2022	December 31, 2021
Flat-Rolled	\$ 7,534	\$ 7,337
Mini Mill <sup>(a)</sup>	5,660	4,715
USSE	6,019	6,111
Tubular	1,122	1,054
Total reportable segments	\$ 20,335	\$ 19,217
Other	\$ 130	\$ 88
Corporate, reconciling items, and eliminations <sup>(b)</sup>	(507)	(1,489)
Total assets	\$ 19,958	\$ 17,816

<sup>(a)</sup> Includes assets of \$1.1 billion and \$347 million at September 30, 2022 and December 31, 2021, respectively, related to BR2 under construction in Osceola, Arkansas.

<sup>(b)</sup> The majority of corporate, reconciling items, and eliminations is comprised of cash and the elimination of intersegment amounts.

The following is a schedule of reconciling items to consolidated earnings before interest and income taxes:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Items not allocated to segments:				
Restructuring and other charges (Note 20)	\$ (23)	\$ —	\$ (57)	\$ (37)
Asset impairment charges (Note 1)	—	—	(157)	(28)
Other charges, net	(13)	12	(11)	(36)
(Losses) gains on assets sold and previously held investments	—	(7)	—	119
Gain on sale of Transtar (Note 5)	—	506	—	506
Total reconciling items	\$ (36)	\$ 511	\$ (225)	\$ 524

## 5. Acquisitions and Dispositions

### **Big River Steel Acquisition**

On January 15, 2021, U. S. Steel purchased the remaining equity interest in Big River Steel for approximately \$625 million in cash net of \$36 million and \$62 million in cash and restricted cash received, respectively, and the assumption of liabilities of approximately \$50 million. There were acquisition related costs of approximately \$9 million recorded in 2021.

Prior to the closing of the acquisition on January 15, 2021, U. S. Steel accounted for its 49.9% equity interest in Big River Steel under the equity method. As a result of the acquisition, the Company adjusted the carrying amount of its previously held equity investment to its fair value of \$770 million which resulted in a gain of approximately \$111 million. The gain was recorded in gain on equity investee transactions in the Condensed Consolidated Statement of Operations.

The following unaudited pro forma information for U. S. Steel includes the results of the Big River Steel acquisition as if it had been consummated on January 1, 2020. The unaudited pro forma information is based on historical information and is adjusted for amortization of intangible asset, property, plant and equipment and debt fair value step-ups. The pro forma information does not include any anticipated cost savings or other effects of the integration of Big River Steel. Accordingly, the unaudited pro forma information does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations.

(in millions)	Nine Months Ended September 30, 2021
Net sales	\$ 14,725
Net earnings (loss)	\$ 3,034

### **Transtar Disposition**

On July 28, 2021, U. S. Steel completed the sale of 100 percent of its equity interests in its wholly-owned short-line railroad, Transtar, LLC (Transtar) to an affiliate of Fortress Transportation and Infrastructure Investors, LLC. The

Company received net cash proceeds of \$627 million, subject to certain customary adjustments as set forth in the Membership Interest Purchase Agreement, and recognized a pretax gain of approximately \$506 million in 2021. In connection with the closing of the transaction, the Company entered into certain ancillary agreements including a railway services agreement, providing for continued rail services for its Gary and Mon Valley Works facilities, and a transition services agreement. Because Transtar does not represent a significant component of U. S. Steel's business and does not constitute a reportable business segment, its results through the date of disposition are reported in the Other category. See Note 4 for further details.

### **Other Transactions**

In December 2021, the Company entered into an agreement to sell certain assets related to a component of its flat-roll business. As a result of this commitment, the Company has recognized a total of \$119 million in restructuring-related charges, \$89 million during the fourth quarter 2021 and \$30 million during the nine months ended September 30, 2022. These charges are expected to be paid out on a long-term basis. This transaction is expected to result in a gain upon closure, which is subject to customary closing conditions.

## **6. Revenue**

Revenue is generated primarily from contracts to produce, ship and deliver steel products, and to a lesser extent, raw materials sales such as iron ore pellets and coke by-products and real estate sales. Generally, U. S. Steel's performance obligations are satisfied and revenue is recognized when title transfers to our customer for product shipped or services are provided. Revenues are recorded net of any sales incentives. Shipping and other transportation costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and are expensed when incurred. Because customers are invoiced at the time title transfers and U. S. Steel's right to consideration is unconditional at that time, U. S. Steel does not maintain contract asset balances. Additionally, U. S. Steel does not maintain contract liability balances, as performance obligations are satisfied prior to customer payment for product. U. S. Steel offers industry standard payment terms.

The following tables disaggregate our revenue by product for each of the reportable business segments for the three months and nine months ended September 30, 2022 and 2021, respectively:

### **Net Sales by Product (In millions):**

<b>Three Months Ended September 30, 2022</b>	<b>Flat-Rolled</b>	<b>Mini Mill</b>	<b>USSE</b>	<b>Tubular</b>	<b>Other</b>	<b>Total</b>
Semi-finished	\$ 48	\$ —	\$ 27	\$ —	\$ —	\$ 75
Hot-rolled sheets	622	332	389	—	—	1,343
Cold-rolled sheets	974	92	73	—	—	1,139
Coated sheets	1,127	176	376	—	—	1,679
Tubular products	—	—	20	418	—	438
All Other <sup>(a)</sup>	477	2	40	7	3	529
<b>Total</b>	<b>\$ 3,248</b>	<b>\$ 602</b>	<b>\$ 925</b>	<b>\$ 425</b>	<b>\$ 3</b>	<b>\$ 5,203</b>

<sup>(a)</sup> Consists primarily of sales of raw materials and coke making by-products.

<b>Three Months Ended September 30, 2021</b>	<b>Flat-Rolled</b>	<b>Mini Mill</b>	<b>USSE</b>	<b>Tubular</b>	<b>Other</b>	<b>Total</b>
Semi-finished	\$ —	\$ —	\$ 35	\$ —	\$ —	\$ 35
Hot-rolled sheets	887	571	657	—	—	2,115
Cold-rolled sheets	1,037	159	145	—	—	1,341
Coated sheets	1,216	219	356	—	—	1,791
Tubular products	—	—	21	217	—	238
All Other <sup>(a)</sup>	401	—	32	(1)	12	444
<b>Total</b>	<b>\$ 3,541</b>	<b>\$ 949</b>	<b>\$ 1,246</b>	<b>\$ 216</b>	<b>\$ 12</b>	<b>\$ 5,964</b>

<sup>(a)</sup> Consists primarily of sales of raw materials and coke making by-products.

<b>Nine Months Ended September 30, 2022</b>	<b>Flat-Rolled</b>	<b>Mini Mill</b>	<b>USSE</b>	<b>Tubular</b>	<b>Other</b>	<b>Total</b>
Semi-finished	\$ 177	\$ —	\$ 90	\$ —	\$ —	\$ 267
Hot-rolled sheets	1,846	1,238	1,618	—	—	4,702
Cold-rolled sheets	3,053	307	335	—	—	3,695
Coated sheets	3,687	606	1,315	—	—	5,608
Tubular products	—	—	56	1,103	—	1,159
All Other <sup>(a)</sup>	1,163	7	104	12	10	1,296
<b>Total</b>	<b>\$ 9,926</b>	<b>\$ 2,158</b>	<b>\$ 3,518</b>	<b>\$ 1,115</b>	<b>\$ 10</b>	<b>\$ 16,727</b>

<sup>(a)</sup> Consists primarily of sales of raw materials and coke making by-products.

<b>Nine Months Ended September 30, 2021</b>	<b>Flat-Rolled</b>	<b>Mini Mill</b>	<b>USSE</b>	<b>Tubular</b>	<b>Other</b>	<b>Total</b>
Semi-finished	\$ 12	\$ —	\$ 84	\$ —	\$ —	\$ 96
Hot-rolled sheets	1,990	1,271	1,604	—	—	4,865
Cold-rolled sheets	2,710	365	330	—	—	3,405
Coated sheets	3,114	519	988	—	—	4,621
Tubular products	—	—	45	523	—	568
All Other <sup>(a)</sup>	978	3	71	11	35	1,098
<b>Total</b>	<b>\$ 8,804</b>	<b>\$ 2,158</b>	<b>\$ 3,122</b>	<b>\$ 534</b>	<b>\$ 35</b>	<b>\$ 14,653</b>

<sup>(a)</sup> Consists primarily of sales of raw materials and coke making by-products.

## 7. **Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within U. S. Steel's Condensed Consolidated Balance Sheets that sum to the total of the same amounts shown in the Condensed Consolidated Statement of Cash Flows:

<b>(In millions)</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Cash and cash equivalents	\$ 3,364	\$ 2,522	\$ 2,044
Restricted cash in other current assets	—	2	17
Restricted cash in other noncurrent assets	123	76	91
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 3,487</b>	<b>\$ 2,600</b>	<b>\$ 2,152</b>

Amounts included in restricted cash represent cash balances which are legally or contractually restricted, primarily for electric arc furnace construction, environmental liabilities and other capital projects and insurance purposes.

## 8. **Inventories**

The LIFO method is the predominant method of inventory costing for our Flat-Rolled and Tubular segments. The FIFO and moving average methods are the predominant inventory costing methods for our Mini Mill segment and the FIFO method is the predominant inventory costing method for our USSE segment. At September 30, 2022 and December 31, 2021, the LIFO method accounted for 40 percent and 46 percent of total inventory values, respectively.

<b>(In millions)</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 1,225	\$ 713
Semi-finished products	1,043	1,056
Finished products	435	388
Supplies and sundry items	56	53
<b>Total</b>	<b>\$ 2,759</b>	<b>\$ 2,210</b>

Current acquisition costs were estimated to exceed the above inventory values by \$1.4 billion and \$896 million at September 30, 2022 and December 31, 2021, respectively. Cost of sales decreased and earnings before interest and income taxes increased by \$1 million and \$8 million for the three and nine months ended September 30, 2022, respectively, as a result of liquidation of LIFO inventories. Cost of sales decreased and earnings before interest and

income taxes increased by \$5 million and \$12 million for the three and nine months ended September 30, 2021, respectively, as a result of liquidation of LIFO inventories.

## 9. Intangible Assets and Goodwill

Intangible assets that are being amortized on a straight-line basis over their estimated useful lives are detailed below:

(In millions)	Useful Lives	As of September 30, 2022			As of December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	22 Years	\$ 413	\$ 32	\$ 381	\$ 413	\$ 18	\$ 395
Patents	5-15 Years	17	12	5	17	11	6
Energy Contract	2 Years	54	27	27	54	11	43
Total amortizable intangible assets		\$ 484	\$ 71	\$ 413	\$ 484	\$ 40	\$ 444

Total estimated amortization expense for the remainder of 2022 is \$11 million. We expect approximately \$120 million in total amortization expense from 2023 through 2027 and approximately \$282 million in remaining amortization expense thereafter.

The carrying amount of acquired water rights with indefinite lives as of September 30, 2022 and December 31, 2021 totaled \$75 million.

Below is a summary of goodwill by segment for the three months ended September 30, 2022:

	Flat-Rolled	Mini Mill	USSE	Tubular	Total
Balance at December 31, 2021	\$ —	\$ 916	\$ 4	\$ —	\$ 920
Additions	—	—	—	—	—
Balance at September 30, 2022	\$ —	\$ 916	\$ 4	\$ —	\$ 920

## 10. Pensions and Other Benefits

The following table reflects the components of net periodic benefit (income) cost for the three months ended September 30, 2022 and 2021:

(In millions)	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Service cost	\$ 11	\$ 12	\$ 2	\$ 3
Interest cost	40	41	13	13
Expected return on plan assets	(89)	(91)	(23)	(21)
Amortization of prior service credit	—	—	(6)	(7)
Amortization of actuarial net loss (gain)	18	29	(13)	(6)
Net periodic benefit (income) cost, excluding below	(20)	(9)	(27)	(18)
Multiemployer plans	18	19	—	—
Settlement, termination and curtailment losses <sup>(a)</sup>	—	5	—	—
Net periodic benefit (income) cost	\$ (2)	\$ 15	\$ (27)	\$ (18)

(a) During the three months ended September 30, 2021, pension benefits incurred settlement charges of approximately \$5 million due to lump sum payment to certain individuals.

The following table reflects the components of net periodic benefit (income) cost for the nine months ended September 30, 2022 and 2021:

(In millions)	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Service cost	\$ 33	\$ 40	\$ 6	\$ 9
Interest cost	118	122	37	37
Expected return on plan assets	(267)	(269)	(68)	(61)
Amortization of prior service cost	1	1	(19)	(21)
Amortization of actuarial net loss (gain)	54	104	(39)	(18)
Net periodic benefit (income) cost, excluding below	(61)	(2)	(83)	(54)
Multiemployer plans	56	56	—	—
Settlement, termination and curtailment losses <sup>(a)</sup>	4	8	2	—
Net periodic benefit (income) cost	\$ (1)	\$ 62	\$ (81)	\$ (54)

(a) During the nine months ended September 30, 2022, pension and other postretirement benefits incurred special termination charges of approximately \$6 million due to workforce restructuring. During the nine months ended September 30, 2021, the pension plan incurred settlement and curtailment charges of approximately \$8 million due to lump sum payments to certain individuals and the sale of Transtar.

### Employer Contributions

During the first nine months of 2022, U. S. Steel made cash payments of \$56 million to the Steelworkers Pension Trust and \$1 million of pension payments not funded by trusts.

During the first nine months of 2022, cash payments of \$21 million were made for other postretirement benefit payments not funded by trusts.

Company contributions to defined contribution plans totaled \$11 million for both the three months ended September 30, 2022 and 2021. Company contributions to defined contribution plans totaled \$34 million and \$32 million for the nine months ended September 30, 2022 and 2021, respectively.

### Transtar Disposition

In connection with the Transtar sale, U. S. Steel remeasured its main pension benefit plan as of June 30, 2021. As a result of the remeasurement, the net pension obligation was reduced by \$255 million.

## 11. Stock-Based Compensation Plans

U. S. Steel has outstanding stock-based compensation awards that were granted by the Compensation & Organization Committee of the Board of Directors, or its designee, under the 2005 Stock Incentive Plan (2005 Plan) and the 2016 Omnibus Incentive Compensation Plan, as amended and restated (Omnibus Plan). The Company's stockholders approved the Omnibus Plan and authorized the Company to issue up to 32,700,000 shares of U. S. Steel common stock under the Omnibus Plan. While the awards that were previously granted under the 2005 Plan remain outstanding, all future awards will be granted under the Omnibus Plan. As of September 30, 2022, there were 8,832,318 shares available for future grants under the Omnibus Plan.

Recent grants of stock-based compensation consist of restricted stock units, total stockholder return (TSR) performance awards and return on capital employed (ROCE) performance awards. Shares of common stock under the Omnibus Plan are issued from authorized, but unissued stock. The following table is a summary of the awards made under the Omnibus Plan during the first nine months of 2022 and 2021.

Grant Details	2022		2021	
	Shares <sup>(a)</sup>	Fair Value <sup>(b)</sup>	Shares <sup>(a)</sup>	Fair Value <sup>(b)</sup>
Restricted Stock Units	1,225,820	\$ 24.26	1,831,880	\$ 19.65
Performance Awards <sup>(c)</sup>				
TSR	236,520	\$ 28.41	306,930	\$ 19.46
ROCE <sup>(d)</sup>	408,870	\$ 23.59	485,900	\$ 17.92
Performance-Based Restricted Stock Units	83,951	\$ 23.07	—	\$ —

(a) The share amounts shown in this table do not reflect an adjustment for estimated forfeitures.

(b) Represents the per share weighted average for all grants during the period.

(c) The number of performance awards shown represents the target share grant of the award.

(d) A portion of ROCE awards granted in 2022 and 2021 are not shown in the table because they were granted in cash.

U. S. Steel recognized pretax stock-based compensation expense in the amount of \$13 million and \$15 million in the three-month periods ended September 30, 2022 and 2021, respectively and \$45 million and \$41 million in the first nine months of 2022 and 2021, respectively.

As of September 30, 2022, total future compensation expense related to nonvested stock-based compensation arrangements was \$58 million, and the weighted average period over which this expense is expected to be recognized is approximately 19 months.

### Stock Options

Compensation expense for stock options is recorded over the vesting period based on the fair value on the date of grant, as calculated by U. S. Steel using the Black-Scholes model and the assumptions listed below. Awards generally vest ratably over a three-year service period and have a term of ten years. Stock options are generally issued at the average market price of the underlying stock on the date of the grant. Upon exercise of stock options, shares of U. S. Steel stock are issued from treasury stock or from authorized, but unissued common stock. There have been no stock options granted since 2017 other than the 171,000 performance-based stock options granted in December 2021, which are further described below.

The expected annual dividends per share are based on the latest annualized dividend rate at the date of grant; the expected life in years is determined primarily from historical stock option exercise data; the expected volatility is based on the historical volatility of U. S. Steel stock; and the risk-free interest rate is based on the U.S. Treasury strip rate for the expected life of the option.

The 171,000 performance-based stock options granted in December 2021 do not become vested and exercisable until the Company's 20-trading day average closing stock price meets or exceeds the following stock price hurdles during the seven-year period beginning on the grant date, as follows:

20-trading day Average Closing Stock Price Achievement During 7-Year Period Beginning on Grant Date <sup>(a)</sup>	Percentage of Performance-Based Stock Options Exercisable
\$ 35.00	33.33 %
\$ 45.00	33.33 %
\$ 55.00	33.34 %

<sup>(a)</sup> The \$35.00 tranche vested in April 2022.

### Stock Awards

Restricted stock units awarded as part of annual grants generally vest ratably over three years. Their fair value is the average market price of the underlying common stock on the date of grant. Restricted stock units granted in connection with new-hire or retention grants generally cliff vest three years from the date of the grant.

TSR performance awards may vest at varying levels at the end of a three-year performance period if U. S. Steel's total stockholder return compared to the total stockholder return of a peer group of companies meets specified performance criteria with each year in the three-year performance period weighted at 20 percent and the full three-year period weighted at 40 percent. TSR performance awards can vest at between zero and 200 percent of the target award. The fair value of the TSR performance awards is calculated using a Monte Carlo simulation.

ROCE performance awards may vest at the end of a three-year performance period contingent upon meeting the specified ROCE performance metric. For the 2022 ROCE performance awards, each year in the three-year performance period is weighted at 20 percent and the full three-year period is weighted at 40 percent of the total award. ROCE performance awards can vest between zero and 200 percent of the target award. The fair value of the ROCE performance awards is the average market price of the underlying common stock on the date of grant.

In December 2021 and August 2022, special performance-based restricted stock unit awards (PSUs) were granted to members of the Company's executive leadership team. Shares are earned based on the achievement of certain pre-set quantitative performance criteria during the four-year performance period, January 1, 2022 through December 31, 2025. Shares may vest following the expiration of the Performance Period if the Company satisfies the performance criteria.

The Chief Executive Officer was granted PSUs that vest with the following, equally weighted, performance metrics: (i) EBITDA margin expansion, (ii) greenhouse gas emissions intensity reduction, (iii) asset portfolio optimization, (iv) leverage metrics and (v) corporate relative valuation. Other members of the executive leadership team were granted PSUs that vest with performance criteria related to: (i) on time and on budget completion of BR2 (30% of the grant), (ii) EBITDA margin expansion (40% of the grant) and (iii) greenhouse gas emissions intensity reduction (30% of the grant).

For the PSU awards, a payout is achievable at threshold (50% of target), target (100% of target) or maximum (200% of target) performance achievement. Payout amounts will be interpolated between the threshold, target and maximum amounts.

## 12. Income Taxes

### **Tax provision**

For the nine months ended September 30, 2022, and 2021, the Company recorded a tax provision of \$684 million and \$224 million, respectively. Additionally, in accordance with the adoption of ASU 2020-06, the Company recorded an increase in its long-term state deferred tax asset of \$4 million and a decrease in its long-term federal deferred tax liability of \$15 million in the first quarter of 2022. The tax provisions for the first nine months of 2022 and 2021 were based on an estimated annual effective rate, which requires management to make its best estimate of annual pretax income or loss and discrete items recognized during the period.

The tax provision for the nine months ended September 30, 2022, includes an expense of \$19 million related to the filing of the 2021 federal income tax return, as well as an additional expense of \$13 million related to the reduction in the Pennsylvania corporate net income tax rate which is being phased in over nine years beginning in 2023.

The tax provision for the nine months ended September 30, 2021, includes a benefit of \$514 million for the release of the domestic valuation allowance recorded against domestic deferred tax assets that are more likely than not to be realized. During the second quarter of 2021, the Company evaluated all available positive and negative evidence, including the impact of profitability generated from current year operations and future projections of profitability. As a result, the Company determined that all of its domestic deferred tax assets were more likely than not to be realized with the exception of certain of its state net operating losses and state tax credits and reversed the valuation allowance against those deferred tax assets accordingly.

Throughout the year, management regularly updates forecasted annual pretax results for the various countries in which we operate based on changes in factors such as prices, shipments, product mix, plant operating performance and cost estimates. To the extent that actual 2022 pretax results for U.S. and foreign income or loss vary from estimates applied herein, the actual tax provision or benefit recognized in 2022 could be materially different from the forecasted amount used to estimate the tax provision for the nine months ended September 30, 2022.

In March 2022, the Company and the Arkansas Economic Development Commission entered into the Recycling Tax Credit Incentive Agreement, whereby the Company may earn state income tax credits in an amount equal to 30% of the cost of waste reduction, reuse, or recycling equipment, subject to meeting the requirements of the Arkansas Code Ann. Section 26-51-506, for BR2 which is under construction in Osceola, Arkansas. Documentation supporting the Company's investment in qualifying equipment must be submitted as part of an application for certification expected to be completed on or before 2025. In March 2022, the Company received a lump-sum payment of approximately \$82 million as proceeds from the sale of a portion of expected future tax credits to be earned by the Company (see Note 21 for additional information). The Company estimates that it could earn tax credits in excess of \$700 million, exclusive of the amount sold in March 2022, which the Company will recognize in the year the assets are placed into service and meet the requirements of Arkansas Code Ann. Section 26-51-506. Any unused tax credit that cannot be claimed in a tax year may be carried forward indefinitely by the Company and applied to its future state tax liability.

On August 16, 2022, H.R. 5376 (commonly called the Inflation Reduction Act of 2022) was signed into law, which, among other things, implemented a corporate alternative minimum tax (CAMT) of 15 percent on book income of certain large corporations, a 1 percent excise tax on net stock repurchases and several tax incentives to promote clean energy. The provision pertaining to an excise tax on corporate stock repurchases imposes a nondeductible 1 percent excise tax on a publicly traded corporation for the net value of certain stock that the corporation repurchases. The value of the repurchases subject to the tax is reduced by the value of any stock issued by the corporation during the tax year, including stock issued or provided to the employees. The CAMT imposes a minimum tax on net income adjusted for certain items prescribed by the legislation. Both the CAMT and the excise tax provisions of this legislation are effective for tax years beginning after December 31, 2022. Although management is currently assessing the impact of the law change and awaiting guidance from the Department of Treasury, the Company anticipates being subject to the new CAMT but does not believe that it will have a material impact on its Condensed Consolidated Financial Statements.

## 13. Earnings and Dividends Per Common Share

### **Earnings Per Share Attributable to United States Steel Corporation Stockholders**

The effect of dilutive securities on weighted average common shares outstanding included in the calculation of diluted earnings per common share for the three and nine months ended September 30, 2022 and September 30, 2021 were as follows.

(Dollars in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Earnings attributable to United States Steel Corporation stockholders:				
Basic	\$ 490	\$ 2,002	\$ 2,350	\$ 3,105
Interest expense on Senior Convertible Notes, net of tax	3	—	10	—
Diluted	\$ 493	\$ 2,002	\$ 2,360	\$ 3,105
Weighted-average shares outstanding (in thousands):				
Basic	237,094	270,175	251,848	263,209
Effect of Senior Convertible Notes	26,194	12,199	26,194	11,082
Effect of stock options, restricted stock units and performance awards	2,976	5,089	3,527	4,812
Diluted	266,264	287,463	281,569	279,103
Earnings per share attributable to United States Steel Corporation stockholders:				
Basic	\$ 2.07	\$ 7.41	\$ 9.33	\$ 11.80
Diluted	\$ 1.85	\$ 6.97	\$ 8.38	\$ 11.13

Excluded from the computation of diluted earnings per common share due to their anti-dilutive effect were 1.7 million and 0.7 million outstanding securities granted under the Omnibus Plan for the three and nine months ended September 30, 2022, respectively, and 0.6 million and 1.2 million outstanding securities granted under the Omnibus Plan for the three and nine months ended September 30, 2021, respectively.

#### Dividends Paid Per Share

The dividend for each of the first, second and third quarters of 2022 was five cents per common share. The dividend for each of the first, second and third quarters of 2021 was one cent per common share.

#### 14. Derivative Instruments

U. S. Steel uses foreign exchange forward sales contracts (foreign exchange forwards) with maturities up to 25 months to manage our currency requirements and exposure to foreign currency exchange rate fluctuations. The USSE and Flat-Rolled segments use hedge accounting for their foreign exchange forwards. The Mini Mill segment has foreign exchange forwards for which hedge accounting has not been elected; therefore, the changes in the fair value of their foreign exchange forwards are recognized immediately in the Consolidated Statements of Operations (mark-to-market accounting).

U. S. Steel also uses financial swaps to protect from the commodity price risk associated with purchases of natural gas, zinc, tin, electricity and iron ore pellets (commodity purchase swaps). We elected cash flow hedge accounting for commodity purchase swaps for natural gas, zinc and tin and iron ore pellets and use mark-to-market accounting for electricity swaps. The commodity purchase swaps have maturities of up to 15 months.

U. S. Steel has entered into financial swaps that are used to partially manage the sales price risk of certain hot-rolled coil sales (sales swaps) and iron ore pellet sales (zero cost collars). Both the sales swaps and the zero cost collars are accounted for using hedge accounting and have maturities of up to 3 months.

The table below shows the outstanding swap quantities used to hedge forecasted purchases and sales as of September 30, 2022 and September 30, 2021:

Hedge Contracts	Classification	September 30, 2022	September 30, 2021
Natural gas (in mmbtus)	Commodity purchase swaps	59,215,000	38,661,000
Tin (in metric tons)	Commodity purchase swaps	885	1,384
Zinc (in metric tons)	Commodity purchase swaps	10,666	12,853
Electricity (in megawatt hours)	Commodity purchase swaps	547,680	909,240
Iron ore pellets (in metric tons)	Zero-cost collars	432,000	—
Hot-rolled coils (in tons)	Sales swaps	44,000	97,320
Foreign currency (in millions of euros)	Foreign exchange forwards	€ 292	€ 290
Foreign currency (in millions of dollars)	Foreign exchange forwards	\$ 118	\$ 9
Foreign currency (in millions of CAD)	Foreign exchange forwards	\$ 4	\$ —

The following summarizes the fair value amounts included in our Condensed Consolidated Balance Sheets as of September 30, 2022, and December 31, 2021:

Balance Sheet Location (in millions)	September 30, 2022	December 31, 2021
<b>Designated as Hedging Instruments</b>		
Accounts receivable	\$ 88	\$ 42
Accounts payable	44	59
Investments and long-term receivables	7	2
Other long-term liabilities	13	4
<b>Not Designated as Hedging Instruments</b>		
Accounts receivable	20	5
Investments and long-term receivables	5	5

The table below summarizes the effect of hedge accounting on Accumulated Other Comprehensive Income (AOCI) and amounts reclassified from AOCI into earnings for the three and nine months ended September 30, 2022 and 2021:

(In millions)	Gain (Loss) on Derivatives in AOCI			Amount of Gain (Loss) Recognized in Income	
	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Location of Reclassification from AOCI <sup>(a)</sup>	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Sales swaps	\$ 9	\$ 52	Net sales	\$ 9	\$ (60)
Commodity purchase swaps	2	20	Cost of sales <sup>(b)</sup>	46	14
Foreign exchange forwards	13	8	Cost of sales	—	1

<sup>(a)</sup> The earnings impact of our hedging instruments substantially offsets the earnings impact of the related hedged items resulting in immaterial ineffectiveness.

<sup>(b)</sup> Costs for commodity purchase swaps are recognized in cost of sales as products are sold.

(In millions)	Gain (Loss) on Derivatives in AOCI			Amount of Gain (Loss) Recognized in Income	
	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Location of Reclassification from AOCI <sup>(a)</sup>	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Sales swaps	\$ 33	\$ (71)	Net sales	\$ (29)	\$ (93)
Commodity purchase swaps	17	52	Cost of sales <sup>(b)</sup>	89	18
Foreign exchange forwards	22	29	Cost of sales	30	(9)

<sup>(a)</sup> The earnings impact of our hedging instruments substantially offsets the earnings impact of the related hedged items resulting in immaterial ineffectiveness.

<sup>(b)</sup> Costs for commodity purchase swaps are recognized in cost of sales as products are sold.

At current contract values, \$30 million currently in AOCI as of September 30, 2022, will be recognized as a decrease in cost of sales over the next year and \$14 million currently in AOCI as of September 30, 2022, will be recognized as an increase in net sales over the next year.

The gain recognized for foreign exchange forwards and financial swaps where hedge accounting was not elected was \$18 million and \$12 million for the three and nine months ended September 30, 2022, respectively. The gain recognized for sales swaps where hedge accounting was not elected was \$12 million for the three months ended September 30, 2021, and the loss of \$3 million was recognized in cost of sales for the nine months ended September 30, 2021.

15. **Debt**

(In millions)	Issuer/Borrower	Interest Rates %	Maturity	September 30, 2022	December 31, 2021
2037 Senior Notes	U. S. Steel	6.650	2037	274	350
2029 Senior Secured Notes	Big River Steel	6.625	2029	720	720
2029 Senior Notes	U. S. Steel	6.875	2029	475	750
2026 Senior Convertible Notes	U. S. Steel	5.000	2026	350	350
Environmental Revenue Bonds	U. S. Steel	4.125 - 6.750	2024 - 2052	924	647
Environmental Revenue Bonds	Big River Steel	4.500 - 4.750	2049	752	752
Finance leases and all other obligations	U. S. Steel	Various	2022 - 2029	96	67
Finance leases and all other obligations	Big River Steel	Various	2022 - 2031	124	122
Export Credit Agreement	U. S. Steel	Variable	2031	136	136
Credit Facility Agreement	U. S. Steel	Variable	2027	—	—
Big River Steel ABL Facility	Big River Steel	Variable	2026	—	—
USSK Credit Agreement	U. S. Steel Kosice	Variable	2026	—	—
USSK Credit Facility	U. S. Steel Kosice	Variable	2024	—	—
Total Debt				3,851	3,894
Less unamortized discount, premium, and debt issuance costs				(71)	3
Less short-term debt, long-term debt due within one year, and short-term issuance costs				59	28
Long-term debt				\$ 3,863	\$ 3,863

The following is a summary of debt repayments of certain Senior Notes and environmental revenue bonds made during the nine months ended September 30, 2022:

Debt Instrument (in Millions)	Date	Nine Months Ended September 30, 2022	
			Debt Extinguished
2037 Senior Notes <sup>(a)</sup>	Third quarter 2022	\$	76
2029 Senior Notes <sup>(b)</sup>	Third quarter 2022		225
Hoover, AL Environmental Revenue Bonds	Second quarter 2022		14
2029 Senior Notes <sup>(b)</sup>	Second quarter 2022		48
2029 Senior Notes <sup>(b)</sup>	First quarter 2022		2
<b>Total</b>		<b>\$</b>	<b>365</b>

<sup>(a)</sup> There were redemption discounts and unamortized debt issuance cost write-offs of \$6 million and \$1 million, respectively, included in (gain) loss on debt extinguishment on the Consolidated Statement of Operations related to the repayment.

<sup>(b)</sup> During the nine months ended September 30, 2022, there were no redemption premiums paid and a net loss of \$4 million for the write-off of unamortized discounts and debt issuance costs, included in (gain) loss on debt extinguishment on the Consolidated Statement of Operations, as a result of these debt repayments.

**Arkansas Development Finance Authority Environmental Improvement Revenue Bonds, Series 2022 (United States Steel Corporation Project) (Green Bonds)**

On September 6, 2022, U. S. Steel closed on an offering of \$290 million aggregate principal amount of 5.450% Environmental Improvement Revenue Bonds due 2052 (2052 ADFA Green Bonds). U. S. Steel received net proceeds of approximately \$287 million after fees of approximately \$3 million related to the underwriting and third-party expenses. The net proceeds from the issuance of the 2052 ADFA Green Bonds will be used to partially fund work related to U. S. Steel's solid waste disposal facilities, including two electric arc furnaces (EAF) and other equipment facilities at its new technologically-advanced flat rolled steel making facility, BR2, currently under construction near Osceola, Arkansas.

On and after September 1, 2025, the Company may redeem the 2052 ADFA Green Bonds at its option, at any time in whole or from time to time in part at the redemption prices (expressed in percentages of principal amount) listed below, plus accrued and unpaid interest on the 2052 ADFA Green Bonds, if any, to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on September 1 of each of the years indicated below.

<b>Year</b>	<b>Redemption Price</b>
2025	105.000 %
2026	104.000 %
2027	103.000 %
2028	102.000 %
2029	101.000 %
2030 and thereafter	100.000 %

At any time prior to September 1, 2025, U. S. Steel may also redeem the 2052 ADFA Green Bonds, at our option, in whole or in part, or from time to time, at a price equal to the greater of 100 percent of the principal amount of the 2052 ADFA Green Bonds plus accrued and unpaid interest, if any, or the sum of the present value of the redemption price of the 2052 ADFA Green Bonds if they were redeemed on September 1, 2025, plus interest payments due through September 1, 2025, discounted to the date of redemption on a semi-annual basis at the applicable tax-exempt municipal bond rate, plus accrued and unpaid interest, if any.

**2026 Senior Convertible Notes**

In October 2019, U. S. Steel issued \$350 million of 5.00% Senior Convertible Notes due November 1, 2026 (2026 Senior Convertible Notes). Interest on the 2026 Senior Convertible Notes is payable semi-annually on May 1 and November 1 of each year. The initial conversion rate for the 2026 Senior Convertible Notes is 74.8391 shares of U. S. Steel common stock per \$1,000 principal amount, equivalent to an initial conversion price of approximately \$13.36 per share of common stock, subject to adjustment pursuant to the 2026 Senior Convertible Notes indenture. Based on the initial conversion rate, the 2026 Senior Convertible Notes are convertible into 26,193,685 shares of U. S. Steel common stock and we reserved for the possible issuance of 33,396,930 shares, which is the maximum amount that could be issued upon conversion. Prior to August 1, 2026, holders of notes may convert all or a portion of their notes at their option only upon the satisfaction of specified conditions and during certain periods. On or after August 1, 2026, holders may convert all or a portion of their notes prior to the maturity date. Upon conversion, we will satisfy the obligation with cash, common stock, or a combination thereof, at our election. U. S. Steel may not redeem the 2026 Senior Convertible Notes prior to November 5, 2023. On or after November 5, 2023, and prior to August 1, 2026, if the price per share of U. S. Steel's common stock has been at least 130% of the conversion price for specified periods, U. S. Steel may redeem all or a portion of the 2026 Senior Convertible Notes at a cash redemption price of 100% of the principal amount, plus accrued and unpaid interest.

If U. S. Steel undergoes a fundamental change, as defined in the 2026 Senior Convertible Notes, holders may require us to repurchase the 2026 Senior Convertible Notes in whole or in part for cash at a price equal to 100% of the principal amount of the 2026 Senior Convertible Notes to be purchased plus any accrued and unpaid interest up to, but excluding the repurchase date.

**Big River Steel - Sustainability Linked ABL Facility**

Big River Steel's amended senior secured asset-based revolving credit facility (Big River Steel ABL Facility) matures on July 23, 2026. The facility is secured by first-priority liens on accounts receivable and inventory and certain other assets and second priority liens on most tangible and intangible assets of Big River Steel in each case subject to permitted liens. Additionally, the amendment includes sustainability targets related to greenhouse gas emissions intensity reduction, safety performance and facility certification by ResponsibleSteel™.

The Big River Steel ABL Facility provides for borrowings for working capital and general corporate purposes in an amount equal up to the lesser of (a) \$350 million and (b) a borrowing base calculated based on specified percentages of eligible accounts receivables and inventory, subject to certain adjustments and reserves.

Big River Steel LLC must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent twelve consecutive months when availability under the Big River Steel ABL Facility is less than the greater of ten percent of the borrowing base availability and \$13 million. Based on the most recent four quarters as of September 30, 2022, Big River Steel would have met the fixed charge coverage ratio test. The facility includes affirmative and negative covenants and events of default that are customary for facilities of this type.

There were no loans outstanding under the Big River Steel ABL Facility at September 30, 2022.

#### **U. S. Steel - Sustainability Linked Credit Facility Agreement**

On May 27, 2022, U. S. Steel entered into the Sixth Amended and Restated Credit Facility Agreement (Credit Facility Agreement) to replace the existing Fifth Amended and Restated Credit Facility Agreement (Fifth Credit Facility Agreement). The Credit Facility Agreement has substantially the same terms as the Fifth Credit Facility Agreement, except the Credit Facility Agreement references the Secured Overnight Financing Rate instead of the London Interbank Offered Rate, adjusts the individual lenders' commitments, and renews the five-year maturity to May 27, 2027. The Credit Facility Agreement also adjusts the threshold for the fixed charge coverage ratio. The total availability under the facility remained the same at \$1,750 million, and the financial impact from replacing the Fifth Credit Facility Agreement was immaterial. Consistent with the Fifth Credit Facility Agreement, the Credit Facility Agreement is secured by first-priority liens on certain accounts receivable and inventory and includes targets related to greenhouse gas emissions intensity reduction, safety performance and facility certification by ResponsibleSteel™.

The Credit Facility Agreement provides for borrowings for working capital and general corporate purchases in an amount equal to the lesser of (a) \$1,750 million or (b) a borrowing base calculated based on specified percentages of eligible accounts receivable and inventory, subject to certain adjustments and reserves. As of September 30, 2022, there were approximately \$4 million of letters of credit issued and no loans drawn under the Credit Facility Agreement. U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent four consecutive quarters when availability under the Credit Facility Agreement is less than the greater of ten percent of the maximum facility availability and \$140 million. Based on the most recent four quarters as of September 30, 2022, the Company would have met the fixed charge coverage ratio test.

#### **U. S. Steel Košice (USSK) Credit Facilities**

On September 29, 2021, USSK entered into a €300 million (approximately \$292 million) unsecured sustainability linked credit agreement (USSK Credit Agreement). The USSK Credit Agreement matures in 2026 and contains sustainability targets related to greenhouse gas emissions intensity reduction, safety performance and facility certification by ResponsibleSteel™. At September 30, 2022, USSK had no borrowings under the USSK Credit Agreement.

At September 30, 2022, USSK had no borrowings under its €20 million credit facility (approximately \$20 million) (USSK Credit Facility) and the availability was approximately \$5 million due to approximately \$15 million of customs and other guarantees outstanding.

### **16. Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, current accounts and notes receivable, accounts payable and accrued interest included in the Condensed Consolidated Balance Sheet approximate fair value. See Note 14 for disclosure of U. S. Steel's derivative instruments, which are accounted for at fair value on a recurring basis.

#### **Stelco Option for Minntac Mine Interest**

On April 30, 2020 (Effective Date), the Company entered into an Option Agreement with Stelco, Inc. (Stelco), that grants Stelco the option to purchase a 25 percent interest (Option Interest) in a to-be-formed entity (Joint Venture) that will own the Company's current iron ore mine located in Mt. Iron, Minnesota (Minntac Mine). As consideration for the Option, Stelco paid the Company an aggregate amount of \$100 million in five \$20 million installments during the year-ended December 31, 2020 which are recorded net of transaction costs in the Condensed Consolidated Balance Sheet. The option can be exercised any time before January 31, 2027, and in the event Stelco exercises the option, Stelco will contribute an additional \$500 million to the Joint Venture, which amount shall be remitted solely to U. S. Steel in the form of a one-time special distribution, and the parties will engage in good faith negotiations to finalize the master agreement (pursuant to which Stelco will acquire the Option Interest) and the limited liability company agreement of the Joint Venture.

The following table summarizes U. S. Steel's financial liabilities that were not carried at fair value at September 30, 2022 and December 31, 2021. The fair value of long-term debt was determined using Level 2 inputs.

(In millions)	September 30, 2022		December 31, 2021	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial liabilities:</b>				
Long-term debt <sup>(a)</sup>	\$ 3,551	\$ 3,702	\$ 4,379	\$ 3,702

<sup>(a)</sup> Excludes finance lease obligations.

17. **Statement of Changes in Stockholders' Equity**

The following table reflects the first nine months of 2022 and 2021 reconciliation of the carrying amount of total equity, equity attributable to U. S. Steel and equity attributable to noncontrolling interests:

Nine Months Ended September 30, 2022 (In millions)	Accumulated Other Comprehensive Income							Non- Controlling Interest
	Total	Retained Earnings	Common Stock	Treasury Stock	Paid-in Capital			
Balance at beginning of year	\$ 9,103	\$ 3,534	\$ 331	\$ 280	\$ (334)	\$ 5,199	\$ 93	
<b>Comprehensive income (loss):</b>								
Net earnings	882	882	—	—	—	—	—	
<b>Other comprehensive income (loss), net of tax:</b>								
Pension and other benefit adjustments	(3)	—	(3)	—	—	—	—	
Currency translation adjustment	(28)	—	(28)	—	—	—	—	
Derivative financial instruments	22	—	22	—	—	—	—	
Employee stock plans	7	—	—	2	(20)	25	—	
Common Stock Repurchased	(123)	—	—	—	(123)	—	—	
Dividends paid on common stock	(13)	(13)	—	—	—	—	—	
Cumulative effect upon adoption of Accounting Standards Update 2020-06	(56)	22	—	—	—	(78)	—	
Balance at March 31, 2022	\$ 9,791	\$ 4,425	\$ 322	\$ 282	\$ (477)	\$ 5,146	\$ 93	
<b>Comprehensive income (loss):</b>								
Net earnings	978	978	—	—	—	—	—	
<b>Other comprehensive income (loss), net of tax:</b>								
Pension and other benefit adjustments	1	—	1	—	—	—	—	
Currency translation adjustment	(100)	—	(100)	—	—	—	—	
Derivative financial instruments	14	—	14	—	—	—	—	
Employee stock plans	19	—	—	—	(1)	20	—	
Common Stock Repurchased	(399)	—	—	—	(399)	—	—	
Dividends paid on common stock	(13)	(13)	—	—	—	—	—	
Balance at June 30, 2022	\$ 10,291	\$ 5,390	\$ 237	\$ 282	\$ (877)	\$ 5,166	\$ 93	
<b>Comprehensive income (loss):</b>								
Net earnings	490	490	—	—	—	—	—	
<b>Other comprehensive income (loss), net of tax:</b>								
Pension and other benefit adjustments	—	—	—	—	—	—	—	
Currency translation adjustment	(92)	—	(92)	—	—	—	—	
Derivative financial instruments	18	—	18	—	—	—	—	
Employee stock plans	13	—	—	—	—	13	—	
Common Stock Repurchased	(177)	—	—	—	(177)	—	—	
Dividends paid on common stock	(12)	(12)	—	—	—	—	—	
Other	(1)	(1)	—	—	—	—	—	
Balance at September 30, 2022	\$ 10,530	\$ 5,867	\$ 163	\$ 282	\$ (1,054)	\$ 5,179	\$ 93	

Nine Months Ended September 30, 2021 (In millions)	(Accumulated Deficit)		Accumulated Other		Common Stock	Treasury Stock	Paid-in Capital	Non- Controlling Interest
	Total	Retained Earnings	(Loss)	Income				
Balance at beginning of year	\$ 3,879	\$ (623)	\$ (47)	\$ 229	\$ (175)	\$ 4,402	\$ 93	
Comprehensive income (loss):								
Net earnings	91	91	—	—	—	—	—	
Other comprehensive income (loss), net of tax:								
Pension and other benefit adjustments	24	—	24	—	—	—	—	
Currency translation adjustment	(47)	—	(47)	—	—	—	—	
Derivative financial instruments	(20)	—	(20)	—	—	—	—	
Employee stock plans	6	—	—	2	(7)	11	—	
Common Stock Issued	790	—	—	48	—	742	—	
Dividends paid on common stock	(3)	—	—	—	—	(3)	—	
Balance at March 31, 2021	\$ 4,720	\$ (532)	\$ (90)	\$ 279	\$ (182)	\$ 5,152	\$ 93	
Comprehensive income (loss):								
Net earnings	1,012	1,012	—	—	—	—	—	
Other comprehensive income (loss), net of tax:								
Pension and other benefit adjustments	205	—	205	—	—	—	—	
Currency translation adjustment	23	—	23	—	—	—	—	
Derivative financial instruments	(31)	—	(31)	—	—	—	—	
Employee stock plans	17	—	—	—	(1)	18	—	
Dividends paid on common stock	(2)	—	—	—	—	(2)	—	
Other	(1)	—	—	—	—	—	(1)	
Balance at June 30, 2021	\$ 5,943	\$ 480	\$ 107	\$ 279	\$ (183)	\$ 5,168	\$ 92	
Comprehensive income (loss):								
Net earnings	2,002	2,002	—	—	—	—	—	
Other comprehensive income (loss), net of tax:								
Pension and other benefit adjustments	15	—	15	—	—	—	—	
Currency translation adjustment	(26)	—	(26)	—	—	—	—	
Derivative financial instruments	60	—	60	—	—	—	—	
Employee stock plans	16	—	—	—	(1)	17	—	
Dividends paid on common stock	(3)	(3)	—	—	—	—	—	
Other	1	1	—	—	—	—	—	
Balance at September 30, 2021	\$ 8,008	\$ 2,480	\$ 156	\$ 279	\$ (184)	\$ 5,185	\$ 92	

## 18. Reclassifications from Accumulated Other Comprehensive Income (AOCI)

(In millions)	Pension and Other Benefit Items	Foreign Currency Items	Unrealized (Loss) Gain on Derivatives	Total
Balance at December 31, 2021	\$ (25)	\$ 371	\$ (15)	\$ 331
Other comprehensive (loss) income before reclassifications	(1)	(220)	130	(91)
Amounts reclassified from AOCI <sup>(a)</sup>	(1)	—	(76)	(77)
Net current-period other comprehensive (loss) income	(2)	(220)	54	(168)
Balance at September 30, 2022	\$ (27)	\$ 151	\$ 39	\$ 163
Balance at December 31, 2020	\$ (458)	\$ 449	\$ (38)	\$ (47)
Other comprehensive income (loss) before reclassifications	190	(50)	(49)	91
Amounts reclassified from AOCI <sup>(a)</sup>	54	—	58	112
Net current-period other comprehensive income (loss)	244	(50)	9	203
Balance at September 30, 2021	\$ (214)	\$ 399	\$ (29)	\$ 156

<sup>(a)</sup> See table below for further details.

Details about AOCI components (in millions)	Amount reclassified from AOCI			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Amortization of pension and other benefit items <sup>(a)</sup>				
Prior service credits	\$ (5)	\$ (7)	\$ (17)	\$ (20)
Actuarial losses	4	23	15	86
Settlement, termination and curtailment losses	—	5	—	6
Total pensions and other benefits items	(1)	21	(2)	72
Derivative reclassifications to Condensed Consolidated Statements of Operations	(63)	40	(100)	77
Total before tax	(64)	61	(102)	149
Tax provision (benefit)	17	(15)	25	(37)
Net of tax	\$ (47)	\$ 46	\$ (77)	\$ 112

<sup>(a)</sup> These AOCI components are included in the computation of net periodic benefit cost. See Note 10 for additional details.

## 19. Transactions with Related Parties

Related party sales and service transactions are primarily related to equity investees and were \$536 million and \$341 million for the three months ended September 30, 2022 and 2021, respectively and \$1,423 million and \$977 million for the nine months ended September 30, 2022 and 2021, respectively.

Accounts payable to related parties include balances due to PRO-TEC Coating Company, LLC (PRO-TEC) of \$162 million and \$98 million at September 30, 2022 and December 31, 2021, respectively for invoicing and receivables collection services provided by U. S. Steel on PRO-TEC's behalf. U. S. Steel, as PRO-TEC's exclusive sales agent, is responsible for credit risk related to those receivables. U. S. Steel also provides PRO-TEC marketing, selling and customer service functions. Payables to other related parties totaled \$2 million and \$1 million for the periods ending September 30, 2022 and December 31, 2021, respectively.

Purchases from related parties for outside processing services provided by equity investees amounted to \$7 million and \$6 million for the three months ended September 30, 2022 and 2021, respectively and \$21 million and \$32 million for the nine months ended September 30, 2022 and 2021, respectively. Purchases of iron ore pellets from related parties amounted to \$30 million and \$26 million for the three months ended September 30, 2022 and 2021, respectively and \$98 million and \$80 million for the nine months ended September 30, 2022 and 2021, respectively.

## 20. Restructuring and Other Charges

During the three months ended September 30, 2022, the Company recorded restructuring and other charges of \$23 million, which related to headcount reductions under a voluntary early retirement program (VERP) offered at USSK.

Cash payments were made related to previously accrued severance and exit costs of approximately \$67 million. The cash payments relating to the USSK VERP are expected to commence in the fourth quarter of 2022.

During the nine months ended September 30, 2022, the Company recorded restructuring and other charges of \$57 million, which consisted of \$30 million related to the planned sale of a component within the Flat-Rolled segment, \$23 million related to headcount reductions under a VERP offered at USSK, and \$4 million of severance-related charges at other facilities. Cash payments were made related to severance and exit costs of approximately \$95 million.

During the three months ended September 30, 2021, the Company did not record any restructuring and other charges. Cash payments were made related to severance and exit costs of approximately \$9 million.

During the nine months ended September 30, 2021, the Company recorded restructuring and other charges of \$37 million, which consisted of \$27 million for Great Lakes Works and \$10 million for environmental related charges at other facilities and costs related to severance. Cash payments were made related to severance and exit costs of approximately \$53 million.

The activity in the accrued balances incurred in relation to restructuring during the nine months ended September 30, 2022 was as follows:

(In millions)	Employee Related Costs	Exit Costs	Non-cash Charges	Total
Balance at December 31, 2021	\$ 91	\$ 149	\$ —	\$ 240
Additional charges	58	(1)	—	57
Cash payments/utilization <sup>(a)</sup>	(17)	(89)	—	(106)
Balance at September 30, 2022	\$ 132	\$ 59	\$ —	\$ 191

<sup>(a)</sup> \$11 million of payments were made from the pension fund trust assets in the Employee Related Costs column.

Accrued liabilities for restructuring programs are included in the following balance sheet lines:

(In millions)	September 30, 2022	December 31, 2021
Accounts payable	\$ 41	\$ 34
Payroll and benefits payable	—	2
Employee benefits	131	88
Deferred credits and other noncurrent liabilities	19	116
Total	\$ 191	\$ 240

## 21. Contingencies and Commitments

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

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

**Asbestos matters** – As of September 30, 2022, U. S. Steel was a defendant in approximately 930 active asbestos cases involving approximately 2,520 plaintiffs. The vast majority of these cases involve multiple defendants. About 1,545, or approximately 61 percent, of these plaintiff claims are currently pending in a jurisdiction which permits filings with massive numbers of plaintiffs. At December 31, 2021, U. S. Steel was a defendant in approximately 915 active asbestos cases involving approximately 2,505 plaintiffs. Based upon U. S. Steel's experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs.

The following table shows the number of asbestos claims in the current period and the prior three years:

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved	New Claims	Closing Number of Claims
December 31, 2019	2,320	195	265	2,390
December 31, 2020	2,390	240	295	2,445
December 31, 2021	2,445	200	260	2,505
September 30, 2022	2,505	150	165	2,520

The amount U. S. Steel accrues for pending asbestos claims is not material to U. S. Steel's financial condition. However, U. S. Steel is unable to estimate the ultimate outcome of asbestos-related claims due to a number of uncertainties, including: (1) the rates at which new claims are filed, (2) the number of and effect of bankruptcies of other companies traditionally defending asbestos claims, (3) uncertainties associated with the variations in the litigation process from jurisdiction to jurisdiction, (4) uncertainties regarding the facts, circumstances and disease process with each claim and (5) any new legislation enacted to address asbestos-related claims.

Further, U. S. Steel does not believe that an accrual for unasserted claims is required. At any given reporting date, it is probable that there are unasserted claims that will be filed against the Company in the future. The Company engages an outside valuation consultant to assist in assessing its ability to estimate an accrual for unasserted claims. This assessment is based on the Company's settlement experience, including recent claims trends. The analysis focuses on settlements made over the last several years as these claims are likely to best represent future claim characteristics. After review by the valuation consultant and U. S. Steel management, it was determined that the Company could not estimate an accrual for unasserted claims.

Despite these uncertainties, management believes that the ultimate resolution of these matters will not have a material adverse effect on U. S. Steel's financial condition.

**Environmental matters** – U. S. Steel is subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. Changes in accrued liabilities for remediation activities where U. S. Steel is identified as a named party are summarized in the following table:

(In millions)	Nine Months Ended September 30, 2022	
Beginning of period	\$	158
Accruals for environmental remediation deemed probable and reasonably estimable		18
Obligations settled		(37)
End of period	\$	139

Accrued liabilities for remediation activities are included in the following Condensed Consolidated Balance Sheet lines:

(In millions)	September 30, 2022		December 31, 2021	
Accounts payable and other accrued liabilities	\$	64	\$	65
Deferred credits and other noncurrent liabilities		75		93
Total	\$	139	\$	158

Expenses related to remediation are recorded in cost of sales and were \$19 million for the nine month period ended September 30, 2022. Expenses for the nine month period ended September 30, 2021 were immaterial. It is not currently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed. Due to uncertainties inherent in remediation projects and the associated liabilities, it is reasonably possible that total remediation costs for active matters may exceed the accrued liabilities by as much as 15 to 30 percent.

#### Remediation Projects

U. S. Steel is involved in environmental remediation projects at or adjacent to several current and former U. S. Steel facilities and other locations that are in various stages of completion ranging from initial characterization through post-closure monitoring. Based on the anticipated scope and degree of uncertainty of projects, the Company categorizes projects as follows:

- (1) *Projects with Ongoing Study and Scope Development* - For these projects, the extent of remediation that may be required is not yet known, the remediation methods and plans are not yet developed, and/or cost estimates cannot be determined. Therefore, significant costs, in addition to the accrued liabilities for these projects, are reasonably possible. There are four environmental remediation projects where additional costs for completion are not currently estimable but could be material. These projects are at Fairfield Works, Lorain Tubular, USS-UPI LLC (UPI) and the former steelmaking plant at Joliet, Illinois. As of September 30, 2022, accrued liabilities for these projects totaled \$1 million for the costs of studies, investigations, interim measures, design and/or remediation. It is reasonably possible that additional liabilities associated with future requirements regarding studies, investigations, design and remediation for these projects could be as much as \$22 million to \$36 million.
- (2) *Projects with Significant Accrued liabilities with a Defined Scope* - As of September 30, 2022, there are three significant projects with defined scope greater than or equal to \$5 million each, with a total accrued liability of \$86 million. These projects are Gary Resource Conservation and Recovery Act (the RCRA) (accrued liability of \$30 million), Duluth Works (accrued liability of \$37 million) and the former Geneva facility (accrued liability of \$19 million).
- (3) *Other Projects with a Defined Scope* - These projects involve relatively small accrued liabilities for which we believe that, while additional costs are possible, they are not likely to be significant, and also include those projects for which we do not yet possess sufficient information to estimate potential costs to U. S. Steel. There are three other environmental remediation projects which each had an accrued liability of between \$1 million and \$5 million. The total accrued liability for these projects at September 30, 2022 was \$5 million. These projects have progressed through a significant portion of the design phase and material additional costs are not expected.

The remaining environmental remediation projects each have an accrued liability of less than \$1 million each. The total accrued liability for these projects at September 30, 2022 was approximately \$4 million. The Company does not foresee material additional liabilities for any of these sites.

*Post-Closure Costs* – Accrued liabilities for post-closure site monitoring and other costs at various closed landfills totaled \$24 million at September 30, 2022 and were based on known scopes of work.

*Administrative and Legal Costs* – As of September 30, 2022, U. S. Steel had an accrued liability of \$10 million for administrative and legal costs related to environmental remediation projects. These accrued liabilities were based on projected administrative and legal costs for the next three years and do not change significantly from year to year.

*Capital Expenditures* – For a number of years, U. S. Steel has made substantial capital expenditures to comply with various regulations, laws and other requirements relating to the environment. Such capital expenditures totaled \$23 million and \$14 million in the first nine months of 2022 and 2021, respectively. U. S. Steel anticipates making additional such expenditures in the future, which may be material; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

*European Union (the EU) Environmental Requirements* - Phase IV of the EU Emissions Trading System (the EU ETS) commenced on January 1, 2021 and will finish on December 31, 2030. The European Commission issued final approval of the updated 2021-2025 Slovak National Allocation table in February 2022. Subsequently, the Slovak Ministry of Environment allocated the full amount of 2022 free allowances totaling 6.3 million EUA to USSE in February and April 2022. As of September 30, 2022, we have pre-purchased approximately 1.8 million EUA totaling €118 million (approximately \$115 million) to cover the expected 2022 and 2023 shortfall of emission allowances.

The EU's Industrial Emissions Directive requires implementation of EU-determined best available techniques (BAT) for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Total capital expenditures for projects to comply with or go beyond BAT requirements were €138 million (approximately \$135 million) over the actual program period. These costs were partially offset by the EU funding received and may be mitigated over the next measurement periods if USSK complies with certain financial covenants, which are assessed annually. USSK complied with these covenants as of September 30, 2022. If we are unable to meet these covenants in the future, USSK might be required to provide additional collateral (e.g., bank guarantee) to secure 50 percent of the EU funding received.

*Environmental indemnifications* – Throughout its history, U. S. Steel has sold numerous properties and businesses and many of these sales included indemnifications and cost sharing agreements related to the assets that were divested. The amount of potential environmental liability associated with these transactions and properties is not estimable due to the nature and extent of the unknown conditions related to the properties divested and deconsolidated. Aside from the environmental liabilities already recorded as a result of these transactions due to specific environmental remediation activities and cases (included in the \$139 million of accrued liabilities for remediation discussed above), there are no other known probable and estimable environmental liabilities related to these transactions.

*Guarantees* – The maximum guarantees of the indebtedness of unconsolidated entities of U. S. Steel totaled \$7 million at September 30, 2022.

**Other contingencies** – Under certain lease agreements covering various equipment, U. S. Steel has the option to renew the lease or to purchase the equipment at the end of the lease term. If U. S. Steel does not exercise the purchase option by the end of the lease term, U. S. Steel guarantees a residual value of the equipment as determined at the lease inception date (totaling approximately \$14 million at September 30, 2022). No liability has been recorded for these guarantees as the potential loss is not probable.

The Company's BR2 project in Osceola, Arkansas qualifies for financing and related economic incentives associated with the acquisition, development, construction, and operation of the facility. These incentives consist of advance lump-sum payments which are included in deferred credits and other noncurrent liabilities on the condensed consolidated balance sheet. In March 2022, the Company received a lump-sum payment of approximately \$82 million as proceeds from the sale of a portion of expected future tax credits to be earned by the Company under the State of Arkansas's Recycling Tax Credit program. These funds are to be used primarily for the acquisition of project related equipment, however they may also be used for the training and development of new employees hired for the project. The Company is contingently liable for certain repayment penalties if the Company fails to meet certain employment requirements in any given period. In April 2022, the Company received a \$3 million grant from Mississippi County, Arkansas, and in May 2022, the Company received a \$50 million grant from the State of Arkansas Quick Action Closing Fund. Both grants pertain to the reimbursement of qualifying project costs. Deferred liabilities were recognized for each of these grants and are included in deferred credits and other noncurrent liabilities on the condensed consolidated balance sheet. For each of these incentives and grants, the balance of deferred income will be recognized into other gains, net in the accompanying condensed consolidated statements of operations on a systematic basis over the periods in which the Company earns the granted funds by complying with the investment and employment requirements of the grant programs.

**Insurance** – U. S. Steel maintains insurance for certain property damage, equipment, business interruption and general liability exposures; however, insurance is applicable only after certain deductibles and retainages. U. S. Steel is self-insured for certain other exposures including workers' compensation (where permitted by law) and auto liability. Liabilities are recorded for workers' compensation and personal injury obligations. Other costs resulting from losses under deductible or retainage amounts or not otherwise covered by insurance are charged against income upon occurrence.

U. S. Steel uses surety bonds, trusts and letters of credit to provide whole or partial financial assurance for certain obligations such as workers' compensation. The total amount of active surety bonds, trusts and letters of credit being used for financial assurance purposes was approximately \$183 million as of September 30, 2022, which reflects U. S. Steel's maximum exposure under these financial guarantees, but not its total exposure for the underlying obligations. A significant portion of our trust arrangements and letters of credit are collateralized by the Credit Facility Agreement. The remaining trust arrangements and letters of credit are collateralized by restricted cash. Restricted cash, which is recorded in other current and noncurrent assets, totaled \$123 million and \$78 million at September 30, 2022 and December 31, 2021, respectively.

**Capital Commitments** – At September 30, 2022, U. S. Steel's contractual commitments to acquire property, plant and equipment totaled \$2.297 billion.

**Contractual Purchase Commitments** – U. S. Steel is obligated to make payments under contractual purchase commitments, including unconditional purchase obligations. Payments for contracts with remaining terms in excess of one year are summarized below (in millions):

Remainder of 2022	2023	2024	2025	2026	Later Years	Total
\$180	\$750	\$307	\$343	\$270	\$627	\$2,477

The majority of U. S. Steel's unconditional purchase obligations relates to the supply of industrial gases, and certain energy and utility services with terms ranging from two to 14 years. Unconditional purchase obligations also include coke and steam purchase commitments related to a coke supply agreement with Gateway Energy & Coke Company LLC (Gateway) under which Gateway is obligated to supply a minimum volume of the expected targeted annual production of the heat recovery coke plant, and U. S. Steel is obligated to purchase the coke from Gateway at the contract price. As of September 30, 2022, if U. S. Steel were to terminate the agreement, it may be obligated to pay in excess of \$36 million.

Total payments relating to unconditional purchase obligations were \$274 million and \$215 million for the three months ended September 30, 2022 and 2021, respectively, and \$695 million and \$584 million for the nine months ended June 30, 2022 and 2021, respectively.

## **22. Common Stock Issued and Repurchased**

On October 25, 2021, the Board of Directors authorized a share repurchase program that allowed for the repurchase of up to \$300 million of its outstanding common stock from time to time in the open market or privately negotiated transactions. On January 24, 2022 the Board of Directors authorized an additional \$500 million under the share repurchase program.

On July 25, 2022, following the completion of the previously authorized \$800 million share repurchase programs, the Board of Directors authorized a new share repurchase program that allows for the repurchase of up to \$500 million of its outstanding common stock from time to time in the open market or privately negotiated transactions at the discretion of management. The Company's share repurchase program does not obligate it to acquire any specific number of shares.

U. S. Steel repurchased 31.6 million shares of common stock for approximately \$699 million under these programs during the nine months ended September 30, 2022.

In February 2021, U. S. Steel issued 48.3 million shares of common stock for net proceeds of approximately \$790 million.

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

### **Overview**

For the three months and nine months ended September 30, 2022, the Company's performance was negatively impacted by lower flat-rolled steel selling prices and lower demand from select end markets in our domestic and European flat-rolled steelmaking segments. In addition, both our Mini Mill and European businesses were impacted by high-cost materials procured earlier in 2022 at the onset of the war in Ukraine. The Tubular segment results benefited from continued strong demand, new trade cases on oil country tubular goods (OCTG) and higher selling prices.

Overall, the Company expects fourth quarter results to be lower on both a sequential basis to the third quarter and a comparative basis to the same period a year ago. For the Company's flat-rolled products, lower demand and lower steel prices are expected to be reflected in its average selling price and volumes. In addition, elevated raw materials costs for the Company's Mini Mill segment, and elevated raw material and energy costs in the Company's U. S. Steel Europe segment are expected to continue through the fourth quarter. For Tubular Products, the Company expects that higher prices for oil country tubular goods will increasingly be reflected in the segment's average selling price and that volumes will continue to reflect strong demand.

In order to balance our flat-rolled steel supply with customer demand, the Company pulled forward a planned 30-day outage on blast furnace #3 at Mon Valley Works from October to September. Additionally, the Company temporarily idled blast furnace #8 and tin line #5 at Gary Works during the third quarter due to market conditions and high levels of imports. In our European operations, the Company pulled forward a planned 60-day outage on blast furnace #2 at USSK from October to September. Each of these assets remain temporarily idled due to market conditions. The Company continues to monitor market conditions to ensure our order book and production footprint are balanced.

In February 2022, Russia invaded Ukraine and active conflict continues in the country. The war in Ukraine will likely continue to cause disruption and instability in Russia, Ukraine, as well as the markets in which we operate. The Company is constantly monitoring the situation for impacts and risks to the business and is implementing risk mitigating strategies where possible.

As a result of the invasion, governments around the world, including the European Union (EU) and the United States of America (U.S.), have enacted sanctions against Russia and Russian interests. We are complying with all applicable sanctions that impact our business.

USSE purchases certain raw materials from sources that procure supply from Russia, including natural gas and iron ore. Since the onset of the war, and before, USSE has been building its inventory of iron ore and coal and procuring them through alternate sources. Current levels of iron ore and coal are sufficient to serve customer demand through the end of 2022.

With the EU prohibiting purchases of coal from suppliers in Russia, new purchases of coal originating from Russia have stopped. The Company has built up sufficient inventory on site or in-transit to meet current customer demand. Efforts to secure alternate sources of supply are underway to continue meeting demand.

Additionally, in response to sanctions, Russia has limited supply of natural gas to certain countries. We understand that the country of Slovakia has natural gas storage levels that are sufficient to cover Slovakia's consumption, and Slovakia expects additional shipments originating not from Russia, but from Norway and liquefied natural gas from the U.S. and Africa. Those shipments should be sufficient to cover the needs for the 2022/2023 winter heating season for both households as well as industry, based on the public announcement of the Slovak Ministry of Economy on July 12, 2022. While not expected, if a natural gas crisis is declared in Slovakia, operations at our USSE business could be materially adversely impacted.

Future sanctions and responsive actions in the region remain uncertain, but we continue to engage with various governmental authorities and suppliers as we navigate the volatile situation. Our team in USSE has been engaged in humanitarian efforts related to the war, and we continue to operate to support the region's people and economy.

## RESULTS OF OPERATIONS

U. S. Steel's results in the three and nine months ended September 30, 2022 compared to the same periods in 2021 for the four reportable segments, with the exception of Tubular, generally declined from deteriorating business conditions:

- **North American Flat-Rolled (Flat-Rolled):** Flat-Rolled results declined in the three-month period primarily due to lower sales volume and spot prices across most customer and manufacturing industries. Flat-Rolled results modestly increased in the nine-month period primarily due to higher sales price, with contract prices higher and spot pricing lower than in the prior period. The benefit of pricing was partially offset by lower sales volume year to date and increased raw material and energy costs.
- **Mini Mill:** Mini Mill results declined in the three-month period primarily due to lower sales volume and price across nearly all consuming industries and higher raw material costs. Mini mill results declined in the nine-month period primarily due to lower sales prices industry wide and higher raw material costs.
- **U. S. Steel Europe (USSE):** USSE results in both the three and nine month periods declined primarily due to lower sales volume and increased raw material and energy costs, general inflation and weakening Euro exchange rate.
- **Tubular Products (Tubular):** Tubular results improved in both the three and nine month periods primarily due to higher sales volume and price from the steady increase of drilling activity, partially offset by continued high levels of imports.

**Net sales by segment** for the three months and nine months ended September 30, 2022 and 2021 are set forth in the following table:

(Dollars in millions, excluding intersegment sales)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Flat-Rolled	\$ 3,248	\$ 3,541	(8)%	\$ 9,926	\$ 8,804	13%
Mini Mill <sup>(a)</sup>	602	949	(37)%	2,158	2,158	—%
USSE	925	1,246	(26)%	3,518	3,122	13%
Tubular	425	216	97%	1,115	534	109%
Total sales from reportable segments	5,200	5,952	(13)%	16,717	14,618	14%
Other	3	12	(75)%	10	35	(71)%
Net sales	\$ 5,203	\$ 5,964	(13)%	\$ 16,727	\$ 14,653	14%

<sup>(a)</sup> For the nine months ended September 30, 2021 the Mini Mill segment was added after January 15, 2021 with the purchase of the remaining equity interest in Big River Steel.

Management's analysis of the **percentage change in net sales** for U. S. Steel's reportable business segments for the three months ended September 30, 2022 versus the three months ended September 30, 2021:

	Steel Products <sup>(a)</sup>					Other <sup>(c)</sup>	Net Change
	Volume	Price	Mix	FX <sup>(b)</sup>			
Flat-Rolled	(5)%	(3)%	(2)%	— %	2 %	(8)%	
Mini Mill	(13)%	(24)%	— %	— %	— %	(37)%	
USSE	(19)%	6 %	— %	(15)%	2 %	(26)%	
Tubular	3 %	91 %	— %	— %	3 %	97 %	

<sup>(a)</sup> Excludes intersegment sales.

<sup>(b)</sup> Foreign currency translation effects.

<sup>(c)</sup> Primarily of sales of raw materials and coke making by-products.

Net sales for the three months ended September 30, 2022 compared to the same period in 2021 were \$5,203 million and \$5,964 million, respectively.

- For the Flat-Rolled segment the decrease in sales primarily resulted from lower average realized prices (\$93 per ton) from lower value-added products and decreased shipments (152 thousand tons) primarily from higher value-added products.
- For the Mini Mill segment the decrease in sales primarily resulted from lower average realized prices (\$421 per ton) across all products and decreased shipments (79 thousand tons) across all products.
- For the USSE segment the decrease in sales primarily resulted from lower average realized prices (\$122 per ton) across most products and decreased shipments (197 thousand tons) across most products.
- For the Tubular segment the increase in sales primarily resulted from higher average realized prices (\$1,515 per net ton) and increased shipments (3 thousand tons).

Management's analysis of the **percentage change in net sales** for U. S. Steel's reportable business segments for the nine months ended September 30, 2022 versus the nine months ended September 30, 2021 is set forth in the following table:

	Steel Products <sup>(a)</sup>					Other <sup>(c)</sup>	Net Change
	Volume	Price	Mix	Acquisition Variance	FX <sup>(b)</sup>		
Flat-Rolled	(6)%	17 %	— %	n/a	— %	2 %	13 %
Mini Mill <sup>(d)</sup>	(7)%	3 %	— %	4 %	— %	— %	— %
USSE	(6)%	30 %	— %	n/a	(12)%	1 %	13 %
Tubular	22 %	89 %	(2)%	n/a	— %	— %	109 %

<sup>(a)</sup> Excludes intersegment sales.

<sup>(b)</sup> Foreign currency translation effects.

<sup>(c)</sup> Primarily of sales of raw materials and coke making by-products.

<sup>(d)</sup> Mini Mill segment added after January 15, 2021 with the purchase of the remaining equity interest in Big River Steel.

Net sales for the nine months ended September 30, 2022 compared to the same period in 2021 were \$16,727 million and \$14,653 million, respectively.

- For the Flat-Rolled segment the increase in sales primarily resulted from higher average realized prices (\$215 per ton) primarily from higher value-added products, partially offset by decreased shipments (498 thousand tons) across most products.
- For the Mini Mill segment the consistent sales primarily resulted from higher average realized prices (\$13 per ton) from higher value-added products offset by decreased shipments (20 thousand tons) including the partial period of the Company's controlling interest in Big River Steel in January of 2021.
- For the USSE segment the increase in sales primarily resulted from higher average realized prices (\$189 per ton) across all products, partially offset by decreased shipments (230 thousand tons) across most products.
- For the Tubular segment the increase in sales primarily resulted from higher average realized prices (\$1,174 per net ton) and increased shipments (73 thousand tons).

### Selling, general and administrative expenses

Selling, general and administrative expenses were \$95 million and \$324 million in the three months and nine months ended September 30, 2022, respectively, compared to \$108 million and \$316 million in the three months and nine months ended September 30, 2021, respectively. The change in expenses for the three and nine months ended September 30, 2022 versus the same periods in 2021 are primarily driven by profit and variable based incentive costs.

## **Restructuring and other charges**

During the three months and nine months ended September 30, 2022, the Company recorded restructuring and other charges of \$23 million and \$57 million, respectively. During the nine months ended September 30, 2021, the Company recognized \$37 million for restructuring and other charges. No such charges were recognized during the three months ended September 30, 2021. See Note 20 to the Condensed Consolidated Financial Statements for further details.

## **Operating configuration adjustments**

As noted above, the Company adjusted its operating configuration in response to global overcapacity, unfair trade practices, market conditions and decreased customer demand by indefinitely and temporarily idling certain of its facilities. U. S. Steel will continue to adjust its operating configuration in order to ensure its order book and production footprint are balanced.

### Idled Operations

In the third quarter of 2022, we took actions to adjust our footprint by temporarily idling certain operations to better align production with market conditions. The operations that were idled in the third quarter of 2022 and remained idle as of September 30, 2022, along with their carrying values included:

- Blast furnace #8 at Gary Works, \$30 million
- Tin Line #5 at Gary, \$20 million
- Blast furnace #3 at Mon Valley Works, \$45 million
- Blast furnace #2 at USSE, \$20 million

The following operations were initially idled in 2020 and remained idle as of September 30, 2022. These facilities and their respective carrying values as of September 30, 2022 included:

- Blast furnace A at Granite City Works, \$55 million
- Lone Star Tubular Operations, \$5 million
- Lorain Tubular Operations, \$65 million
- Wheeling Machine Products coupling production facility at Hughes Springs, Texas, immaterial

In December 2021, the Company permanently idled the steelmaking operations at Great Lakes Works. In addition, in March 2022, the Company permanently idled the finishing facilities at its East Chicago Tin operations, which had been idled on an indefinite basis during 2019. In the second quarter 2022, the Company recognized charges of approximately \$151 million for the write-off of the blast furnaces and related fixed assets for the permanent idling of the iron making process at the Company's Great Lakes Works facility. The coil finishing process at Great Lakes Works continues to operate and remains a component of the Company's operating plans.

**Earnings (loss) before interest and income taxes** by segment is set forth in the following table:

(Dollars in millions)	Three months ended September 30,			%	Nine months ended September 30,			%
	2022	2021	Change		2022	2021	Change	
Flat-Rolled	\$ 505	\$ 1,015	(50)%	\$ 1,795	\$ 1,740	3 %		
Mini Mill <sup>(a)</sup>	1	424	(100)%	549	840	(35)%		
USSE	(32)	394	(108)%	512	706	(27)%		
Tubular	155	—	n/m	339	(29)	1,269 %		
Total earnings from reportable segments	629	1,833	(66)%	3,195	3,257	(2)%		
Other	21	(2)	1,150 %	16	20	(20)%		
Segment earnings before interest and income taxes	650	1,831	(65)%	3,211	3,277	(2)%		
Items not allocated to segments:								
Restructuring and other charges	(23)	—		(57)	(37)			
Asset impairment charges	—	—		(157)	(28)			
Other charges, net	(13)	12		(11)	(36)			
(Losses) gains on assets sold and previously held investments	—	(7)		—	119			
Gain on sale of Transtar	—	506		—	506			
Total earnings before interest and income taxes	\$ 614	\$ 2,342	(74)%	\$ 2,986	\$ 3,801	(21)%		

<sup>(a)</sup> Mini Mill segment added after January 15, 2021 with the purchase of the remaining equity interest in Big River Steel.

### Segment results for Flat-Rolled

	Three months ended September 30,			%	Nine months ended September 30,			%
	2022	2021	Change		2022	2021	Change	
Earnings before interest and taxes (\$ millions)	\$ 505	\$ 1,015	(50)%	\$ 1,795	\$ 1,740	3 %		
Gross margin	20 %	32 %	(12)%	22 %	25 %	(3)%		
Raw steel production (mnt)	2,265	2,634	(14)%	6,894	7,700	(10)%		
Capability utilization	68 %	61 %	7 %	70 %	61 %	9 %		
Steel shipments (mnt)	2,176	2,328	(7)%	6,488	6,986	(7)%		
Average realized steel price per ton	\$ 1,232	\$ 1,325	(7)%	\$ 1,312	\$ 1,097	20 %		

The decrease in Flat-Rolled results for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- decreased average realized prices, including mix (approximately \$80 million)
- decreased shipments, including volume inefficiencies (approximately \$105 million)
- decreased non-prime sales (approximately \$50 million)
- higher raw material costs (approximately \$175 million)
- higher energy costs (approximately \$110 million)
- increased operating costs (approximately \$115 million),

these changes were partially offset by:

- increased coke, iron ore and other non-steel sales (approximately \$10 million)
- favorable equity investees income (approximately \$5 million),
- lower other costs, primarily variable compensation (approximately \$110 million).

Gross margin for the three months ended September 30, 2022 compared to the same period in 2021 decreased primarily as a result of lower average realized price and sales volume and increased input costs.

The increase in Flat-Rolled results for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- increased average realized prices, including mix (approximately \$1,480 million)
- increased coke, iron ore and other non-steel sales (approximately \$70 million)
- favorable equity investees income (approximately \$75 million),

these changes were partially offset by:

- decreased shipments, including volume inefficiencies (approximately \$190 million)
- decreased non-prime sales (approximately \$65 million)

- higher raw material costs (approximately \$560 million)
- higher energy costs (approximately \$290 million)
- increased operating costs (approximately \$425 million)
- higher other costs, primarily variable compensation (approximately \$40 million).

Gross margin for the nine months ended September 30, 2022 compared to the same period in 2021 decreased primarily as a result of lower sales volume and increased input costs, partially offset by higher average realized prices.

#### Segment results for Mini Mill <sup>(a)</sup>

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Earnings before interest and taxes (\$ millions)	\$ 1	424	(100)%	\$ 549	840	(35)%
Gross margin	7 %	51 %	(44)%	32 %	45 %	(13)%
Raw steel production (mnt)	616	750	(18)%	1,967	2,007	(2)%
Capability utilization	74 %	90 %	(16)%	80 %	86 %	(6)%
Steel shipments (mnt)	529	608	(13)%	1,651	1,671	(1)%
Average realized steel price per ton	\$ 1,096	\$ 1,517	(28)%	\$ 1,268	\$ 1,255	1 %

<sup>(a)</sup> The Mini Mill segment was added after January 15, 2021 with the purchase of the remaining equity interest in Big River Steel.

The decrease in Mini Mill results for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- decreased average realized prices, including mix (approximately \$260 million)
- decreased shipments (approximately \$110 million)
- higher raw material costs (approximately \$65 million)
- increased operating costs (approximately \$10 million)
- higher energy costs (approximately \$5 million).

these changes were partially offset by:

- lower other costs, primarily variable compensation (approximately \$25 million),

Gross margin for the three months ended September 30, 2022 compared to the same period in 2021 decreased primarily as a result of lower average realized price and sales volume and increased material costs.

The decrease in Mini Mill results for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- decreased shipments (approximately \$25 million)
- higher raw material costs (approximately \$230 million)
- increased operating costs (approximately \$40 million)
- higher energy costs (approximately \$20 million)
- higher other costs (approximately \$5 million),

these changes were partially offset by:

- increased average realized prices, including mix (approximately \$30 million),

Gross margin for the nine months ended September 30, 2022 compared to the same period in 2021 decreased primarily as a result of lower sales volume and increased raw material costs, partially offset by the partial period of the Company's controlling interest in Big River Steel in January of 2021.

## Segment results for USSE

	Three Months Ended September 30,			% Change	Nine Months Ended September 30,			% Change
	2022	2021			2022	2021		
Earnings before interest and taxes (\$ millions)	\$ (32)	\$ 394	(108)%	\$ 512	\$ 706	(27)%		
Gross margin	— %	34 %	(34)%	17 %	26 %	(9)%		
Raw steel production (mnt)	946	1,274	(26)%	3,250	3,750	(13)%		
Capability utilization	75 %	101 %	(26)%	87 %	100 %	(13)%		
Steel shipments (mnt)	867	1,064	(19)%	3,044	3,274	(7)%		
Average realized steel price per (\$/ton)	\$ 1,021	\$ 1,143	(11)%	\$ 1,121	\$ 932	20 %		
Average realized steel price per (€/ton)	€ 1,013	€ 969	5 %	€ 1,049	€ 779	35 %		

The decrease in USSE results for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- decreased shipments (approximately \$75 million)
- higher raw material costs (approximately \$205 million)
- increased operating costs (approximately \$50 million)
- higher energy costs (approximately \$55 million)
- weakening of the Euro versus the U.S. dollar (approximately \$85 million),

these changes were partially offset by:

- increased average realized prices, including mix (approximately \$45 million).

Gross margin for the three months ended September 30, 2022 compared to the same period in 2021 decreased primarily as a result of lower sales volume, higher raw material and energy costs and negative impacts from the weakening of the Euro versus the U.S. dollar.

The decrease in USSE results for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- decreased shipments (approximately \$50 million)
- higher raw material costs (approximately \$565 million)
- increased operating costs (approximately \$130 million)
- higher energy costs (approximately \$180 million)
- weakening of the Euro versus the U.S. dollar (approximately \$140 million)
- higher other costs (approximately \$20 million),

these changes were partially offset by:

- increased average realized prices, including mix (approximately \$865 million)
- increased non-steel sales (approximately \$25 million).

Gross margin for the nine months ended September 30, 2022 compared to the same period in 2021 decreased primarily as a result of lower sales volume and higher raw material and energy costs, partially offset by higher average realized prices.

## Segment results for Tubular

	Three Months Ended September 30,			% Change	Nine Months Ended September 30,			% Change
	2022	2021			2022	2021		
Earnings/(loss) before interest and taxes (\$ millions)	\$ 155	\$ —	100 %	\$ 339	\$ (29)	1,269 %		
Gross margin	37 %	7 %	30 %	33 %	2 %	31 %		
Raw steel production (mnt)	173	117	48 %	497	324	53 %		
Capability utilization	76 %	52 %	24 %	74 %	48 %	26 %		
Steel shipments (mnt)	126	123	2 %	390	317	23 %		
Average realized steel price per ton	\$ 3,217	\$ 1,702	89 %	\$ 2,761	\$ 1,587	74 %		

The increase in Tubular results for the three months ended September 30, 2022 compared to the same period in 2021 occurred despite continued high levels of imports and was primarily due to:

- increased average realized prices, including mix (approximately \$180 million),

these changes were partially offset by:

- higher raw material costs (approximately \$5 million)
- increased operating costs (approximately \$5 million)
- higher energy costs (approximately \$5 million)
- higher other costs (approximately \$10 million).

Gross margin for the three months ended September 30, 2022 compared to the same period in 2021 increased primarily as a result of higher average realized prices.

The increase in Tubular results for the nine months ended September 30, 2022 compared to the same period in 2021 occurred despite continued high levels of imports and was primarily due to:

- increased average realized prices, including mix (approximately \$395 million)
- increased shipments (approximately \$35 million),

these changes were partially offset by:

- higher raw material costs (approximately \$25 million)
- increased operating costs (approximately \$10 million)
- higher energy costs (approximately \$10 million)
- higher other costs (approximately \$15 million).

Gross margin for the nine months ended September 30, 2022 compared to the same period in 2021 increased primarily as a result of higher average realized prices and sales volume.

### Net interest and other financial costs

(Dollars in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Interest expense	\$ 38	\$ 75	49 %	\$ 127	\$ 251	49 %
Interest income	(15)	(1)	1,400 %	(20)	(3)	567 %
(Gain) loss on debt extinguishment	(2)	26	108 %	—	282	100 %
Other financial costs	9	17	47 %	27	39	31 %
Net periodic benefit income	(60)	(37)	62 %	(182)	(97)	88 %
Total net interest and other financial (benefits) costs	\$ (30)	\$ 80	138 %	\$ (48)	\$ 472	110 %

Net interest and other financial (benefits) costs improved in the three months ended September 30, 2022 as compared to the same period in 2021 primarily due to the absence of current quarter debt retirement losses, reduced interest expense from a reduced level of debt and increased capitalized interest and an increase in net periodic benefit income, primarily due to lower amortization of actuarial losses.

Net interest and other financial (benefits) costs improved in the nine months ended September 30, 2022 compared to the same period in 2021 primarily due the absence of current year debt retirement losses, reduced interest expense from a reduced level of debt and increased capitalized interest and an increase in net periodic benefit income, primarily due to lower amortization of actuarial losses.

### Income taxes

Income tax expense was \$154 million in the three months ended September 30, 2022 compared to an income tax expense of \$260 million in the same period in 2021. The change from the prior year period was primarily due to a decrease in earnings before taxes. In addition, the prior year period included a tax benefit resulting from the release of the valuation allowance on domestic deferred tax assets.

Income tax expense was \$684 million in the nine months ended September 30, 2022 compared to an income tax expense of \$224 million in the same period in 2021. The change from the prior year period was primarily due to the tax benefit in the prior year period resulting from the release of the valuation allowance on domestic deferred tax assets.

On July 8, 2022, Pennsylvania House Bill 1342 was enacted, which in part phased in a corporate net income tax (CNIT) rate reduction over nine years. The CNIT rate for the 2022 tax year is 9.99%. The CNIT rate will be reduced to 8.99% for the 2023 tax year. Starting with the 2024 tax year, the rate is reduced by 0.5% annually until it reaches 4.99% for the 2031 tax year and each year thereafter. The Company assessed the impact of the law change and recorded an additional expense of \$13 million in the third quarter of 2022 on its Condensed Consolidated Financial Statements.

### Net earnings

Net earnings attributable to United States Steel Corporation were \$490 million and \$2,350 million in the three and nine months ended September 30, 2022, respectively, compared to net earnings of \$2,002 million and \$3,105 million in the three and nine months ended September 30, 2021, respectively. The changes primarily reflect the factors discussed above.

## LIQUIDITY AND CAPITAL RESOURCES

### Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$2,750 million for the nine months ended September 30, 2022 compared to net cash provided by operating activities of \$2,605 million in the same period in 2021. The period over period increase in cash from operations from the prior year period was primarily due to changes in working capital, deferred taxes payable and gains on sale of assets, partially offset by lower net income, decreases in income taxes payable and losses on debt extinguishments. Changes in working capital can vary significantly depending on factors such as the timing of inventory production and purchases, which is affected by the length of our business cycles as well as our captive raw materials position, customer payments of accounts receivable and payments to vendors in the regular course of business.

As shown below our cash conversion cycle for the third quarter of 2022 increased by 11 days as compared to the fourth quarter of 2021 primarily from increased inventory days due to higher raw material inventories from quantity and cost.

Cash Conversion Cycle	Third Quarter of 2022		Fourth Quarter of 2021	
	\$ millions	Days	\$ millions	Days
Accounts receivable, net <sup>(a)</sup>	\$2,035	41	\$2,089	37
+ Inventories <sup>(b)</sup>	\$2,759	61	\$2,210	51
- Accounts Payable and Other Accrued Liabilities <sup>(c)</sup>	\$3,158	68	\$2,684	65
= Cash Conversion Cycle <sup>(d)</sup>		34		23

<sup>(a)</sup> Calculated as Average Accounts Receivable, net divided by total Net Sales multiplied by the number of days in the period.

<sup>(b)</sup> Calculated as Average Inventory divided by total Cost of Sales multiplied by the number of days in the period.

<sup>(c)</sup> Calculated as Average Accounts Payable and Other Accrued Liabilities less bank checks outstanding and other current liabilities divided by total Cost of Sales multiplied by the number of days in the period.

<sup>(d)</sup> Calculated as Accounts Receivable Days plus Inventory Days less Accounts Payable Days.

The cash conversion cycle is a non-generally accepted accounting principles (non-GAAP) financial measure. We believe the cash conversion cycle is a useful measure in providing investors with information regarding our cash management performance and is a widely accepted measure of working capital management efficiency. The cash conversion cycle should not be considered in isolation or as an alternative to other GAAP metrics as an indicator of performance.

The last-in, first-out (LIFO) inventory method is the predominant method of inventory costing for our Flat-Rolled and Tubular segments. Based on the Company's latest internal forecasts and its inventory requirements, management does not believe there will be significant permanent LIFO liquidations that would impact earnings for the remainder of 2022.

### Net Cash Used in Investing Activities

Net cash used in investing activities was \$1,065 million for the nine months ended September 30, 2022 compared to net cash used in investing activities of \$436 million in the same period in 2021. The decrease in net cash used in investing activities was primarily due to the payment of \$625 million in the prior year period for the purchase of the remaining equity interest in Big River Steel and proceeds of \$53 million in the current year period from government grants, partially offset by receipt of \$627 million in the prior year period for the sale of Transtar and increased capital expenditures (discussed in more detail below) and lower proceeds from the sale of assets.

Capital expenditures for the nine months ended September 30, 2022, were \$1,138 million, compared with \$460 million in the same period in 2021. Flat-Rolled capital expenditures were \$365 million which includes spending for the construction of a pig iron facility and hot strip mill upgrades at Gary Works, Keetac direct reduced (DR) grade pellet capability, as well as mining equipment and other infrastructure, environmental, and other strategic projects across the Flat-Rolled footprint. Mini Mill capital expenditures were \$710 million and included \$445 million for the new Big River 2 (BR2) 3 million ton per year facility being built in Osceola, Arkansas, as well as spending for the new continuous galvanizing line (CGL) and non-grain oriented electrical steel facility being built at the existing Big River Steel facility. USSE capital expenditures were \$53 million and included spending for the blast furnace stoves, 5-stand control system upgrades, rail bridge upgrades and various other projects. Tubular capital expenditures were \$10 million and included spending to support steelmaking, infrastructure, and environmental projects within the Tubular footprint.

### Net Cash Used in Financing Activities

Net cash used in financing activities was \$752 million for the nine months ended September 30, 2022 compared to net cash used in financing activities of \$2,120 million in the same period last year. The period over period increase in cash from financing activities was primarily due to higher debt repayments made during the prior year and current year proceeds from government grants. These were partially offset by the cash received from common stock issuances in the prior year period and repurchases of common stock made in the current year period.

### **Debt Financing**

Certain of our credit facilities, including the Credit Facility Agreement, the Big River Steel ABL Facility, the USSK Credit Agreement and the Export Credit Agreement, contain standard terms and conditions including customary material adverse change clauses. If a material adverse change was to occur, our ability to fund future operating and capital requirements could be negatively impacted.

On September 6, 2022, we closed on an offering of \$290 million aggregate principal amount of 5.450% Environmental Improvement Revenue Bonds due 2052 (2052 ADFA Green Bonds). We received net proceeds of approximately \$287 million, which will be used to partially fund work related to our solid waste disposal facilities, including two electric arc furnaces (EAF) and other equipment facilities at BR2. We may from time to time seek to retire or repurchase our outstanding long-term debt through open market purchases, privately negotiated transactions, exchange transactions, redemptions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, and other factors and may be commenced or suspended at any time. The amounts involved may be material. In third quarter 2022, we redeemed approximately \$225 million of our 2029 Senior Notes and \$76 million of our 2037 Senior Notes. See Note 15 to the Condensed Consolidated Financial Statements for further details regarding U. S. Steel's debt.

We use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. The use of some forms of financial assurance and cash collateral have a negative impact on liquidity. U. S. Steel has committed approximately \$183 million of liquidity sources for financial assurance purposes as of September 30, 2022. Increases in certain of these commitments which use collateral are reflected within cash, cash equivalents and restricted cash on the Condensed Consolidated Statement of Cash Flows.

### **Share Repurchases**

On July 25, 2022, following the completion of the previously authorized \$800 million share repurchase programs, the Board of Directors authorized a new share repurchase program that allows for the repurchase of up to \$500 million of its outstanding common stock from time to time in the open market or privately negotiated transactions at the discretion of management. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Common stock repurchased under our share repurchase programs totaled 31.6 million shares and approximately \$699 million in the nine months ended September 30, 2022. See Note 22 to the Condensed Consolidated Financial Statements for further details.

### **Capital Requirements**

U. S. Steel's contractual commitments to acquire property, plant and equipment at September 30, 2022, totaled \$2.297 billion.

### **Liquidity**

The following table summarizes U. S. Steel's liquidity as of September 30, 2022:

(Dollars in millions)	
Cash and cash equivalents	\$ 3,364
Amount available under Credit Facility Agreement	1,746
Amount available under Big River Steel - Revolving Line of Credit	350
Amount available under USSK Credit Agreement and USSK Credit Facility	297
<b>Total estimated liquidity</b>	<b>\$ 5,757</b>

In the nine months ended September 30, 2022, we received \$82 million in proceeds from government incentives for the construction of BR2, from the sale of tax credits under the State of Arkansas's Recycling Tax Credit program. The Company is contingently liable for certain repayment penalties if it fails to meet certain employment requirements. In addition, the Company received government grants totaling \$53 million for the reimbursement of qualifying project costs related to the construction of BR2. This amount primarily consists of a \$50 million grant from the State of Arkansas Quick Action Closing Fund. See Note 21 to the Condensed Consolidated Financial Statements for further details.

We finished the third quarter of 2022 with \$3,364 million of cash and cash equivalents and \$5,757 million of total liquidity. Available cash is left on deposit with financial institutions or invested in highly liquid securities with parties we believe to be creditworthy. Substantially all of the liquidity attributable to our foreign subsidiaries can be accessed without the imposition of

income taxes as a result of a prior election to liquidate for U.S. income tax purposes a foreign subsidiary that holds most of our international operations.

We expect that our estimated liquidity requirements will consist primarily of the remaining portion of our 2022 planned strategic and sustaining capital expenditures, working capital requirements, interest expense, and operating costs and employee benefits for our operations after taking into account the footprint actions and cost reductions at our plants and headquarters. Our available liquidity at September 30, 2022 consists principally of our cash and cash equivalents and available borrowings under the Credit Facility Agreement, Big River Steel ABL Facility, USSK Credit Agreement and the USSK Credit Facility. Management continues to evaluate market conditions in our industry and our global liquidity position, and may consider additional actions to further strengthen our balance sheet and optimize liquidity, including but not limited to the repayment or refinancing of outstanding debt and the incurrence of additional debt to opportunistically finance strategic projects. The Company may also return excess liquidity to shareholders through share repurchases and dividends from time to time if deemed appropriate by management.

U. S. Steel management believes that our liquidity will be adequate to fund our requirements based on our current assumptions with respect to our results of operations and financial condition.

### **Environmental Matters, Litigation and Contingencies**

Some of U. S. Steel's facilities were in operation before 1900. Although the Company believes that its environmental practices have either led the industry or at least been consistent with prevailing industry practices, hazardous materials have been and may continue to be released at current or former operating sites or delivered to sites operated by third parties.

Our U.S. facilities are subject to environmental laws applicable in the U.S., including the Clean Air Act (the CAA), the Clean Water Act (CWA), the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as well as state and local laws and regulations.

U. S. Steel has incurred and will continue to incur substantial capital, operating, and maintenance and remediation expenditures as a result of environmental laws and regulations, related to release of hazardous materials, which in recent years have been mainly for process changes to meet the CAA obligations and similar obligations in Europe.

#### EU Environmental Requirements and Slovak Operations

Phase IV of the EU Emissions Trading System (EU ETS) commenced on January 1, 2021, and will finish on December 31, 2030. The European Commission issued final approval of the updated 2021-2025 Slovak National Allocation table in February 2022. Subsequently, the Slovak Ministry of Environment allocated the full amount of 2022 free allowances totaling 6.3 million EUA to USSE in February and April 2022. As of September 30, 2022, we have pre-purchased approximately 1.8 million EUA totaling €118 million (approximately \$115 million) to cover the expected 2022 and 2023 shortfall emission allowances.

The EU's Industrial Emissions Directive requires implementation of EU determined best available techniques (BAT) for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Total capital expenditures for projects to comply with or go beyond BAT requirements were €138 million (approximately \$135 million) over the actual program period. These costs were partially offset by the EU funding received and may be mitigated over the next measurement periods if USSK complies with certain financial covenants, which are assessed annually. USSK complied with these covenants as of September 30, 2022. If we are unable to meet these covenants in the future, USSK might be required to provide additional collateral (e.g., bank guarantee) to secure 50 percent of the EU funding received.

For further discussion of laws applicable in Slovakia and the EU and their impact on USSE, see Note 21 to the Condensed Consolidated Financial Statements, "Contingencies and Commitments - Environmental Matters, EU Environmental Requirements."

### **New and Emerging Environmental Regulations**

#### United States and European Greenhouse Gas Emissions Regulations

Future compliance with CO<sub>2</sub> emission requirements may include substantial costs for emission allowances, restriction of production and higher prices for coking coal, natural gas and electricity generated by carbon-based systems. Because we cannot predict what requirements ultimately will be imposed in the U.S. and Europe, it is difficult to estimate the likely impact on U. S. Steel, but it could be substantial. On March 28, 2017, President Trump signed Executive Order 13783 instructing the United States Environmental Protection Agency (the U.S. EPA) to review the Clean Power Plan (the CPP). As a result, in June 2019, the U.S. EPA published a final rule, the "Affordable Clean Energy (ACE) Rule" that replaced the CPP. Twenty-three states, the District of Columbia, and seven municipalities are challenging the CPP repeal and ACE rule in the U.S. Court of Appeals for the District of Columbia (the D.C.) Circuit. A coalition of 21 states has intervened in the litigation in support of the U.S. EPA. Various other public interest organizations, industry groups, and members of Congress are also participating in the litigation. On January 19, 2021, the D.C. Circuit vacated and remanded the ACE to the U.S. EPA, while the CPP remains stayed. On October 19, 2021, the United States Supreme Court granted petitions for certiorari filed by the State of West Virginia and others. Oral arguments regarding the petitions were held before the U.S. Supreme Court on February 28, 2022. On June 30, 2022, the U. S. Supreme Court ruled in favor of West Virginia. It found that Congress never intended to grant EPA such broad authority to totally revamp

the energy sector; and noted, in particular, EPA's attempt to impose what would be a cap-and-trade for CO<sub>2</sub> has consistently been rejected by Congress. The Court concluded that Section 111(d) of the Clean Air Act did not grant EPA the authority to devise emissions caps based on the generation shifting approach the Agency took in the CPP. There is no direct regulatory impact on U. S. Steel from this decision.

The Phase IV EU ETS period spans 2021-2030 and began on January 1, 2021. The Phase IV period is divided into two sub periods (2021-2025 and 2026-2030), rules for the first subperiod are finalized, however we expect that rules for the second subperiod may be more stringent than those for the first one. Once approved, the rules may impact subperiod 2026-2030. Currently, the overall EU target is a 40 percent reduction of 1990 emissions by 2030. Free allocation of CO<sub>2</sub> allowances is based on reduced benchmark values which have been published in the first quarter of 2021 and historical levels of production from 2014-2018. Allocations to individual installations may be adjusted annually to reflect relevant increases and decreases in production. The threshold for adjustments is set at 15 percent and will be assessed on the basis of a rolling average of two precedent years. Production data verified by an external auditor shows that USSE rolling average for 2020-2021 returned to base limit for hot metal production resulting in increase of the free allocation for 2022 compared to 2021, however 2022 free allocation was still slightly reduced due to missing the 15 percent threshold for sinter and coke production. Additionally, lower production in 2019 through 2021 will have an impact on the future free allocation for 2026-2030, where the historical production average for years 2019-2023 will be assessed. Based on actual production data for 9 months of 2022, we believe that free allocation for hot metal will remain unchanged for 2023.

In order to achieve the EU political goal of carbon emissions neutrality by 2050, on July 14, 2021, the European Commission released a package of legislative proposals called Fit for 55. The proposals contain significant changes to current EU ETS functions and requirements, including: a new carbon border adjustment mechanism to impose carbon fees on EU imports, further reduction of free CO<sub>2</sub> allowance allocation to heavy industry and measures to strengthen the supply of carbon allowances. Legislative process is being impacted by current Russia-Ukraine crises. The proposals are subject to the EU legislative process, and we cannot predict their future impact.

#### United States - Air

The CAA imposes stringent limits on air emissions with a federally mandated operating permit program and civil and criminal enforcement sanctions. The CAA requires, among other things, the regulation of hazardous air pollutants through the development and promulgation of National Emission Standards for Hazardous Air Pollutants (NESHAP) and Maximum Achievable Control Technology (MACT) Standards. The U.S. EPA has developed various industry-specific MACT standards pursuant to this requirement. The CAA requires the U.S. EPA to promulgate regulations establishing emission standards for each category of Hazardous Air Pollutants. The U.S. EPA also must conduct risk assessments on each source category that is already subject to MACT standards and determine if additional standards are needed to reduce residual risks.

While our operations are subject to several different categories of NESHAP and MACT standards, the principal impact of these standards on U. S. Steel's operations includes those that are specific to coke making, iron making, steel making and iron ore processing.

On July 13, 2020, the U.S. EPA published a Residual Risk and Technology Review rule for the Integrated Iron and Steel MACT category in the Federal Register. Based on the results of the U.S. EPA's risk review, the agency determined that risks due to emissions of air toxics from the Integrated Iron and Steel category are acceptable and that the current regulations provided an ample margin of safety to protect public health. Under the technology review, the U.S. EPA determined that there are no developments in practices, processes or control technologies that necessitate revision of the standards. In September 2020, several petitions for review of the rule, including those filed by the Company, the American Iron and Steel Institute (the AISI), Clean Air Council and others, were filed with the United States Court of Appeals for the D.C. Circuit. The cases were consolidated and are being held in abeyance until the U.S. EPA reviews and responds to administrative petitions for review. U.S. EPA is required by court order to issue a final rule by October 26, 2023. Because U.S. EPA has yet to propose a revised iron and steel rule, any impacts are inestimable at this time.

For the Taconite Iron Ore Processing category, based on the results of the U.S. EPA's risk review, the agency promulgated a final rule on July 28, 2020, in which the U.S. EPA determined that risks from emissions of air toxics from this source category are acceptable and that the existing standards provide an ample margin of safety. Furthermore, under the technology review, the agency identified no cost-effective developments in controls, practices, or processes to achieve further emissions reductions. Petitions for review of the rule were filed in the United States Court of Appeals for the D.C. Circuit, in which the Company and the AISI intervened. U.S. EPA is required by court order to issue a final rule by November 16, 2023. Because U.S. EPA has yet to propose a revised taconite rule, any impacts are inestimable at this time.

U.S. EPA is in the process of conducting its statutorily obligated residual risk and technology review of coke oven standards. Because the U.S. EPA has not completed its review of the Coke MACT regulations, any impacts related to the U.S. EPA's review of the coke standards cannot be estimated at this time.

In response to Court orders that invalidated prior U. S. EPA determinations regarding ozone attainment interference, on April 6, 2022, U.S. EPA proposed a Federal Implementation Plan (that would replace several pending or disapproved State Implementation Plans) for Regional Ozone Transport for the 2015 Ozone National Ambient Air Quality Standard. The proposed rule would affect electric generating units (EGUs) in 26 states and certain non-EQU industries, including, among several others, coke ovens, taconite production kilns, boilers, blast furnaces, basic oxygen furnaces, reheating furnaces, and annealing furnaces

in 23 states, including those where U. S. Steel has operations. The impacts of the rule, if promulgated as proposed, could be material. U. S. Steel submitted comments on the proposed rule on June 21, 2022.

The CAA also requires the U.S. EPA to develop and implement NAAQS for criteria pollutants, which include, among others, particulate matter (PM) - consisting of PM<sub>10</sub> and PM<sub>2.5</sub>, lead, carbon monoxide, nitrogen dioxide, sulfur dioxide (SO<sub>2</sub>), and ozone.

In October 2015, the U.S. EPA lowered the NAAQS for ozone from 75 parts per billion (ppb) to 70 ppb. On November 6, 2017, the U.S. EPA designated most areas in which we operate as attainment with the 2015 standard. In a separate ruling, on June 4, 2018, the U.S. EPA designated other areas in which we operate as "marginal nonattainment" with the 2015 ozone standard. On December 6, 2018, the U.S. EPA published a final rule regarding implementation of the 2015 ozone standard. Because no state regulatory or permitting actions to bring the ozone nonattainment areas into attainment have yet to be proposed or developed for U. S. Steel facilities, the operational and financial impact of the ozone NAAQS cannot be reasonably estimated at this time. On December 31, 2020, the U.S. EPA published a final rule pursuant to its statutorily required review of NAAQS that retains the ozone NAAQS at 70 ppb. In January 2021, New York, along with several states and non-governmental organizations filed petitions for judicial review of the action with the United States Court of Appeals for the D.C. Circuit. Several other states and industry trade groups intervened in support of the U. S. EPA's action. The case remains in abeyance before the court until December 15, 2023, as the U.S. EPA voluntarily reconsiders the ozone NAAQS. Because the U.S. EPA has yet to complete its reconsideration and propose a revised ozone NAAQS, any impacts are inestimable at this time.

On December 14, 2012, the U.S. EPA lowered the annual standard for PM<sub>2.5</sub> from 15 micrograms per cubic meter (ug/m<sup>3</sup>) to 12 ug/m<sup>3</sup> and retained the PM<sub>2.5</sub> 24-hour and PM<sub>10</sub> NAAQS rules. In December 2014, the U.S. EPA designated some areas in which U. S. Steel operates as nonattainment with the 2012 annual PM<sub>2.5</sub> standard. On April 6, 2018, the U.S. EPA published a notice that Pennsylvania, California and Idaho failed to submit a State Implementation Plan (an SIP) to demonstrate attainment with the 2012 fine particulate standard by the deadline established by the CAA. As a result of the notice, Pennsylvania, a state in which we operate, was required to submit an SIP to the U.S. EPA no later than November 7, 2019 to avoid sanctions. On April 29, 2019, the Allegheny County Health Department (ACHD) published a draft SIP for the Allegheny County nonattainment area which demonstrates that all of Allegheny County will meet its reasonable further progress requirements and be in attainment with the 2012 PM<sub>2.5</sub> annual and 24-hour NAAQS by December 31, 2021, with the existing controls that are in place. On September 12, 2019, the Allegheny County Board of Health unanimously approved the draft SIP. The draft SIP was then sent to the Pennsylvania Department of Environmental Protection (PADEP). PADEP submitted the SIP to the U.S. EPA for approval on November 1, 2019. To date, the U.S. EPA has not taken action on PADEP's submittal. On December 18, 2020, the U.S. EPA published a final rule pursuant to its statutorily required review of NAAQS that retains the existing PM<sub>2.5</sub> standards without revision. In early 2021, several states and non-governmental organizations filed petitions for judicial review of the action with the United States Court of Appeals for the D.C. Circuit. Several industry trade groups intervened in support of the U.S. EPA's action. The case remains in abeyance before the court until March 1, 2023, as U.S. EPA voluntarily reconsiders the PM<sub>2.5</sub> NAAQS. In court filings, U.S. EPA advised the Court that it intends to complete its reconsideration process by proposing a rule in Summer 2022 and promulgating a final rule in Spring 2023. Because U.S. EPA has yet to complete its reconsideration and propose a revised PM<sub>2.5</sub> NAAQS, any impacts are inestimable at this time.

On January 26, 2021, ACHD announced that for the first time in history all eight air quality monitors in Allegheny County met the federal air quality standards including, in particular sulfur dioxide and particulate matter (PM<sub>2.5</sub> and PM<sub>10</sub>). Preliminary data from 2021 indicates that all eight air quality monitors continue to meet the standards. On March 16, 2022, U.S. EPA published a final rule, a clean data determination, showing that Allegheny County has attained the 2012 annual PM<sub>2.5</sub> NAAQS based on the 2018 – 2020 ambient air quality data. Based on these data, ACHD is in the process of seeking EPA approval to redesignate the area as attainment with the 2012 annual PM<sub>2.5</sub> NAAQS.

For further discussion of relevant environmental matters, including environmental remediation obligations, see "Item 1. Legal Proceedings - Environmental Proceedings."

## **OFF-BALANCE SHEET ARRANGEMENTS**

U. S. Steel did not enter into any new material off-balance sheet arrangements during the third quarter of 2022.

## **INTERNATIONAL TRADE**

U. S. Steel continues to face import competition, much of which is unfairly traded and fueled by massive global steel overcapacity, currently estimated to be over 500 million metric tons per year—more than five times the entire U.S. steel market and over seventeen times total U.S. steel imports. These imports and overcapacity negatively impact the Company's operational and financial performance. U. S. Steel continues to lead efforts to address these challenges that threaten the Company, our workers, our stockholders, and our country's national and economic security.

As of the date of this filing, pursuant to a series of Presidential Proclamations issued in accordance with Section 232 of the Trade Expansion Act of 1962, U.S. imports of certain steel products are subject to a 25 percent tariff, except imports from: (1) Argentina, Brazil, and South Korea, which are subject to restrictive quotas; (2) the European Union (EU), Japan, and the United Kingdom (UK) that are melted and poured in the EU/Japan/UK, within quarterly tariff-rate quota (TRQ) limits; (3) Canada and Mexico, which are not subject to tariffs or quotas, but tariffs could be re-imposed on surging product groups after consultations;

(4) Ukraine, which was granted a one-year tariff exemption until June 1, 2023; and (5) Australia, which are not subject to tariffs, quotas, or an anti-surge mechanism.

The U.S. Department of Commerce (DOC) is managing a process in which U.S. companies may request and/or oppose temporary product exclusions from the Section 232 tariffs and quotas. U. S. Steel opposes exclusion requests for imported products that are the same as, or substitutes for, products manufactured by U. S. Steel.

Multiple legal challenges to the Section 232 action continue before the U.S. Court of International Trade (CIT) and the U.S. Court of Appeals for the Federal Circuit (CAFC), the latter which has consistently rejected constitutional and statutory challenges to the Section 232 action.

Since its implementation in March 2018, the Section 232 action has supported the U.S. steel industry's and U. S. Steel's investments in advanced steel production capabilities, technology, and skills, strengthening U.S. national and economic security. The Company continues to actively defend the Section 232 action.

In February 2019, the European Commission (EC) implemented a definitive safeguard on global steel imports in the form of TRQs that impose 25 percent tariffs on steel imports that exceed the TRQ limit, effective through June 2024.

Antidumping duties (AD) and countervailing duties (CVD or antisubsidy duties) apply in addition to the Section 232 tariffs, quotas, TRQs and the EC's safeguard, and AD/CVD orders may continue beyond the Section 232 action and the EC's safeguard. U. S. Steel continues to actively defend and maintain the 58 U.S. AD/CVD orders and 14 EU AD/CVD orders covering U. S. Steel products in multiple proceedings before the DOC, U.S. International Trade Commission (ITC), CIT, CAFC, the EC and European courts, and the WTO.

In July 2022, the ITC voted to continue the AD/CVD orders on corrosion-resistant steel from China, India, Italy, South Korea and Taiwan and cold-rolled steel from China, India, Japan, South Korea, and the UK for another five years, but voted to revoke the AD/CVD orders on cold-rolled steel from Brazil. In October 2022, the ITC voted to continue the AD/CVD orders on hot-rolled steel from Australia, Japan, Korea, Netherlands, Russia, Turkey, and the United Kingdom for another five years, but voted to revoke the AD/CVD orders on hot-rolled steel from Brazil. Also, in October 2022, the ITC voted to impose new AD/CVD orders on imports of OCTG from Argentina, Mexico, Korea, and Russia.

In August 2022, the EC imposed definitive AD measures on imports of hot-dipped galvanized steel from Russia and Turkey and announced the continuation of AD measures on imports of cold-rolled steel from China and Russia for another five years. The EC is conducting five-year reviews of the AD/CVD orders on hot-rolled steel from five countries with a decision expected in 2023.

In April 2022, the United States suspended normal trade relations with Russia and Belarus, resulting in higher normal tariffs on imports from Russia and Belarus, including steel and raw materials. In June, President Biden announced additional tariff increases on certain products from Russia, including certain steel products and ferroalloys, effective August 1, 2022.

Additional tariffs of 7.5 to 25 percent continue to apply to certain U.S. imports from China, including certain raw materials used in steel production, semi-finished and finished steel products, and downstream steel-intensive products, pursuant to Section 301 of the Trade Act of 1974. The United States Trade Representative (USTR) is currently conducting a statutory review of the Section 301 tariffs.

The United States and EU are currently negotiating a global sustainable steel arrangement to restore market-oriented conditions and address carbon intensity that is targeted for completion by the end of 2023.

U. S. Steel will continue to execute a broad, global strategy to maximize opportunities and navigate challenges presented by imports, global steel overcapacity, and international trade law and policy developments.

## **NEW ACCOUNTING STANDARDS**

See Notes 2 and 3 to the Condensed Consolidated Financial Statements in Part I Item 1 of this Quarterly Report on Form 10-Q.

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

For quantitative and qualitative disclosures about market risk, see Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, there were no material changes in U. S. Steel's exposure to market risk from December 31, 2021.

## **Item 4. CONTROLS AND PROCEDURES**

### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

U. S. Steel has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2022. These disclosure controls and procedures are the controls and other procedures that were designed to ensure that information required to be disclosed in reports that are filed with or submitted to the U.S. Securities and Exchange Commission are: (1) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in applicable law and regulations. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, U. S. Steel's disclosure controls and procedures were effective.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

## **PART II. OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

#### **GENERAL LITIGATION**

On June 8, 2021, JSW Steel (USA) Inc. and JSW Steel USA Ohio, Inc. (collectively, JSW), U.S. based subsidiaries of Indian steelmaker JSW Steel, filed suit in the United States District Court for the Southern District of Texas against Nucor, U. S. Steel, AK Steel Holding Group and Cleveland-Cliffs (collectively, the JSW Defendants) alleging that the Defendants operated as a cartel and formed a conspiracy to boycott JSW from obtaining semi-finished steel slabs. JSW alleges that the JSW Defendants acted in violation of Section 1 of the Sherman Act and the Clayton Act (federal antitrust), and violation of the Texas Free Enterprise and Antitrust Act. JSW also alleges that the JSW Defendants formed a civil conspiracy in violation of Texas common law, and that the JSW Defendants tortiously interfered with JSW's business relationships. The basis for JSW's allegations relate to the JSW Defendants participation in the DOC's Section 232 process, including the JSW Defendants' support of the enactment of the President's Section 232 proclamation, statements made by the JSW Defendants after the enactment of Section 232, and the JSW Defendants' participation in the Section 232 exclusion process. Plaintiffs seek monetary damages including \$45 million for payment of Section 232 tariffs and unspecified amounts for financial penalties, termination fees and lost profits as well as other damages. U. S. Steel, along with the other JSW Defendants, filed a Motion to Dismiss the case on August 17, 2021. On February 17, 2022, the Court issued an opinion dismissing JSW's antitrust complaint with prejudice. On March 16, 2022, JSW filed a notice of appeal with the United States Court of Appeals for the Fifth Circuit. JSW filed its appellate brief with the Fifth Circuit on June 8, 2022, and the JSW defendants filed their response briefs on August 8, 2022. JSW filed its reply brief on September 19, 2022. The Company is vigorously defending the matter.

On April 11, 2017, there was a process waste-water release at our Midwest Plant (Midwest) in Portage, Indiana, that impacted a water outfall that discharges to Burns Waterway near Lake Michigan. The Company has since implemented substantial operational, process and notification improvements at Midwest. In January of 2018, The Surfrider Foundation and the City of Chicago initiated suits in the Northern District of Indiana alleging Clean Water Act (CWA) and permit violations at Midwest. On April 2, 2018, the U.S. EPA and the State of Indiana initiated a separate action against the Company and lodged a Consent Decree negotiated between U. S. Steel and the relevant governmental agencies consisting of all material terms to resolve the CWA and National Pollutant Discharge Elimination System (NPDES) violations at Midwest. A public comment period for the Consent Decree ensued. The suits that the Surfrider Foundation and the City of Chicago filed are currently stayed. The Surfrider Foundation and the City of Chicago also filed motions, which were granted, to intervene in the Consent Decree case. The United States Department of Justice (the DOJ) filed a revised Consent Decree and a motion with the court to enter the Consent Decree as final on November 20, 2019. Surfrider Foundation, City of Chicago and other non-governmental organizations filed objections to the revised Consent Decree. The DOJ and U. S. Steel made filings in support of the revised Consent Decree. On August 31, 2021, the United States District Court for the Northern District of Indiana issued an Opinion and Order entering the Consent Decree. The Company filed a Motion to Lift the Stay in the citizen suits as well as Motions to Dismiss the suits on December 15, 2021. On March 31, 2022, the Court granted Company's Motion to Lift the Stay in the citizen suits. On September 23, 2022, the Court entered an order and opinion granting U. S. Steel's Motion to Dismiss the Surfrider and City of Chicago CWA claims with prejudice. The Court also declined to exercise supplemental jurisdiction over the City of Chicago's negligence claim, dismissing it without prejudice and gave the City of Chicago 30 days to refile. The Company is vigorously defending the matter.

On October 2, 2017, an Amended Shareholder Class Action Complaint was filed in the United States District Court for the Western District of Pennsylvania consolidating previously-filed actions. Separately, five related shareholder derivative lawsuits were filed in state and federal courts in Pittsburgh, Pennsylvania and the Delaware Court of Chancery. The underlying consolidated class action lawsuit alleges that U. S. Steel, certain current and former officers, an upper-level manager of the Company and the financial underwriters who participated in the August 2016 secondary public offering of the Company's common stock (collectively, the "Class Action Defendants") violated federal securities laws in making false statements and/or failing to discover and disclose material information regarding the financial condition of the Company. The lawsuit claims that this conduct caused a prospective class of plaintiffs to sustain damages during the period from January 27, 2016 to April 25, 2017 as a result of the prospective class purchasing the Company's common stock at artificially inflated prices and/or suffering losses when the price of the common stock dropped. The derivative lawsuits generally make the same allegations against the same officers and also allege that certain current and former members of the Board of Directors failed to exercise appropriate control and oversight over the Company and were unjustly compensated. The plaintiffs seek to recover losses that were allegedly

sustained. The Class Action Defendants moved to dismiss plaintiffs' claims. On September 29, 2018 the Court ruled on those motions granting them in part and denying them in part. On March 18, 2019, the plaintiffs withdrew the claims against the Class Action Defendants related to the 2016 secondary offering. As a result, the underwriters are no longer parties to the case. On December 31, 2019, the court granted the Plaintiffs' motion to certify the proceeding as a class action. The Company's appeal of that decision was denied. Discovery followed and concluded. On May 20, 2022, the Plaintiffs and Class Action Defendants agreed to settle the Shareholder Class Action in the amount of \$40 million to be fully funded by the Company's insurers. Court approval of the class action settlement is currently pending. The related derivative cases, which were previously stayed, are now proceeding and the Company will vigorously defend against the derivative lawsuits.

## **ENVIRONMENTAL PROCEEDINGS**

The following is a summary of the proceedings of U. S. Steel that were pending or contemplated as of September 30, 2022, under federal and state environmental laws, and which U. S. Steel reasonably believes may result in monetary sanctions of at least \$1 million (the threshold chosen by U. S. Steel as permitted by Item 103 of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended). Information about specific sites where U. S. Steel is or has been engaged in significant clean up or remediation activities is also summarized below. Except as described herein, it is not possible to accurately predict the ultimate outcome of these matters.

### ***CERCLA Remediation Sites***

Claims under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) have been raised with respect to the cleanup of various waste disposal and other sites. Under CERCLA, potentially responsible parties (each, a PRP) for a site include current owners and operators, past owners and operators at the time of disposal, persons who arranged for disposal of a hazardous substance at a site and persons who transported a hazardous substance to a site. CERCLA imposes strict and joint and several liabilities. 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, we are unable to reasonably estimate U. S. Steel's ultimate liabilities under CERCLA.

As of September 30, 2022, U. S. Steel has received information requests or been identified as a PRP at a total of four CERCLA sites, three of which have liabilities that have not been resolved. Based on currently available information, which is in many cases preliminary and incomplete, management believes that U. S. Steel's liability for CERCLA cleanup and remediation costs at the other site will be over \$5 million as described below.

### **Duluth Works**

The former U. S. Steel Duluth Works site was placed on the National Priorities List under CERCLA in 1983 and on the State of Minnesota's Superfund list in 1984. Liability for environmental remediation at the site is governed by a Response Order by Consent executed with the MPCA in 1985 and a Record of Decision signed by MPCA in 1989. U. S. Steel has partnered with the Great Lakes National Program Office (GLNPO) of the U.S. EPA Region 5 to address contaminated sediments in the St. Louis River Estuary and several other operable units that could impact the estuary if not addressed. An amendment to the Project Agreement between U. S. Steel and GLNPO was executed during the second quarter of 2018 to recognize the initial costs associated with implementing the first two phases of the proposed remedial plan at the site.

Remediation contracts were issued by both USS and GLNPO for the first phase of the remedial work at the site during the fourth quarter of 2020. USS and GLNPO have completed the second phase of work at the site which extended through early 2022. The final phase of the remedial design has been defined and another amendment to the Project Agreement between U.S. Steel and GLNPO was executed in December 2021. Execution of this final phase is in progress and is expected to extend through 2023. USS' portion of additional, design, oversight costs, and implementation of all three phases of the preferred remedial alternative on the upland property and Estuary are currently estimated as of September 30, 2022 at approximately \$37 million.

### ***Resource Conservation Recovery Act (RCRA) and Other Remediation Sites***

U. S. Steel may be liable for remediation costs under other environmental statutes, both federal and state, or where private parties are seeking to impose liability on U. S. Steel for remediation costs through discussions or litigation. There are nine such sites where remediation is being sought involving amounts in excess of \$1 million. 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 five sites may involve remediation costs between \$1 million and \$5 million per site and four sites are estimated to, or could have, costs for remediation, investigation, restoration or compensation in excess of \$5 million per site.

For more information on the status of remediation activities at U. S. Steel's significant sites, see the discussions below.

### **Gary Works**

On October 23, 1998, the U.S. EPA issued a final Administrative Order on Consent addressing Corrective Action for Solid Waste Management Units (each, an SWMU and, collectively, the SWMUs) throughout Gary Works. This Order on Consent requires U.

S. Steel to perform an RCRA Facility Investigation (RFI), a Corrective Measures Study and Corrective Measure Implementation. Evaluations are underway at six groundwater areas on the east side of the facility. A remedial groundwater treatment system has been operating at one of the six areas since 2021. An Interim Stabilization Measure work plan was recently approved by the U.S. EPA for a second area and a contractor has begun installation of the remedial system. Until the remaining Phase I work and Phase II field investigations are completed, it is not possible to assess what additional expenditures will be necessary for Corrective Action projects at Gary Works. In total, the accrued liability for Corrective Action projects is approximately \$31 million as of September 30, 2022, based on our current estimate of known remaining costs.

### **Geneva Works**

At U. S. Steel's former Geneva Works, liability for environmental remediation, including the closure of three hazardous waste impoundments and facility-wide corrective action, has been allocated between U. S. Steel and the current property owner pursuant to an agreement and a permit issued by the Utah Department of Environmental Quality. Having completed the investigation on a majority of the remaining areas identified in the permit, U. S. Steel had determined the most effective means to address the remaining impacted material was to manage those materials in a previously approved on-site Corrective Action Management Unit (the CAMU). U. S. Steel awarded a contract for the implementation of the CAMU during the fourth quarter of 2018. Construction, waste stabilization and placement, along with closure of the CAMU, were substantially completed in the fourth quarter of 2020. Work at the site is now primarily focused on groundwater. U. S. Steel has an accrued liability of approximately \$19 million as of September 30, 2022 for our estimated share of the remaining costs of remediation at the site.

### **USS-UPI LLC**

In February 2020, U. S. Steel purchased the remaining 50 percent interest in USS-POSCO Industries, a former joint venture that is located in Pittsburg, California between subsidiaries of U. S. Steel and POSCO, now known as USS-UPI, LLC. Prior to formation of the joint venture, UPI's facilities were previously owned and operated solely by U. S. Steel, which assumed responsibility for the existing environmental conditions. U. S. Steel continues to monitor the impacts of the remedial plan implemented in 2016 to address groundwater impacts from trichloroethylene at SWMU 4. Evaluations continue for the SWMUs, known as the Northern Boundary Group, and it is likely that corrective measures will be required, but it is not possible at this time to define a scope or estimate costs for what may be required by the California Department of Toxic Substances Control. As such, there has been no material change in the status of the project during the nine months ended September 30, 2022. As of September 30, 2022, approximately \$1 million has been accrued for ongoing environmental studies, investigations and remedy monitoring. Significant additional costs associated with this site are possible and are referenced in Note 21 to the Condensed Consolidated Financial Statements "Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development."

### **Fairfield Works**

A consent decree was signed by U. S. Steel, the U.S. EPA and the DOJ and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) in December 1997. In accordance with the consent decree, U. S. Steel initiated an RCRA corrective action program at the Fairfield Works facility. The Alabama Department of Environmental Management, with the approval of the U.S. EPA, assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works. While work continues on different aspects of the program, there has been no material change in the status of the project during the nine months ended September 30, 2022. In total, the accrued liability for remaining work under the Corrective Action Program, was approximately \$391,000 as of September 30, 2022. Significant additional costs associated with this site are possible and are referenced in Note 21 to the Condensed Consolidated Financial Statements "Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development."

### **Cherryvale (KS) Zinc**

In April 2003, U. S. Steel and Salomon Smith Barney Holdings, Inc. entered into a Consent Order with the Kansas Department of Health & Environment (KDHE) concerning a former zinc smelting operation in Cherryvale, Kansas. Remediation of the site proper was essentially completed in 2007. The Consent Order was amended on May 3, 2013 to require investigation (but not remediation) of potential contamination beyond the boundary of the former zinc smelting operation. On November 22, 2016, KDHE approved a State Cooperative Final Agency Decision Statement that identified the remedy selected to address potential contamination beyond the boundary of the former zinc smelting site. The Removal Action Design Plan was approved during the second quarter of 2018. The Waste Deposition Area design and the Interim Risk Management Plan (which includes institutional controls) were approved by KDHE during the fourth quarter of 2018. An amended consent order for remediation was signed in May 2019 and a remediation contract was executed in June 2019. Remediation work is now underway and is projected to continue through 2022. U. S. Steel has an accrued liability of approximately \$1.3 million as of September 30, 2022 for our estimated share of the cost of remediation.

### **Air Related Matters**

### **Great Lakes Works**

In June 2010, the U.S. EPA significantly lowered the primary NAAQS for SO<sub>2</sub> from 140 ppb on a 24-hour basis to an hourly standard of 75 ppb. Based upon the 2009-2011 ambient air monitoring data, the U.S. EPA designated the area in which Great Lakes Works is located as nonattainment with the 2010 SO<sub>2</sub> NAAQS.

As a result, pursuant to the CAA, the Michigan Department of Environment, Great Lakes and Energy (EGLE) was required to submit an SIP to the U.S. EPA that demonstrates that the entire nonattainment area (and not just the monitor) would be in attainment by October 2018 by using conservative air dispersion modeling. To develop the SIP, U. S. Steel met with EGLE on multiple occasions and had offered reduction plans to EGLE but the parties could not agree to a plan. EGLE instead promulgated Rule 430, which was solely directed at U. S. Steel. The Company challenged Rule 430 before the Michigan Court of Claims, which by Order dated October 4, 2017 granted the Company's motion for summary disposition voiding Rule 430 finding that it violated rule-making provisions of the Michigan Administrative Procedures Act and Michigan Constitution. Since Rule 430 has been invalidated and EGLE's SIP has not been approved, the U.S. EPA has indicated that it would promulgate a Federal Implementation Plan (FIP) pursuant to its obligations and authority under the CAA. On January 28, 2022, U.S. EPA promulgated a final rule in the Federal Register finding that the Detroit nonattainment area failed to attain the 2010 sulfur dioxide national ambient air quality standard. On February 15, 2022, the Northern District of California District Court entered a Consent Decree in *Center for Biological Diversity, et al. v. Michael S. Regan*, that requires the EPA to promulgate a final FIP for the Detroit area no later than September 30, 2022. On June 1, 2022, EPA proposed a FIP for sulfur dioxide for the Detroit area. On July 18, 2022, U. S. Steel provided comments to the EPA on the proposed FIP. On September 30, 2022, the EPA Administrator signed a final FIP that is substantially the same as the propose FIP, imposing limits on U. S. Steel and EES Coke sources. Based upon a preliminary review of the FIP, the impacts to the Company are not anticipated to be material.

### **Granite City Works**

In October 2015, Granite City Works received a Violation Notice from the Illinois Environmental Protection Agency (the IEPA) in which the IEPA alleges that U. S. Steel violated the emission limits for nitrogen oxides (NO<sub>x</sub>) and volatile organic compounds from the Basic Oxygen Furnace Electrostatic Precipitator Stack. In addition, the IEPA alleges that U. S. Steel exceeded its natural gas usage limit at its CoGeneration Boiler. U. S. Steel responded to the notice and is currently discussing resolution of the matter with IEPA.

Although discussions with IEPA regarding the foregoing alleged violations are ongoing and the resolution of these matters is uncertain at this time, it is not anticipated that the result of those discussions will be material to U. S. Steel.

### **Minnesota Ore Operations**

On February 6, 2013, the U.S. EPA published an FIP that applies to taconite facilities in Minnesota. An FIP establishes and requires emission limits and the use of low NO<sub>x</sub> reduction technology on indurating furnaces as Best Available Retrofit Technology. While U. S. Steel installed low NO<sub>x</sub> burners on three furnaces at Minntac and is currently obligated to install low NO<sub>x</sub> burners on the two other furnaces at Minntac pursuant to existing agreements and permits, the rule would require the installation of a low NO<sub>x</sub> burner on the one furnace at Keetac for which U. S. Steel did not have an otherwise existing obligation. U. S. Steel estimates expenditures associated with the installation of low NO<sub>x</sub> burners of as much as \$25 million to \$30 million. In 2013, U. S. Steel filed a petition for administrative reconsideration to the U.S. EPA and a petition for judicial review of the 2013 FIP and denial of the Minnesota SIP to the Eighth Circuit. In April 2016, the U.S. EPA promulgated a revised FIP with the same substantive requirements for U. S. Steel. In June 2016, U. S. Steel filed a petition for administrative reconsideration of the 2016 FIP to the U.S. EPA and a petition for judicial review of the 2016 FIP before the Eighth Circuit Court of Appeals. While the proceedings regarding the petition for judicial review of the 2013 FIP remained stayed, oral arguments regarding the petition for judicial review of the 2016 FIP were heard by the Eighth Circuit Court of Appeals on November 15, 2017. Thus, both petitions for judicial review remain with the Eighth Circuit. On December 4, 2017, the U.S. EPA published a notification in the Federal Register in which the U.S. EPA denied U. S. Steel's administrative petitions for reconsideration and stay of the 2013 FIP and 2016 FIP. On February 1, 2018, U. S. Steel filed a petition for judicial review of the U.S. EPA's denial of the administrative petitions for reconsideration to the Eighth Circuit Court of Appeals. The U.S. EPA and U. S. Steel reached a settlement regarding the five indurating lines at Minntac. After proposing a revised FIP and responding to public comments, on March 2, 2021, the U.S. EPA promulgated a final revised FIP incorporating the conditions and limits for Minntac to which the parties agreed. U. S. Steel and the U.S. EPA continue to negotiate resolution for Keetac.

### **Mon Valley Works**

On November 9, 2017, the U.S. EPA Region III and ACHD jointly issued a Notice of Violation (NOV) regarding the Company's Edgar Thomson facility in Braddock, Pennsylvania. In addition, on November 20, 2017, ACHD issued a separate, but related, NOV to the Company regarding the Edgar Thomson facility. In the NOVs, based upon their inspections and review of documents collected, the agencies allege that the Company has violated the CAA by exceeding the allowable visible emission standards from certain operations during isolated events. In addition, the agencies allege that the Company has violated certain maintenance, reporting, and recordkeeping requirements. U. S. Steel met with the U.S. EPA Region III and ACHD several times. On May 17, 2022, the DOJ, EPA Region III and the ACHD filed a Complaint in the United States District Court for the Western District of Pennsylvania and lodged a proposed Consent Decree negotiated in good faith between U. S. Steel, DOJ, EPA Region III, and ACHD that will resolve this matter. If the Consent Decree is approved by the Court, U. S. Steel will pay a civil penalty of up to \$1,500,000, subject to partial offset by funding a Supplemental Environmental Project, and implement various forms of

injunctive relief. The public comment period for the Consent Decree has passed, and U. S. Steel awaits the DOJ's Motion to Enter the Consent Decree as Final.

On December 24, 2018, U. S. Steel's Clairton Plant experienced a fire, affecting portions of the facility involved in desulfurization of the coke oven gas generated during the coking process. With the desulfurization process out of operation as a result of the fire, U. S. Steel was not able to certify compliance with Clairton Plant's Title V permit levels for sulfur emissions. U. S. Steel promptly notified ACHD, which has regulatory jurisdiction for the Title V permit, and updated the ACHD regularly on efforts to mitigate any potential environmental impacts until the desulfurization process was returned to normal operations. Of the approximately 2,400 hours between the date of the fire and April 4, 2019, when the Company resumed desulfurization, there were ten intermittent hours where average SO<sub>2</sub> emissions exceeded the hourly NAAQS for SO<sub>2</sub> at the Allegheny County regional air quality monitors located in Liberty and North Braddock boroughs, which are near U. S. Steel's Mon Valley Works facilities. On February 13, 2019, PennEnvironment and Clean Air Council, both environmental, non-governmental organizations, sent U. S. Steel a 60-day notice of intent to sue letter pursuant to the CAA. The letter alleged Title V permit violations at the Clairton, Irvin, and Edgar Thomson facilities as a result of the December 24, 2018 Clairton Plant fire. The 60-day notice letter also alleged that the violations caused adverse public health and welfare impacts to the communities surrounding the Clairton, Irvin, and Edgar Thomson facilities. PennEnvironment and Clean Air Council subsequently filed a Complaint in Federal Court in the Western District of Pennsylvania on April 29, 2019 to which U. S. Steel has responded. On May 3, 2019, ACHD filed a motion to intervene in the lawsuit which was granted by the Court. On June 25, 2019, ACHD filed its Complaint in Intervention, seeking injunctive relief and civil penalties regarding the alleged Permit violations following the December 24, 2018 fire. Fact and Expert discovery has been completed, and pre-trial motion briefing has been submitted to the court. The court heard oral arguments on the motions including the Plaintiffs' Motions for Summary Judgment and on March 31, 2022, the Court denied all pre-trial motions. Trial in this matter is currently scheduled to begin on April 26, 2023. The Company will continue to vigorously defend against the matter.

On March 2, 2022, the Company received a stipulated penalty demand for \$859,300 from the Allegheny County Health Department (ACHD) pursuant to the June 2019 Settlement Agreement and Order (SAO) between the Company and ACHD. In the demand notice, ACHD alleges that based upon daily visible emission observation inspections occurring April 1, 2021 through December 31, 2021, the Company's Clairton plant violated applicable opacity standards from coke battery fugitive emission sources. The Company disagrees with the bases for the demand. The Company has initiated dispute resolution in accordance with the SAO and is attempting to reach a negotiated resolution of the matter.

On March 7, 2022, the Company received an enforcement order from the Allegheny County Health Department (ACHD) that includes a civil penalty demand for \$1,842,539. In the Order, the ACHD alleges that the Company's Clairton plant is solely and entirely culpable for 153 alleged exceedances of the Pennsylvania hydrogen sulfide ambient air standard that are reported to have occurred during January 1, 2020 through March 1, 2022. The Company disagrees with the bases for the demand. On April 5, 2022, the Company appealed the Order and is vigorously defending the matter. On September 1, 2022, after conferring with ACHD and the Company, the ACHD Hearing Officer issued an order requiring discovery to be completed by June 1, 2023 with a hearing date of September 18, 2023.

On March 24, 2022, the Company received an enforcement order from the Allegheny County Health Department (ACHD) that includes a civil penalty demand for \$4,570,500 for alleged air permit violations occurring between January 1, 2020 through March 15, 2022 regarding the Company's Clairton plant's coke oven pushing emission control systems. The Company disagrees with the bases for the demand and has appealed the Order. On September 1, 2022, after conferring with ACHD and the Company, the ACHD Hearing Officer issued an order requiring discovery to be completed by June 1, 2023 with a hearing date of September 25, 2023.

### ***Water Related Matters***

On April 11, 2017, there was a process waste-water release at our Midwest Plant (Midwest) in Portage, Indiana, that impacted a water outfall that discharges to Burns Waterway near Lake Michigan. The Company has since implemented substantial operational, process and notification improvements at Midwest. On April 2, 2018, the U.S. EPA and the State of Indiana initiated an action and lodged a Consent Decree negotiated between U. S. Steel and the relevant governmental agencies consisting of all material terms to resolve the CWA and National Pollutant Discharge Elimination System (NPDES) violations at the Midwest Plant. While the Consent Decree was being negotiated, in January of 2018, The Surfrider Foundation and the City of Chicago initiated citizen suits in the Northern District of Indiana alleging Clean Water Act (CWA) and permit violations at Midwest. The citizen suits were stayed pending resolution and entry of the Consent Decree, and both the Surfriders Foundation and the City of Chicago intervened in the Consent Decree action. On August 31, 2021, the United States District Court for the Northern District of Indiana issued an Opinion and Order entering the Consent Decree. The Company filed a Motion to Lift the Stay in the citizen suits as well as Motions to Dismiss the citizen suits on December 15, 2021. On March 31, 2022, the Court granted Company's Motion to Lift the Stay in the citizen suits. On September 23, 2022, the Court entered an order and opinion granting U. S. Steel's Motion to Dismiss the Surfrider and City of Chicago CWA claims with prejudice. The Court also declined to exercise supplemental jurisdiction over the City of Chicago's negligence claim, dismissing it without prejudice and gave the City of Chicago 30 days to refile. The Company is vigorously defending the matter.

On February 7, 2020, the Indiana Department of Environmental Management (IDEM) issued an Amended Notice of Violation and Proposed Agreed Order related to alleged NPDES permit water discharge violations at Midwest during the period of November 2018 through December 2019 unrelated to the violations resolved in the Consent Decree. On May 11, 2021, IDEM and U. S.

Steel entered into an Agreed Order where U. S. Steel agreed to taking corrective actions, a civil penalty, a Supplemental Environmental Project, and stipulated penalties for future violations.

## ASBESTOS LITIGATION

See Note 21 to our Condensed Consolidated Financial Statements, Contingencies and Commitments for a description of our asbestos litigation.

### Item 1A. RISK FACTORS

There have been no material changes or updates to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### Item 2. PURCHASES OF EQUITY SECURITIES BY ISSUER AND AFFILIATED PURCHASERS

Share repurchase activity under the Company's share repurchase program during the three months ended September 30, 2022 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs in effect at September 30, 2022 <sup>(a)</sup>
July 1 - 31, 2022	6,970,253	\$ 18.22	6,970,253	\$ 501,000,700
August 1 - 31, 2022	—	\$ —	—	\$ 501,000,700
September 1 - 30, 2022	2,158,392	\$ 23.17	2,158,392	\$ 451,000,800
<b>Quarter ended September 30, 2022</b>	<b>9,128,645</b>	<b>\$ 19.39</b>	<b>9,128,645</b>	<b>\$ 451,000,800</b>

<sup>(a)</sup> On October 25, 2021, the Board of Directors authorized a share repurchase program to repurchase up to \$300 million of our outstanding common stock at the discretion of management. On January 24, 2022 the Board of Directors authorized an additional \$500 million under the share repurchase program. On July 25, 2022, following the completion of the previously authorized \$800 million share repurchase programs, the Board of Directors authorized a new share repurchase program that allows for the repurchase of up to \$500 million of its outstanding common stock. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under this program, the shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending upon market conditions.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

### Item 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations and other regulatory matters required by Section 150 of the Dodd-Frank Wall Street Reform Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-Q.

### Item 5. OTHER INFORMATION

None.

**Item 6. EXHIBITS**

- 3.1 [Amended and Restated Certificate of Incorporation of United States Steel Corporation, dated April 25, 2017. \(Incorporated by reference to Exhibit 3.1 to United States Steel Corporation's Form 8-K filed on April 28, 2017, Commission File Number 1-16811.\)](#)
- 3.2 [Amended and Restated By-Laws of United States Steel Corporation, as of October 26, 2021. \(Incorporated by reference to Exhibit 3.1 to United States Steel Corporation's Form 8-K filed on October 28, 2021, Commission File Number 1-16811.\)](#)
- [10.1](#) Loan Agreement between Arkansas Development Finance Authority and each of United States Steel Corporation and Exploratory Ventures, LLC relating to \$290,000,000 Arkansas Development Finance Authority Environmental Improvement Revenue Bonds, Series 2022 (United States Steel Corporation Project) (Green Bonds), dated as of September 1, 2022.
- [31.1](#) Certification of Chief Executive Officer required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as promulgated by the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [31.2](#) Certification of Chief Financial Officer required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as promulgated by the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [32.1](#) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- [32.2](#) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- [95](#) Mine Safety Disclosure required under Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- 101 The following financial information from United States Steel Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Statement of Operations, (ii) the Condensed Consolidated Statement of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheet, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.
- 104 Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101).



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**LOAN AGREEMENT**

between

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY,**  
as Issuer

and each of

**UNITED STATES STEEL CORPORATION,**  
as Company

and

**EXPLORATORY VENTURES, LLC,**  
as Operating Company

relating to  
\$290,000,000

Arkansas Development Finance Authority  
Environmental Improvement Revenue Bonds, Series 2022  
(United States Steel Corporation Project) (Green Bonds)

Dated as of September 1, 2022

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**The interest of the Arkansas Development Finance Authority in this Loan Agreement has been assigned (except for the Unassigned Issuer's Rights) pursuant to the Trust Indenture dated as of the date hereof between the Arkansas Development Finance Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and is subject to the security interest of The Bank of New York Mellon Trust Company, N.A., as trustee.**

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## LOAN AGREEMENT

**THIS LOAN AGREEMENT** (this “*Agreement*”) made and entered into as of September 1, 2022, by and between the **ARKANSAS DEVELOPMENT FINANCE AUTHORITY** (the “*Issuer*”), a public body politic and corporate created and existing under the laws of the State of Arkansas (the “*State*”), duly organized and validly existing under and by virtue of the Arkansas Development Finance Authority Act, Title 15, Chapter 5, Subchapters 1 through 3 of the Arkansas Code of 1987 Annotated, as amended (the “*Act*”), and each of **UNITED STATES STEEL CORPORATION**, a corporation duly organized and existing under and pursuant to the laws of the State of Delaware (the “*Company*”) and duly qualified to own property and transact business in the State, and **EXPLORATORY VENTURES, LLC**, a limited liability company duly organized and existing under and pursuant to the laws of the State of Delaware (the “*Operating Company*”) and duly qualified to own property and transact business in the State, under the circumstances summarized in the following recitals (capitalized terms used herein and not defined in the recitals have the meanings set forth in Article I hereof or elsewhere in this Agreement):

### WITNESSETH:

WHEREAS, by virtue of the Act and pursuant to its corporate authorization, the Issuer is authorized to enter into this Agreement and to do or cause to be done all the acts and things herein or in the Indenture (as defined herein) provided or required to be done by it, to issue the Bonds (as defined herein) and to loan the proceeds of the sale of such Bonds to the Company to (a) finance or refinance a portion of the costs of the acquisition, construction, equipping and installation of certain solid waste disposal facilities described in Exhibit A hereto constituting an “industrial enterprise” within the meaning of the Act (the “*Project Facilities*”) at the flat-rolled steel mill under construction by the Operating Company, an indirect subsidiary of the Company, near Osceola in Mississippi County, Arkansas and (b) pay certain costs of issuing the Bonds; and

WHEREAS, in order to provide funds for the purposes stated above, the Issuer has determined, at the request of the Company and the Operating Company, to issue its Environmental Improvement Revenue Bonds, Series 2022 (United States Steel Corporation Project) (Green Bonds), in the aggregate principal amount of \$290,000,000 (the “*Bonds*”), under the Trust Indenture (the “*Indenture*”) dated as of September 1, 2022, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), and has determined to enter into this Agreement and to secure the Bonds by the pledge and assignment of Installment Payments to be made by the Company hereunder; and

WHEREAS, the Company also has agreed under this Agreement to pay, or cause to be paid, when due certain expenses and other costs incurred by the Issuer and the Trustee in connection with this Agreement, the Indenture and the issuance of the Bonds; and

WHEREAS, the Bonds are special, limited revenue obligations of the Issuer payable solely from the Pledged Receipts, as defined in the Indenture, and in no event shall the Bonds constitute an indebtedness of the State or any political subdivision or agency thereof or an indebtedness for which the faith and credit of the State or any political subdivision or agency thereof or any of their

revenues are pledged or an indebtedness secured by a lien on or a security interest in any property of the State or any political subdivision or agency thereof; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Bonds, when executed and delivered by the Issuer and authenticated by the Trustee, the legal, valid and binding special limited revenue obligations of the Issuer in accordance with the terms thereof.

NOW, THEREFORE, for and in consideration of the premises, the respective representations and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereto, recognizing that under the Act this Agreement shall not in any way obligate the State or any political subdivision or agency thereof, including, without limitation, the Issuer, to raise any money by taxation or use other public moneys for any purpose in relation to the Project Facilities and that neither the State nor any political subdivision or agency thereof, including, without limitation, the Issuer, shall pay or promise to pay any debt or meet any financial obligation to any Person at any time in relation to the Project Facilities, except from moneys received or to be received under the provisions of this Agreement or derived from the exercise of the rights of the Issuer hereunder, agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Use of Defined Terms.** In addition to the words and terms defined elsewhere in this Agreement, or by reference to another document, the words and terms set forth in Section 1.02 shall have the meanings set forth therein unless the content or use clearly indicates another meaning or intent. In addition, all capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

**Section 1.02. Definitions.** The following terms shall have the following meanings:

“*Act*” means the Arkansas Development Finance Authority Act, Title 15, Chapter 5, Subchapters 1 through 3 of the Arkansas Code of 1987 Annotated, as amended.

“*Additional Payments*” means payments due hereunder as described in Section 4.02 hereof in addition to the Installment Payments and to payments of Purchase Price.

“*Agreement*” means this Loan Agreement as amended or supplemented from time to time.

“*Bond Purchase Agreement*” means the Bond Purchase Agreement among the Company, the Issuer and the Underwriter with respect to the Bonds.

“*Bonds*” has the meaning set forth in the recitals to this Agreement.

“*Code*” means the Internal Revenue Code of 1986, as amended, the regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements,

notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section of the Code means that Section of the Code, including such applicable regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section of the Code.

“*Company Documents*” has the meaning set forth in Section 2.02(b).

“*Company Purchase Date*” means, with respect to the related Bonds, any date on which the Company purchases such Bonds in lieu of optional redemption under Section 4.07 of the Indenture.

“*Completion Certificate*” means a certificate in substantially the form attached hereto as Exhibit C.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement, dated the Date of Issuance, executed by the Company, as originally executed or as it may from time to time be supplemented or amended.

“*Conversion Date*” means each Business Day, other than a Mandatory Purchase Date, on which Bonds are subject to optional redemption under Section 4.02(a), (b) or (c) of the Indenture and are converted at the option of the Company in accordance with Section 2.04 of the Indenture (1) from the Term Interest Rate Period then in effect for such Bonds to a Fixed Interest Rate Period or vice versa, (2) from a Term Interest Rate Period then in effect for such Bonds to another Term Interest Rate Period or (3) from a Fixed Interest Rate Period then in effect for such Bonds to another Fixed Interest Rate Period, and in each case on which such Bonds are required to be tendered for purchase in accordance with Section 4.08 of the Indenture.

“*Event of Default*” means any of the events described as an Event of Default in Section 7.01.

“*Indenture*” means the Trust Indenture dated as of even date with this Agreement, between the Issuer and the Trustee, as amended or supplemented from time to time.

“*Installment Payments*” means the amounts required to be paid by the Company to the Trustee on behalf of the Issuer as described in, and pursuant to, Section 4.01(a) on each date on which payment of principal or redemption price of, or premium, if any, or interest on, the Bonds is due, as installments for the repayment of the Loan, sufficient to enable the Trustee to make such payment in full.

“*Issuer*” means the Arkansas Development Finance Authority, a public body politic and corporate created and existing under the laws of the State, particularly the Act.

“*Loan*” means the loan of the proceeds of the sale of the Bonds from the Issuer to the Company as provided in Section 4.01.

“*Mandatory Purchase Date*” means with respect to Bonds in a Term Interest Rate Period, the Business Day next succeeding the last designated day of such Term Interest Rate Period as specified by the Company in its notice described in Section 2.04(b)(i) of the Indenture and on

which such Bonds are required to be tendered for purchase in accordance with Section 4.08 of the Indenture.

“*Notice Address*” means:

(a) As to the Issuer:

Arkansas Development Finance Authority  
1 Commerce Way, Suite 602  
Little Rock, Arkansas 72202  
Attention: President  
Email: mark.conine@arkansas.gov  
Facsimile: (501) 682-5939  
Telephone: (501) 682-5900

With a copy to the Issuer at:

Arkansas Development Finance Authority  
1 Commerce Way, Suite 602  
Little Rock, Arkansas 72202  
Attention: Public Finance Officer  
Email: robert.arrington@arkansas.gov  
Facsimile: (501) 682-5939  
Telephone: (501) 682-5900

And a copy to:

Arkansas Development Finance Authority  
1 Commerce Way, Suite 602  
Little Rock, Arkansas 72202  
Attention: Finance Manager  
Email: kim.poposky@arkansas.gov  
Facsimile: (501) 682-5939  
Telephone: (501) 682-5900

(b) As to the Company:

United States Steel Corporation  
600 Grant Street, 61<sup>st</sup> Floor  
Pittsburgh, Pennsylvania 15219-2800  
Attention: Vice President - Treasurer & Chief Risk Officer  
Facsimile: (412) 433-1167

With a copy to the Company at:

United States Steel Corporation  
600 Grant Street, 19<sup>th</sup> Floor  
Pittsburgh, Pennsylvania 15219-2800  
Attention: Manager – Corporate Finance  
Facsimile: (412) 433-4567

(c) As to the Operating Company:

Exploratory Ventures, LLC  
2027 East State Highway 198  
Osceola, Arkansas 72370  
Attention: Chief Administrative Officer, Chief Compliance  
Officer and General Counsel  
E-mail: [ltrammell@bigriversteel.com](mailto:ltrammell@bigriversteel.com)  
Office: (870) 559-3123  
Mobile: (586) 322-6633

With a copy to the Operating Company at:

Exploratory Ventures, LLC  
2027 East State Highway 198  
Osceola, Arkansas 72370  
Attention: Treasurer  
Facsimile: (412) 433-1167

(d) As to the Trustee:

The Bank of New York Mellon Trust Company, N.A.  
500 Ross Street, 12<sup>th</sup> Floor  
Pittsburgh, Pennsylvania 15259  
Attention: Corporate Trust Administration  
Facsimile: (412) 236-0870

or such additional or different address, notice of which is given under Section 8.03.

*“Operating Company Documents”* has the meaning set forth in Section 2.02(c).

*“Person”* (or words importing persons) means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

*“Project Facilities”* means the solid waste disposal facilities of the Operating Company constituting an “industrial enterprise” within the meaning of the Act financed or refinanced with the proceeds of the sale of the Bonds, as more fully described in Exhibit A, as Exhibit A may be amended as provided in Section 11.01 of the Indenture.

“*Purchase Price*” means (a) with respect to Bonds to be purchased on a Company Purchase Date pursuant to Section 4.07 of the Indenture or a Conversion Date pursuant to Section 4.08 of the Indenture, an amount equal to the redemption price at which such Bonds would have been redeemed under the Indenture if such Bonds were redeemed rather than purchased on such Company Purchase Date or Conversion Date, and (b) with respect to Bonds to be purchased on a Mandatory Purchase Date pursuant to Section 4.08 of the Indenture, an amount equal to the principal amount of the Bonds to be purchased on such Mandatory Purchase Date. Because each Company Purchase Date, Conversion Date and Mandatory Purchase Date is an Interest Payment Date, any accrued interest due on Bonds on such dates will be paid as interest due on such Bonds on such dates and not as part of the Purchase Price.

“*Tax Regulatory Agreement*” means the Tax Regulatory Agreement with respect to the Bonds, dated the Date of Issuance between the Issuer and each of the Company and the Operating Company, and any permitted amendments or supplements thereto.

“*Underwriter*” means BofA Securities, Inc., on behalf of itself and as representative of a group of underwriters named in the Bond Purchase Agreement.

**Section 1.03. Interpretation.** Unless the context clearly indicates otherwise, the capitalized terms defined in this Article I and in the Indenture shall, for all purposes of this Agreement and all agreements supplemental hereto, have the meanings hereby ascribed to them. Such terms, together with all other provisions of this Agreement, shall be read and understood in a manner consistent with the provisions of the Act. Words or phrases importing the masculine gender shall be read and understood to include the feminine and neuter genders and those importing number shall include singular or plural, both as appropriate to the context.

Any reference herein to the Issuer, to its board or to officers thereof, includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section, provision or chapter of the laws of the State or to any statute of the United States of America includes that section, provision or chapter or statute as amended, modified, revised, supplemented or superseded from time to time; provided, that no such amendment, modification or similar change shall apply solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Bondholders, the Trustee, the Company or the Operating Company under this Agreement.

**Section 1.04. Captions and Headings.** The captions and headings in this Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any articles, sections, subsections, paragraphs, subparagraphs or clauses hereof.

## ARTICLE II

### REPRESENTATIONS

**Section 2.01. Representations and Covenants of Issuer.** The Issuer represents and covenants that:

(a) It is a public body politic and corporate created and existing under the Act and, under the provisions of the Act and applicable laws of the State, the Issuer is authorized to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder and thereunder.

(b) Based upon representations of the Operating Company and the Company, the Project Facilities are solid waste disposal facilities constituting an “industrial enterprise” within the meaning of the Act; provided, however, the Issuer makes no representation or warranty concerning the suitability of the Project Facilities for the purpose for which they are being undertaken by the Operating Company and the Issuer has not made any independent investigation as to the feasibility of the Project Facilities or the creditworthiness of the Company or the Operating Company. Each Underwriter and Holder shall make its own independent investigation as to the creditworthiness and feasibility of the Project Facilities, independent of any representation or warranty of the Issuer.

(c) All requirements of the Act with respect to the issuance of the Bonds and the execution of this Agreement by the Issuer have been complied with and issuing the Bonds and entering into this Agreement by the Issuer will be in furtherance of the purposes of the Act.

(d) Under the provisions of the Act, the Issuer has full legal right, power and authority to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder and thereunder and by proper action, the Issuer has duly authorized the execution, delivery and performance of its obligations under this Agreement and the Indenture.

(e) This Agreement and the Indenture each constitutes the legal, valid, and binding limited obligation of the Issuer, enforceable against the Issuer in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, and other laws affecting creditors’ rights generally from time to time in effect, and rights of acceleration, indemnity, and contribution, and the availability of equitable remedies may be limited by equitable principles.

(f) The issuance and sale of the Bonds, the execution and delivery of this Agreement and the assignment of this Agreement to the Trustee (other than the Unassigned Issuer’s Rights), and the performance of all covenants and agreements of the Issuer contained in the Bonds, the Tax Regulatory Agreement and this Agreement have been duly authorized by resolutions of the governing body of the Issuer adopted at meetings thereof

duly called and held by the affirmative vote of not less than a majority of a quorum present at such meeting.

(g) It agrees to issue the Bonds and to loan the proceeds thereof to the Company for the purpose of providing financing or refinancing of the acquisition, construction, equipping and installation of the Project Facilities and to pay certain costs of issuing the Bonds.

(h) The execution and delivery of this Agreement, the Indenture and the Tax Regulatory Agreement by the Issuer do not, and the consummation by the Issuer of the transactions contemplated hereby and thereby and the performance by the Issuer of its obligations hereunder and thereunder will not, result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is now a party or by which it is now bound.

(i) It has not and will not pledge the amounts derived from this Agreement other than to secure the Bonds.

(j) It has awarded State volume cap in an amount at least equal to the aggregate principal amount of the Bonds.

**Section 2.02. Representations and Covenants of Company and Operating Company.**

The Company and/or the Operating Company represent and covenant that:

(a) The Company is a corporation duly organized and existing under and pursuant to the laws of the State of Delaware. The Company is qualified to do business in the State. The Operating Company is a limited liability company duly organized and existing under and pursuant to the laws of the State of Delaware. The Operating Company is qualified to do business in the State.

(b) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement, the Tax Regulatory Agreement, the Bond Purchase Agreement and the Continuing Disclosure Agreement (collectively, the “*Company Documents*”) and to enter into and carry out the transactions contemplated by the Company Documents; such execution, delivery and performance does not, and will not, violate any provision of law applicable to the Company or the Company’s articles of incorporation, code of regulations, bylaws or other corporate charter or similar instrument each as may be amended, and does not, and will not, conflict with or result in a default under any agreement or instrument to which the Company is a party or by which it is bound; the Company Documents have, by proper action, been duly authorized, executed and delivered by the Company and all steps necessary have been taken to constitute the Company Documents legal, valid and binding obligations of the Company. The Operating Company is an indirect subsidiary of the Company, and the Company has control over the Operating Company.

(c) The Operating Company has full power and authority to execute, deliver and perform its obligations under this Agreement and the Tax Regulatory Agreement

(collectively, the “*Operating Company Documents*”) and to enter into and carry out the transactions contemplated by the Operating Company Documents; such execution, delivery and performance does not, and will not, violate any provision of law applicable to the Operating Company or the Operating Company’s certificate of formation, limited liability company agreement, bylaws or other organizational document or similar instrument each as may be amended, and does not, and will not, conflict with or result in a default under any agreement or instrument to which the Operating Company is a party or by which it is bound; the Operating Company Documents have, by proper action, been duly authorized, executed and delivered by the Operating Company and all steps necessary have been taken to constitute the Operating Company Documents legal, valid and binding obligations of the Operating Company.

(d) No approval, consent or other action by, or filing with, any governmental authority or agency is required to be obtained or accomplished by the Company in connection with the Company Documents that has not been obtained or accomplished, or will not be obtained or accomplished by the Date of Issuance of the Bonds, the failure of which will not have a materially adverse effect on the Company’s ability to execute, deliver and perform the Company Documents or the transactions contemplated herein or therein.

(e) No approval, consent or other action by, or filing with, any governmental authority or agency is required to be obtained or accomplished by the Operating Company in connection with the Operating Company Documents that has not been obtained or accomplished, or will not be obtained or accomplished by the Date of Issuance of the Bonds, the failure of which will not have a materially adverse effect on the Operating Company’s ability to execute, deliver and perform the Operating Company Documents or the transactions contemplated herein or therein.

(f) Each of the Project Facilities will, at the time it is placed in service, be a solid waste disposal facility constituting an “industrial enterprise” within the meaning of the Act.

(g) Each one and all of the representations and warranties of the Company contained in the Tax Regulatory Agreement, as executed and delivered simultaneously with this Agreement, are true and correct. Each one and all of the representations and warranties of the Operating Company contained in the Tax Regulatory Agreement, as executed and delivered simultaneously with this Agreement, are true and correct.

(h) The Company will enter into a continuing disclosure agreement in order that the Underwriter can comply with the applicable requirements of Rule 15c2-12 as promulgated by the Securities and Exchange Commission (“*Rule 15c2-12*”) and recognizes that the Issuer is not an “obligated person” within the meaning of Rule 15c2-12.

## ARTICLE III

### ISSUANCE OF BONDS; COMPLETION OF PROJECT FACILITIES

**Section 3.01. Issuance of Bonds.** To provide funds to finance or refinance the costs of the acquisition, construction, equipping and installation of the Project Facilities, upon satisfaction of the conditions set forth herein and in the Bond Resolution, the Issuer will issue, sell and deliver the Bonds and will lend the proceeds received by it from the sale of the Bonds to the Company. The Bonds will be issued in accordance with and pursuant to the Indenture in the aggregate principal amount, will bear interest at the rate or rates, will mature and will be subject to redemption as set forth therein. The Company and the Operating Company each hereby approves the terms and conditions of the Indenture, and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

**Section 3.02. Completion of Project Facilities.** The Operating Company represents that the acquisition, construction, equipping, installation, operation and use of the Project Facilities will occur, and that the proceeds derived from the sale of the Bonds provided by the Company to the Operating Company, including any investment thereof, will be expended, in accordance with the provisions of the Bond Resolution, this Agreement, the Indenture and the Tax Regulatory Agreement. The Company and the Operating Company each hereby acknowledges and agrees that there is no implied or express warranty by the Issuer that the proceeds of the Bonds will be sufficient to pay all costs of the acquisition, construction, equipping and installation of the Project Facilities. Upon completion of the acquisition, construction, equipping and installation of the Project Facilities, and in any event not more than 90 days thereafter, the Company or the Operating Company shall deliver the Completion Certificate to the Trustee.

**Section 3.03. Use of Proceeds.** The proceeds from the sale of the Bonds shall be deposited in the Project Fund and used to finance or refinance the costs of the acquisition, construction, equipping and installation of the Project Facilities. Each disbursement request shall be on the form attached hereto as Exhibit B, executed by an Authorized Company Representative. Subject to the provisions below, disbursements from the Project Fund shall be made only to reimburse or pay the Company or the Operating Company, or any person designated by the Company, for the following:

(a) Costs incurred directly or indirectly for or in connection with the acquisition, construction, equipping and installation of the Project Facilities, including costs incurred in respect of the Project Facilities for preliminary planning and studies; architectural, legal, engineering, surveying, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work.

(b) Subject to the limitations set forth in the Code, financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds.

(c) Any other costs, expenses, fees and charges properly chargeable to the cost of the acquisition, construction, equipping or installation of the Project Facilities, including interest on the Bonds prior to the time the Project Facilities are placed in service, and that comply with the Company's and the Operating Company's representations and warranties in Section 2.02 of this Agreement.

(d) All moneys remaining in the Project Fund after the completion of the acquisition, construction, equipping and installation of the Project Facilities and after payment or provision for payment thereof and all other items provided for in the preceding subsections (a) to (c), inclusive, of this Section, shall, at the written direction of an Authorized Company Representative, be used in accordance with Section 5.01(f) of the Indenture.

**Section 3.04. Investment of Fund Moneys.** At the written direction of the Authorized Company Representative to the Trustee, any moneys held as part of the Project Fund, the Bond Fund and the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments. The Issuer has no right to direct the investment of any moneys held in such Funds and the Company hereby covenants that it will restrict any investment and reinvestment of any moneys held in such Funds and the use of the proceeds of the Bonds in such manner and to such extent, if any, that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

Each of the Company and the Operating Company shall provide the Issuer with a certificate of an appropriate officer, employee or agent of or consultant to the Company or the Operating Company for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Company and the Operating Company on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

The Company agrees that at no time shall any funds constituting gross proceeds of the Bonds be used in any manner to cause or result in a prohibited payment under applicable regulations pertaining to, or in any other fashion as would constitute failure of compliance with, Section 148 of the Code.

If there is any amount required to be paid to the United States pursuant to Section 148(f) of the Code or Section 5.03 of the Indenture, the Company shall pay such amount to the Trustee for deposit to the Rebate Fund created under Section 5.03 of the Indenture, who will, acting on behalf of the Company, submit the payment to the United States. The Company shall provide to the Trustee and the Issuer the rebate computations required to be made pursuant to the Tax Regulatory Agreement and Section 5.03 of the Indenture, and the Trustee shall keep such records of such computations.

**Section 3.05. Issuer's Fee.** The Company will pay the Issuer's closing fee in the amount of \$290,000 and the Issuer's counsel fee in the amount of \$95,000, together with out-of-pocket disbursements and expenses related thereto, on the Date of Issuance of the Bonds. The Company will also pay any other administrative expenses of the Issuer incurred in connection with the financing or refinancing of the acquisition, construction, equipping and installation of the Project Facilities, and any such additional fees and expenses (including reasonable and documented out-

of-pocket attorney's fees) incurred by the Issuer in connection with inquiring into, or enforcing, the performance of the Company's obligations hereunder, within 30 days of receipt of a statement from the Issuer requesting payment of such amount.

#### ARTICLE IV

##### LOAN BY ISSUER, REPAYMENT OF INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS

**Section 4.01. Loan of Proceeds; Installment and Purchase Price Payments.** (a) The Issuer agrees, upon the terms and conditions contained in this Agreement, to lend to the Company an amount equal to the principal amount of the Bonds, notwithstanding whether the proceeds received by the Issuer from the sale of the Bonds shall be greater or less than such principal amount of the Bonds. Such proceeds shall be disbursed to or on behalf of the Company and/or the Operating Company as provided in Section 3.03.

On each date on which any payment of principal or redemption price of, or premium, if any, or interest on, the Bonds shall become due (whether at maturity, or upon redemption or acceleration or otherwise), the Company will pay or cause to be paid to the Trustee, for the account of the Issuer and in immediately available funds, as a Loan repayment installment, an amount which, together with other moneys held by the Trustee under the Indenture and available therefor, will enable the Trustee to make each such payment of principal or redemption price of, or premium, if any, or interest on, the Bonds then due to the Bondholders, in full and in a timely manner (the "*Installment Payments*").

In furtherance of the foregoing, so long as any Bonds are outstanding, the Company will pay or cause to be paid all amounts required to prevent any deficiency or default in any payment of principal or redemption price of, and premium, if any, and interest on, the Bonds, including any deficiency caused by an act or failure to act by the Trustee, the Company, the Operating Company, the Issuer or any other Person.

The Issuer assigns all amounts payable under this subsection by the Company to the Trustee pursuant to the Indenture for the benefit of the Bondholders. The Company assents to such assignment. Accordingly, the Company will pay directly to the Trustee at its designated office all payments payable by the Company pursuant to this subsection.

As security in part for the payment of the Bonds, the Issuer will assign to the Trustee the Issuer's rights under this Agreement (except the Unassigned Issuer's Rights), and the Issuer hereby directs the Company to make or cause the Installment Payments required hereunder to be made (except such payments for expenses and indemnification included in the Unassigned Issuer's Rights) directly to the Trustee. The Company hereby assents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Company and the Issuer or the Trustee.

(b) The Company will also pay or cause to be paid in immediately available funds to the Trustee or the Tender Agent, as the case may be, by 4:00 p.m., New York City time, on each day on which a payment of the Purchase Price of a Bond which the Company has opted to purchase

in lieu of optional redemption pursuant to Section 4.07 of the Indenture shall become due and on each Conversion Date and Mandatory Purchase Date on which a payment of the Purchase Price of a Bond which has been tendered (or deemed tendered) for purchase pursuant to Section 4.08 of the Indenture shall become due, an amount which, together with other moneys held by the Trustee or the Tender Agent under the Indenture and available therefor, will enable the Trustee or the Tender Agent, as the case may be, to make such payment in full in a timely manner.

**Section 4.02. Additional Payments.** The Company will also pay the following upon demand after receipt of a bill therefor:

(a) The reasonable and documented out-of-pocket fees and expenses, including reasonable attorneys' fees, of the Issuer incurred in connection with this Agreement, the Indenture, the Tax Regulatory Agreement and the Bonds, and the making of any amendment or supplement thereto, including, but not limited to: (i) those described in Section 3.05 (which includes, among other fees and expenses, the fees and expenses associated with the drafting, execution and delivery of this Agreement, the Indenture, the Tax Regulatory Agreement, the Bond Purchase Agreement and the Bonds), (ii) those described in Section 7.04 and (iii) any other payments or indemnification required under Section 5.02.

(b) The reasonable and documented out-of-pocket fees and expenses of the Trustee and any Tender Agent and Remarketing Agent under the Indenture, including reasonable attorneys' fees, for any services rendered by the Trustee and any Tender Agent and Remarketing Agent under the Indenture, including those of the Trustee described in Section 7.04 in connection with inquiring into or enforcing the performance of the Company's or the Operating Company's obligations hereunder, and any other payments or indemnification required under Section 5.02, such fees, expenses and payments to be paid directly to the Trustee, the Tender Agent or the Remarketing Agent for its own account as and when such fees and expenses become due and payable.

The Company further agrees to pay all reasonable and documented out-of-pocket costs and expenses (including reasonable attorney's fees and expenses) of the Issuer and the Trustee and any Tender Agent and Remarketing Agent incurred after the initial issuance of the Bonds in the preparation of any responses, reproduction of any documentation or participation in any inquiries, investigations or audits from any Person solely or primarily in connection with the Bonds, including without limitation, the Internal Revenue Service, the Securities Exchange Commission or other governmental agency.

**Section 4.03. Deposit of Moneys in Bond Fund; Moneys for Redemption of Bonds.** The Company may at any time deposit moneys in the Bond Fund, without premium or penalty, to be held by the Trustee for application to Installment Payments not yet due and payable, and the Issuer agrees that the Trustee shall accept such deposits when tendered by the Company. Such deposits shall be credited against the Installment Payments, or any portion thereof, in the order of their due dates. Such deposits shall not in any way alter or suspend the obligations of the Company under this Agreement during the term hereof as provided in Section 8.01.

In addition, the Company may deliver moneys to the Trustee as a prepayment of Installment Payments pursuant to Sections 6.01 and 6.02 to be used for the optional redemption of Bonds and shall deliver moneys to the Trustee for the Extraordinary Mandatory Redemption of Bonds in accordance with Section 4.02(e) of the Indenture.

**Section 4.04. Obligations Unconditional.** The obligations of the Company to make payments required by Sections 4.01, 4.02 and 4.03 and to perform its other agreements contained herein shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstance whatsoever, including, without limitation, damage, destruction or condemnation of the Project Facilities (the risk of which shall be borne exclusively by the Operating Company and the Company) and any defense (other than payment), setoff, recoupment or counterclaim which the Company may have or assert against the Issuer, the Trustee or any other Person.

**Section 4.05. Assignment by Company.** Rights granted to the Company under this Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) unless waived by the Issuer or the Trustee, the Company shall notify the Issuer, the Trustee and the Operating Company in writing of the identity of any assignee at least 30 days prior to the effective date of such assignment;

(b) no assignment shall relieve the Company from primary liability hereunder for its obligations hereunder, and the Company shall continue to remain primarily liable for the payment of the Installment Payments and Additional Payments and any other payments due under this Agreement and for performance and observance of the agreements on its part herein provided to be performed and observed by it;

(c) any assignment from the Company must retain for the Company such rights and interests as will permit it to perform, and to cause the Operating Company to perform, their respective obligations under this Agreement;

(d) the Company shall, within 30 days after the execution thereof, furnish or cause to be furnished to the Issuer, the Trustee and the Operating Company a true and complete copy of each such assignment;

(e) any assignment from the Company shall not materially impair fulfillment of the purposes to be accomplished by the operation by the Operating Company of the Project Facilities as solid waste disposal facilities constituting an “industrial enterprise” within the meaning of the Act; and

(f) the Company shall deliver an Opinion of Nationally Recognized Bond Counsel to the Issuer and the Trustee at or prior to the effective date of such assignment to the effect that the assignment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

**Section 4.06. Assignment by Issuer.** The Issuer will assign its rights under and interest to this Agreement (except for the Unassigned Issuer’s Rights) to the Trustee pursuant to the

Indenture as security for the payment of the Bonds. Otherwise, the Issuer will not sell, assign or otherwise dispose of its rights under or interest in this Agreement nor create or permit to exist any lien, encumbrance or security interest thereon.

**Section 4.07. Limitation of Issuer's Liability.** The Bonds are special, limited revenue obligations of the Issuer and the Bond Service Charges thereon shall be paid equally and ratably by the Trustee on behalf of the Issuer solely from the Pledged Receipts, including the Installment Payments to be made by the Company under this Agreement, and the payments of Purchase Price shall be paid by the Trustee or the Tender Agent, as the case may be, solely from the sources specified in Section 4.09 of the Indenture, and the Issuer has no obligation to seek collection of any such payments. The Company hereby acknowledges the above and its agreements in Sections 4.01(a) and 4.01(b) to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of the Bond Service Charges and Purchase Price payments.

## ARTICLE V

### ADDITIONAL AGREEMENTS AND COVENANTS

**Section 5.01. Lease, Sale or Grant of Use of Project Facilities by Operating Company.** Subject to the provisions of Section 5.03, the Operating Company may lease, sell or grant the right to occupy and use the Project Facilities, in whole or in part, to others, including without limitation to the City of Osceola, Arkansas in connection with the abatement of a portion of certain ad valorem taxes that would otherwise be levied on the Project Facilities by local public bodies with taxing authority; provided that:

- (a) no such grant, sale or lease shall relieve the Company or the Operating Company from its respective obligations under this Agreement or under any other Company Document or Operating Company Document;
- (b) the Operating Company shall retain such rights and interests as will permit it to comply with its obligations under this Agreement;
- (c) no such grant, sale or lease shall impair the purposes of the Act; and
- (d) the Operating Company or the Company shall deliver to the Issuer and the Trustee an Opinion of Nationally Recognized Bond Counsel to the effect that such grant, sale or lease will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

**Section 5.02. Indemnification of Issuer, Trustee and Tender Agent.** (a) THE COMPANY RELEASES THE ISSUER, THE TRUSTEE AND THE TENDER AGENT FROM, AND COVENANTS AND AGREES THAT THE ISSUER, THE TRUSTEE AND THE TENDER AGENT SHALL NOT BE LIABLE FOR, AND COVENANTS AND AGREES, TO THE EXTENT PERMITTED BY LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER AND ITS DIRECTORS, MEMBERS, OFFICERS, EMPLOYEES AND AGENTS (EACH, AN "ISSUER INDEMNIFIED PARTY") AND THE TRUSTEE AND THE TENDER AGENT AND THEIR RESPECTIVE DIRECTORS, MEMBERS, OFFICERS, EMPLOYEES

AND AGENTS (EACH, A “TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY”) FROM AND AGAINST, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES OR EXPENSES (INCLUDING REASONABLE ATTORNEYS’ FEES, LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT AS CONSENTED TO BY THE COMPANY AND AMOUNTS PAID TO DISCHARGE JUDGMENTS), OF EVERY CONCEIVABLE KIND, CHARACTER AND NATURE WHATSOEVER (INCLUDING FEDERAL AND STATE SECURITIES LAWS) ARISING OUT OF, RESULTING FROM OR IN ANY WAY CONNECTED WITH (I) THE PROJECT FACILITIES, OR THE CONDITIONS, OCCUPANCY, USE, POSSESSION, CONDUCT OR MANAGEMENT OF, OR WORK DONE IN OR ABOUT THE PROJECT FACILITIES OR THE OTHER FACILITIES OF THE COMPANY, THE OPERATING COMPANY OR THEIR AFFILIATES AT THE PLANT, OR FROM THE PLANNING, DESIGN, ACQUISITION, CONSTRUCTION, REHABILITATION, RENOVATION, IMPROVEMENT, INSTALLATION OR EQUIPPING OF THE PROJECT FACILITIES OR ANY PART THEREOF; (II) THE ISSUANCE, SALE OR RESALE OF ANY BONDS OR ANY CERTIFICATIONS OR REPRESENTATIONS MADE IN CONNECTION THEREWITH, THE EXECUTION AND DELIVERY OF THIS AGREEMENT, THE INDENTURE OR THE TAX REGULATORY AGREEMENT OR ANY AMENDMENT THERETO AND THE CARRYING OUT OF ANY OF THE TRANSACTIONS CONTEMPLATED BY THE BONDS, THE INDENTURE AND THIS AGREEMENT; (III) THE TRUSTEE’S AND THE TENDER AGENT’S ACCEPTANCE OR ADMINISTRATION OF THE TRUSTS UNDER THE INDENTURE, OR THE EXERCISE OR PERFORMANCE OF ANY OF THEIR POWERS OR DUTIES UNDER THE INDENTURE OR THIS AGREEMENT; (IV) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT OR OMISSION OR ALLEGED OMISSION TO STATE A MATERIAL FACT REQUIRED TO BE STATED OR NECESSARY TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING, IN ANY OFFICIAL STATEMENT OR OTHER OFFERING CIRCULAR UTILIZED BY ANY UNDERWRITER OR PLACEMENT AGENT IN CONNECTION WITH THE SALE OF ANY BONDS OR IN ANY DISCLOSURE MADE BY THE COMPANY TO COMPLY WITH THE REQUIREMENTS OF RULE 15C2-12; (V) ANY VIOLATION OF ANY ENVIRONMENTAL LAWS OR THE RELEASE OF ANY HAZARDOUS MATERIALS AT, FROM, UNDER OR ON THE PROJECT FACILITIES OR ANY OTHER FACILITIES OF THE COMPANY, THE OPERATING COMPANY OR THEIR AFFILIATES AT THE PLANT; (VI) THE DEFEASANCE AND/OR REDEMPTION, IN WHOLE OR IN PART, OF THE BONDS; OR (VII) ANY DECLARATION OF TAXABILITY OF INTEREST ON THE BONDS, OR ALLEGATIONS THAT INTEREST ON THE BONDS IS TAXABLE OR ANY REGULATORY AUDIT OR INQUIRY REGARDING WHETHER INTEREST ON THE BONDS IS TAXABLE; *PROVIDED* THAT SUCH INDEMNITY SHALL NOT BE REQUIRED FOR DAMAGES THAT RESULT FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF ANY ISSUER INDEMNIFIED PARTY SEEKING SUCH INDEMNITY OR THAT RESULT FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF ANY TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY SEEKING SUCH INDEMNITY. THE COMPANY FURTHER COVENANTS AND AGREES, TO THE EXTENT PERMITTED BY LAW, TO PAY OR TO REIMBURSE THE ISSUER, THE TRUSTEE AND THE TENDER AGENT AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS FOR ANY AND ALL

COSTS, REASONABLE ATTORNEYS' FEES AND EXPENSES, LIABILITIES OR OTHER EXPENSES INCURRED IN CONNECTION WITH INVESTIGATING, DEFENDING AGAINST OR OTHERWISE IN CONNECTION WITH ANY SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES, EXPENSES OR ACTIONS, EXCEPT TO THE EXTENT THAT THE SAME ARISE OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE ISSUER INDEMNIFIED PARTY CLAIMING SUCH PAYMENT OR REIMBURSEMENT OR TO THE EXTENT THAT THE SAME ARISE FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT OF THE TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY CLAIMING SUCH PAYMENT OR REIMBURSEMENT. IN NO EVENT SHALL THE ISSUER, THE TRUSTEE OR THE TENDER AGENT BE RESPONSIBLE OR LIABLE FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE LOSS OR DAMAGE OR ANY KIND WHATSOEVER (INCLUDING LOSS OF PROFIT), IRRESPECTIVE OF WHETHER THE ISSUER, THE TRUSTEE OR THE TENDER AGENT HAS BEEN ADVISED OF THE LIKELIHOOD OF SUCH LOSS OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION. THE PROVISIONS OF THIS SECTION SHALL SURVIVE ANY RESIGNATION OR REMOVAL OF THE TRUSTEE, THE RETIREMENT OF THE BONDS AND THE TERMINATION OF THIS AGREEMENT OR THE INDENTURE.

(b) THE COMPANY WILL, TO THE FULLEST EXTENT PERMITTED BY LAW, PROTECT, INDEMNIFY AND SAVE EACH ISSUER INDEMNIFIED PARTY HARMLESS FROM AND AGAINST ALL LIABILITIES, LOSSES, DAMAGES, COSTS, EXPENSES (INCLUDING ATTORNEYS' FEES AND EXPENSES OF THE ISSUER), TAXES, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS AND JUDGMENTS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ARISING FROM OR RELATED TO THE ISSUANCE OR SALE OF THE BONDS, INCLUDING:

(i) ANY INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO PROPERTY IN OR UPON THE PROJECT FACILITIES OR GROWING OUT OF OR CONNECTED WITH THE USE, NON-USE, CONDITION OR OCCUPANCY OF THE PROJECT FACILITIES OR ANY PART THEREOF, INCLUDING ANY AND ALL ACTS OR OPERATIONS RELATING TO THE ACQUISITION, CONSTRUCTION, EQUIPPING OR INSTALLATION OF PROPERTY OR IMPROVEMENTS. THE FOREGOING INDEMNIFICATION OBLIGATIONS SHALL NOT BE LIMITED IN ANY WAY BY ANY LIMITATION ON THE AMOUNT OR TYPE OF DAMAGES, COMPENSATION OR BENEFITS PAYABLE BY OR FOR THE COMPANY, CUSTOMERS, SUPPLIERS OR AFFILIATED ORGANIZATIONS UNDER ANY WORKERS' COMPENSATION ACTS, DISABILITY BENEFIT ACTS OR OTHER EMPLOYEE BENEFIT ACTS;

(ii) VIOLATION OF ANY AGREEMENT, PROVISION OR CONDITION OF THIS AGREEMENT, ANY OTHER COMPANY DOCUMENT, THE BONDS OR THE INDENTURE, EXCEPT THAT THE COMPANY SHALL NOT BE LIABLE FOR ANY INDEMNIFICATION TO AN ISSUER INDEMNIFIED PARTY TO THE EXTENT THAT ANY SUCH VIOLATION RESULTS FROM THAT ISSUER INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, AND EXCEPT THAT THE COMPANY SHALL NOT BE LIABLE FOR ANY INDEMNIFICATION TO A TRUSTEE AND TENDER AGENT INDEMNIFIED

PARTY TO THE EXTENT THAT ANY SUCH VIOLATION RESULTS FROM THAT TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY'S NEGLIGENCE OR WILLFUL MISCONDUCT;

(iii) VIOLATION BY THE COMPANY OR THE OPERATING COMPANY OF ANY CONTRACT, AGREEMENT OR RESTRICTION RELATING TO THE PLANT;

(iv) VIOLATION BY THE COMPANY OR THE OPERATING COMPANY OF ANY LAW, ORDINANCE, COURT ORDER OR REGULATION AFFECTING THE PROJECT FACILITIES OR A PART THEREOF OR THE OWNERSHIP, OCCUPANCY OR USE THEREOF;

(v) WITH RESPECT TO THE INVESTMENT, REBATE, USE, APPLICATION OR DISBURSEMENT OF THE PROCEEDS FROM THE SALE OF THE BONDS;

(vi) ANY STATEMENT OR INFORMATION RELATING TO THE EXPENDITURE OF THE PROCEEDS OF THE BONDS CONTAINED IN THE TAX REGULATORY AGREEMENT OR SIMILAR DOCUMENT FURNISHED BY THE COMPANY OR THE OPERATING COMPANY TO THE ISSUER, THE TRUSTEE OR THE TENDER AGENT WHICH, AT THE TIME MADE, IS MISLEADING, UNTRUE OR INCORRECT IN ANY MATERIAL RESPECT; AND

(vii) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF A MATERIAL FACT CONTAINED IN ANY OFFERING MATERIAL RELATING TO THE SALE OR RESALE OF THE BONDS (AS FROM TIME TO TIME AMENDED OR SUPPLEMENTED) OR ARISING OUT OF OR BASED UPON THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT REQUIRED TO BE STATED THEREIN OR NECESSARY IN ORDER TO MAKE THE STATEMENTS THEREIN NOT MISLEADING, OR FAILURE TO PROPERLY REGISTER OR OTHERWISE QUALIFY THE SALE OF THE BONDS OR FAILURE TO COMPLY WITH ANY LICENSING OR OTHER LAW OR REGULATION WHICH WOULD AFFECT THE MANNER WHEREBY OR TO WHOM THE BONDS COULD BE SOLD.

PROMPTLY AFTER RECEIPT BY AN ISSUER INDEMNIFIED PARTY OR A TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY OF NOTICE OF THE COMMENCEMENT OF ANY ACTION WITH RESPECT TO WHICH INDEMNITY MAY BE SOUGHT AGAINST THE COMPANY UNDER THIS SECTION, SUCH INDEMNIFIED PARTY WILL NOTIFY THE COMPANY IN WRITING OF THE COMMENCEMENT THEREOF, AND, SUBJECT TO THE PROVISIONS HEREINAFTER STATED, THE COMPANY SHALL ASSUME THE DEFENSE OF SUCH ACTION (INCLUDING THE EMPLOYMENT OF COUNSEL, WHO SHALL BE COUNSEL SUBJECT TO THE APPROVAL OF SUCH INDEMNIFIED PARTY, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD, AND THE PAYMENT BY THE COMPANY OF EXPENSES). INsofar AS SUCH ACTION SHALL RELATE TO ANY ALLEGED

LIABILITY WITH RESPECT TO WHICH INDEMNITY MAY BE SOUGHT AGAINST THE COMPANY, THE ISSUER INDEMNIFIED PARTY OR TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL OF THEIR OWN CHOICE IN ANY SUCH ACTION AND TO PARTICIPATE IN THE DEFENSE THEREOF, AND THE REASONABLE FEES AND EXPENSES OF SUCH COUNSEL SHALL BE AT THE EXPENSE OF THE COMPANY; PROVIDED, HOWEVER, THAT A TRUSTEE OR TENDER AGENT INDEMNIFIED PARTY MAY ONLY EMPLOY SEPARATE COUNSEL AT THE EXPENSE OF THE COMPANY IF IN THE REASONABLE, GOOD FAITH JUDGMENT OF SUCH TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY (I) A CONFLICT OF INTEREST EXISTS BY REASON OF COMMON REPRESENTATION OR (II) THERE ARE LEGAL DEFENSES AVAILABLE TO SUCH TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY THAT ARE DIFFERENT FROM OR ARE IN ADDITION TO THOSE AVAILABLE TO THE COMPANY OR ANOTHER TRUSTEE AND TENDER AGENT INDEMNIFIED PARTY OR IF ALL TRUSTEE AND TENDER AGENT INDEMNIFIED PARTIES COMMONLY REPRESENTED DO NOT AGREE AS TO THE ACTION (OR INACTION) OF COUNSEL. ANY SUCH TRUSTEE OR TENDER AGENT INDEMNIFIED PARTY AGREES TO GIVE THE COMPANY PRIOR WRITTEN NOTICE OF ANY DETERMINATION THAT SUCH A CONFLICT EXISTS AND THAT IT INTENDS TO RETAIN SEPARATE COUNSEL. THE COMPANY SHALL NOT SETTLE OR COMPROMISE ANY ACTION OR PROCEEDING DEFENDED BY THE COMPANY WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AFFECTED INDEMNIFIED PARTY, UNLESS SUCH SETTLEMENT OR COMPROMISE (X) INCLUDES AN UNCONDITIONAL RELEASE OF THE AFFECTED INDEMNIFIED PARTY FROM ALL LIABILITY ARISING OUT OF SUCH ACTION OR PROCEEDING AND (Y) DOES NOT INCLUDE A STATEMENT OR ADMISSIONS OF FAULT, CULPABILITY OR A FAILURE TO ACT, BY OR ON BEHALF OF, THE AFFECTED INDEMNIFIED PARTY. THE COMPANY SHALL NOT BE LIABLE FOR ANY SETTLEMENT OF ANY SUCH ACTION EFFECTED WITHOUT ITS CONSENT, BUT IF ANY ACTION IS SETTLED WITH THE CONSENT OF THE COMPANY OR IF THERE BE A FINAL JUDGMENT FOR THE PLAINTIFF IN ANY SUCH ACTION, THE COMPANY SHALL INDEMNIFY AND HOLD HARMLESS EACH INDEMNIFIED PARTY FROM AND AGAINST ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES OR EXPENSES INCURRED OR SUFFERED BY REASON OF SUCH SETTLEMENT OR JUDGMENT.

THE PROVISIONS OF THIS SECTION SHALL SURVIVE PAYMENT AND DISCHARGE OF THE BONDS. IF THE TRUSTEE OR THE TENDER AGENT RESIGNS OR IS REPLACED, THE COMPANY'S OBLIGATIONS UNDER THIS SECTION SHALL CONTINUE FOR THE BENEFIT OF THE TRUSTEE AND/OR THE TENDER AGENT, AS THE CASE MAY BE, AS WELL AS THE SUCCESSOR TRUSTEE AND/OR TENDER AGENT.

**Section 5.03. Company and Operating Company Not to Adversely Affect Exclusion from Gross Income of Interest on Bonds.** The Company and the Operating Company each hereby represents that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required of it, alone or in conjunction with the Issuer, and the Operating Company or the Company, as the case may be, for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes, and represents that it has

not taken or permitted or omitted to take, and covenants that it will not take or permit or omit to take, any action that would adversely affect such excludability under the provisions of the Code.

The Company also covenants that it will restrict the investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company hereby covenants that on or before the 90<sup>th</sup> day following the date any of the Project Facilities are no longer being operated as qualifying exempt facilities under the Code (unless such facilities have simply ceased to be operated), or such later date as provided in the Indenture, the Company shall cause a related amount of Bonds to be redeemed pursuant to the Extraordinary Mandatory Redemption provision of the Bonds as provided in Section 4.02(e) of the Indenture.

**Section 5.04. Company and Operating Company to Maintain their Existence; Mergers or Consolidations.** The Company and the Operating Company each covenants that it will not merge or consolidate with any other legal entity or sell or convey all or substantially all of its assets to any other legal entity (except with respect to the Operating Company and the Project Facilities as provided in Section 5.01), except that each of the Company and the Operating Company may merge or consolidate with, or sell or convey all or substantially all of its assets to any other legal entity, provided that (a) the Company or the Operating Company, as the case may be, shall be the continuing legal entity or the successor legal entity (if other than the Company or the Operating Company, as applicable), shall be a legal entity organized and existing under the laws of the United States of America or a state thereof, and, with respect to the Operating Company, qualified to do business in the State, and, with respect to the Company, such legal entity shall expressly assume the due and punctual payment of the Installment Payments and the Additional Payments and all other payment and performance obligations of the Company hereunder and under the Company Documents in order to ensure timely and proper payment of the principal of, premium, if any, and interest on all the Bonds, according to their tenor, and the due and punctual payment and performance and observance of all the covenants and conditions of this Agreement to be performed by the Company or the Operating Company, as applicable (an “*Assumption Agreement*”) and (b) the Company or the Operating Company or such successor legal entity, as the case may be, shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition and no event which with the lapse of time, the giving of notice or both would constitute an Event of Default under Section 7.01 shall have occurred and be continuing.

The Company and the Operating Company shall, within 30 days after the execution of an Assumption Agreement, furnish to the Issuer, the Trustee and the Operating Company or the Company, as applicable, an executed copy of such Assumption Agreement and appropriate documentation demonstrating that the successor legal entity (if other than the Company or the Operating Company, as applicable) is organized and existing under the laws of the United States of America or a state thereof and, with respect to the Operating Company, is qualified to do business in the State.

In the case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor legal entity of the obligations under this Agreement including, with respect to the

Company, the payment of Installment Payments in accordance with the foregoing, such successor legal entity shall succeed to and be substituted for the Company or the Operating Company, as applicable, with the same effect as if it had been named herein as a party hereto, and the Company or the Operating Company, as applicable, shall thereupon be relieved of any further obligations or liabilities hereunder (except for those that shall have accrued prior to the effective date of the assumption) including, with respect to the Company, the payment of Installment Payments, and the Company or the Operating Company, as applicable, as the predecessor legal entity may thereupon or at any time thereafter be dissolved, wound-up or liquidated.

**Section 5.05. Reports and Audits.** The Company shall, as soon as practicable but in no event later than six months after the end of each of its fiscal years, file with the Trustee and the Issuer, audited financial statements of the Company prepared as of the end of such fiscal year; provided that the Company may satisfy this requirement by its filing of such information with the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and the Municipal Securities Rulemaking Board ([emma.msrb.org](http://emma.msrb.org)) in accordance with their respective filing requirements. Notwithstanding the above provisions of this Section, the Company shall provide a written copy of the Company's most recent audited financial statements to the Issuer upon the written request of the Issuer.

**Section 5.06. Insurance.** So long as the Operating Company or the Company owns or leases or otherwise has a property interest in the Project Facilities during the term of this Agreement, the Company or the Operating Company shall maintain, or cause to be maintained, insurance covering the Project Facilities against such risks and in such amounts as is customarily carried by similar industries as the Operating Company or the Company, and which insurance may be, in whole or in part, self-insurance on the part of the Company.

**Section 5.07. Green Bonds Certificate.** The Company will annually, not later than 180 days after the close of the Company's fiscal year commencing with the fiscal year ending December 31, 2023, deliver a certificate to the Trustee that includes a description of the costs of the Project Facilities funded with the Bonds and the amount of Bond proceeds so applied and stating to the effect that no changes have been made to the Project Facilities that would reasonably be expected to materially adversely affect the environmental benefits of the Project Facilities. Such certificate also shall be posted in the same manner as information is posted for the obligations of the Company under the Continuing Disclosure Agreement. Once the Company has spent all of the proceeds of the Bonds, it shall submit a final certificate to the Trustee (which shall be posted in the same manner as information is posted for the obligations of the Company under the Continuing Disclosure Agreement) that includes a statement that all of the proceeds of the Bonds have been spent. Thereafter, the Company will no longer be obligated to provide this certificate to the Trustee or to post this certificate pursuant to its Continuing Disclosure Agreement obligations. The Trustee shall not have any obligation to review any such certificate provided to the Trustee by the Company, nor shall the Trustee be deemed to have notice of any item contained therein or default that may be disclosed therein in any manner. The Trustee's sole responsibility with respect to such certificates shall be to act as the depository for such certificates for Holders and to make such certificates available for review by the Holders. Notwithstanding any other provision of this Agreement, failure of the Company to comply, or to cause compliance with, the requirements of this Section, shall not be considered an Event of Default under Section 7.01 hereof.

**Section 5.08. Company to Furnish Notices and Opinions Relating to Changes in Interest Rate Periods.** The Company is hereby granted the option to designate from time to time changes in Interest Rate Periods in the manner and to the extent set forth in Section 2.04 of the Indenture. In the event the Company elects to exercise any such option, the Company agrees that it shall cause notices of proposed changes in Interest Rate Periods to be given in accordance with the provisions of Section 2.04 of the Indenture and to deliver any Opinions of Nationally Recognized Bond Counsel required under the Indenture in connection therewith.

## ARTICLE VI

### OPTIONS; PREPAYMENT OF INSTALLMENT PAYMENTS

**Section 6.01. Options to Terminate Agreement.** The Company shall have, and is hereby granted, an option to prepay the Installment Payments and terminate this Agreement, upon satisfaction of the following conditions at any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture): (a) in accordance with Article IX of the Indenture, by paying to the Trustee an amount which, when added to the amount on deposit in the funds established under the Indenture and available therefor, will be sufficient to pay, retire and, pursuant to the Indenture, redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal of and interest to maturity or the earliest applicable redemption date, as the case may be, and expenses of redemption and the Trustee's fees and expenses due hereunder or under the Indenture), and, in case of redemption, making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, (b) by giving the Issuer notice in writing of such termination and (c) by making full payment of Additional Payments due under Section 4.02 and the payment of any other amounts due under this Agreement; thereafter such termination shall forthwith become effective.

Any prepayment pursuant to this Section shall either comply with the provisions of Article IX of the Indenture or result in redemption of the Bonds within 90 days of the date of prepayment. Nothing contained in this Section shall prevent the payment of part of any of the Bonds pursuant to Article IV or Section 9.02 of the Indenture.

**Section 6.02. Optional and Extraordinary Optional Redemption; Option to Prepay Installment Payments under Indenture.** The Company has the option to redeem the Bonds, in whole or in part, on the terms and conditions set forth in Section 4.02(a), (b) and (c) of the Indenture by prepaying the Installment Payments due under Section 4.01(a). The Company also has the option to redeem the Bonds, in whole or in part, upon the occurrence of certain extraordinary circumstances and on the terms and conditions described in Section 4.02(d) of the Indenture by prepaying the Installment Payments due under Section 4.01(a).

**Section 6.03. Mandatory Prepayment of Installment Payments.** The Company shall have and hereby accepts the obligation to prepay Installment Payments with respect to the Bonds to the extent Extraordinary Mandatory Redemption of the Bonds is required pursuant to Section 4.02(e) of the Indenture.

**Section 6.04. Actions by Issuer.** At the written request of the Company, the Issuer shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI; provided that, in such event, the Company shall reimburse the Issuer for its reasonable expenses, including attorneys' fees, incurred in complying with such request.

**Section 6.05. Release of Indenture in Event of Prepayment of Installment Payments.** Upon the payment of all amounts due hereunder and under the Indenture pursuant to any option or obligation to prepay the Installment Payments in full as provided in this Agreement, the Issuer shall, upon receipt of the prepayment by the Trustee, deliver to the Company, if necessary, a release from the Trustee of the lien of the Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

**Section 7.01. Events of Default.** Each of the following shall be an Event of Default:

(a) The Company shall fail to pay the amounts required to be paid under Section 4.01, 4.02 or 6.03 on each date specified therein.

(b) Failure by the Company or the Operating Company to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement (other than as referred to in Section 7.01(a) and other than certain representations, warranties and covenants regarding various matters relating to the tax status of the interest on the Bonds) and the continuation of such failure for a period of 60 days after written notice specifying such failure and requesting that it be remedied shall have been given to the Company and the Operating Company by the Issuer or the Trustee, unless the Issuer shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Company and/or the Operating Company, as applicable, within the applicable period and is being diligently pursued until the default is corrected.

(c) The dissolution or liquidation of the Company or the voluntary initiation by the Company of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Company of any such proceeding which shall remain undismissed for 60 days, or failure by the Company to promptly have discharged any execution, garnishment or attachment of such consequence as would materially impair the ability of the Company to carry on its operations, or assignment by the Company for the benefit of creditors, or the entry by the Company into an agreement of composition with creditors or the failure generally by the Company to pay its debts as they become due.

(d) The occurrence of an Event of Default as defined in the Indenture.

Any declaration of default under subparagraph (c) and the exercise of remedies upon any such declaration will be subject to any applicable limitations of federal bankruptcy law affecting

or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

**Section 7.02. Remedies on Default.** Whenever an Event of Default shall have happened and be existing, any one or more of the following remedial steps may be taken:

(a) if acceleration of the principal amount of the Bonds has been declared pursuant to Section 7.03 of the Indenture, the Issuer or the Trustee shall declare all Installment Payments to be immediately due and payable, whereupon the same shall become immediately due and payable; or

(b) the Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Agreement or to enforce the performance and observance of any other obligation or agreement of the Company and/or the Operating Company under this Agreement or the Indenture.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any step that in its reasonable opinion will or might cause it to expend time or money or otherwise incur liability unless and until satisfactory indemnity has been furnished to the Trustee at no cost or expense to it. Any amounts collected pursuant to action taken under this Section (except for amounts payable directly to the Issuer or the Trustee or any Tender Agent or Remarketing Agent pursuant to Section 3.04, 3.05, 4.02, 5.02, 7.04, 8.14 or 8.17) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 9.01 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) of this Section and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

**Section 7.03. No Remedy Exclusive.** No remedy conferred upon or reserved to the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

**Section 7.04. Agreement to Pay Fees and Expenses.** If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall

reimburse the Issuer and the Trustee, as applicable, for their reasonable and documented out-of-pocket expenses so incurred upon demand.

**Section 7.05. No Waiver.** No failure by the Issuer or the Trustee to insist upon the performance by the Company or the Operating Company of any provision hereof shall constitute a waiver of their right to performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company or the Operating Company to observe or comply with any provision hereof.

**Section 7.06. Notice of Default.** The Company and the Operating Company shall notify a Responsible Officer of the Trustee (with a copy to the Issuer) immediately and in writing if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01. Term of Agreement.** This Agreement shall be and remain in full force and effect from the Date of Issuance of the Bonds until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid, except for obligations of the Company under Sections 3.04, 3.05, 4.02, 5.02, 7.04, 8.14 and 8.17 which shall survive any termination of this Agreement.

Notwithstanding any termination of this Agreement, any payment of any or all of the Bonds or any discharge of the Indenture, if Bonds are redeemed pursuant to the Extraordinary Mandatory Redemption provisions of Section 4.02(e) of the Indenture, the Company shall pay all additional amounts required to be paid, if any, under Article IV of the Indenture at the time provided therein.

**Section 8.02. Amounts Remaining in Funds.** Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds (whether at stated maturity, by redemption or otherwise), shall be deemed to belong, and shall be paid, to the proper party pursuant to applicable escheat laws. Further, any other amounts remaining in the Bond Fund, the Project Fund and any other special fund or account created under this Agreement or the Indenture after all of the outstanding Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement and the Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the outstanding Bonds.

**Section 8.03. Notices.** All notices, certificates, requests or other communications hereunder shall be in writing and shall be deemed to be sufficiently given at the applicable Notice Address as provided in Section 13.03 of the Indenture.

**Section 8.04. Extent of Covenants of Issuer; No Personal Liability.** All covenants, obligations and agreements of the Issuer contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation

or agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, member, trustee, officer, agent or employee of the Issuer in other than his or her official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or in the Indenture.

The Issuer shall not be obligated to pay the principal of, Purchase Price or premium, if any, or interest on the Bonds, except from the Pledged Receipts, with no obligation to seek collection thereof. The Company hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Company pursuant to this Agreement, together with other Pledged Receipts, including investment income on certain funds held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, Purchase Price, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), the Company shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, Purchase Price, premium or interest.

**Section 8.05. Binding Effect.** This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Company, the Operating Company and their respective permitted successors and assigns.

**Section 8.06. Amendments and Supplements.** Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article XI of the Indenture, as applicable.

**Section 8.07. Execution Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

**Section 8.08. Severability.** If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

**Section 8.09. Governing Law; Venue.** This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State, without regard to the choice of law rules of the State. Venue for any action under this Agreement to which the Issuer is a party shall lie within the district courts of the State, and the parties hereto consent to the jurisdiction and venue of any such court and hereby waive any argument that venue in such forums is not convenient.

**Section 8.10. Further Assurances and Corrective Instruments.** The Issuer (at the sole cost and expense of the Company), the Company and the Operating Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for the further assurance, correction or performance of the expressed intention of this Agreement.

**Section 8.11. Issuer, Company and Operating Company Representatives.** Whenever under the provisions of this Agreement the approval of the Issuer, the Company or the Operating Company is required or the Issuer, the Company or the Operating Company is required to take some action at the request of the others, such approval or such request shall be given for the Issuer by a Designated Officer, for the Company by an Authorized Company Representative and for the Operating Company by an Authorized Operating Company Representative. The Trustee and any Tender Agent and Remarketing Agent shall be authorized to act on any such approval or request.

**Section 8.12. Immunity of Incorporators, Stockholders, Officers and Directors.** No recourse under or upon any obligation, covenant or agreement contained in this Agreement or in any agreement supplemental hereto, or in the Bonds, or because of any indebtedness evidenced thereby, shall be had against any incorporator, or against any stockholder, member, officer or director, as such, past, present or future, of the Company, the Operating Company or of any predecessor or, subject to Section 5.04, successor legal entity, either directly or through the Company, the Operating Company or any predecessor or successor legal entity, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Bonds by the Holders thereof and as part of the consideration for the issuance of the Bonds.

**Section 8.13. Delegation of Duties and Assignment of Rights by Issuer.** Pursuant to this Agreement and the Indenture, the Issuer has delegated certain of its duties under this Agreement to the Company, and, pursuant to the Indenture, the Issuer has assigned all of its rights under this Agreement (other than the Issuer's Unassigned Rights) to the Trustee. The fact of such delegation under this Agreement, and the assignment under the Indenture, shall be deemed sufficient compliance by the Issuer to satisfy its duties so delegated, and the Issuer shall not be liable in any way by reason of acts done or omitted by the Company or the Trustee (nothing herein being deemed to create an obligation of the Trustee to indemnify the Issuer). The Issuer shall have the right at all times to act in reliance upon (y) any authorization, representation or certification of the Company, or (z) any representation or certification of the Trustee.

**Section 8.14. Survival of Fee Obligation.** The right of the Issuer and the Trustee to receive any fees or be reimbursed for any expenses incurred pursuant to this Agreement, and the right of the Issuer and the Trustee to be protected from any liability as provided in this Agreement, shall survive the retirement of the Bonds and the termination of this Agreement.

**Section 8.15. Liability of Issuer Limited.** Notwithstanding anything in this Agreement or in the Bonds, the Issuer shall not be required to advance any moneys derived from any source other than the Pledged Receipts and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. The Issuer shall not be liable for any costs,

expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Company under this Agreement.

The Company hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Company to the Trustee pursuant to this Agreement, together with investment income on certain funds held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), the Company shall pay such amounts in accordance with Section 4.01 hereof.

The provisions of this Section 8.15 shall be in addition to, and not in lieu of, any other provisions limiting the liability of the Issuer hereunder.

**Section 8.16. Waiver of Personal Liability.** No member, officer, agent or employee of the Issuer or any direct or indirect owner, director, officer, agent or employee of the Company shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any sum hereunder or under the Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of this Agreement; but nothing herein contained shall relieve any such member, direct or indirect owner, director, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

**Section 8.17. No Constitutional Debt.** It is understood and agreed by the Company and the Holders that no covenant, provisions or agreement of the Issuer herein or in the Bonds or in any other document executed by the Issuer in connection with the issuance, sale and delivery of the Bonds, or any obligation herein or therein imposed upon the Issuer or breach thereof, shall give rise to a pecuniary liability of the Issuer, its directors, officers, employees or agents or a charge against the Issuer's general credit or general fund or shall obligate the Issuer, its directors, officers, employees or agents financially in any way. No failure of the Issuer to comply with any term, condition, covenant or agreement herein or in the Indenture shall subject the Issuer, its directors, officers, employees or agents to liability for any claim for damages, costs or other financial or pecuniary charges. No execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit or general fund of the Issuer. In making the agreements, provisions and covenants set forth herein, the Issuer has not obligated itself except with respect to the Indenture and the funds and accounts held thereunder and the application of the Pledged Receipts therefrom and from this Agreement, and from the proceeds of the Bonds, as hereinabove provided.

The Bonds constitute special, limited revenue obligations of the Issuer, payable solely from proceeds of the Bonds, the Pledged Receipts pledged to the payment thereof pursuant to the Indenture and this Agreement, and the funds and accounts held under and pursuant to the Indenture and pledged therefor. The Bonds, the interest thereon and any other payments or costs incident thereto do not constitute a debt or general obligation of the Issuer, the State or any political subdivision thereof within the meaning of any constitutional or statutory provisions. No provision in this Agreement or any obligation herein imposed upon the Issuer, or the breach thereof, shall

constitute or give rise to or impose upon the Issuer, the State or any political subdivision thereof a pecuniary liability or a charge upon their general credit or taxing powers. No officer, director, employee, member or agent of the Issuer shall be personally liable under this Agreement.

**NEITHER THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWERS OF THE ISSUER, THE STATE OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, PURCHASE PRICE FOR OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.**

IT IS FURTHER UNDERSTOOD AND AGREED BY THE COMPANY AND THE HOLDERS THAT THE ISSUER, ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL INCUR NO PECUNIARY LIABILITY HEREUNDER AND SHALL NOT BE LIABLE FOR ANY EXPENSES RELATED HERETO, ALL OF WHICH THE COMPANY AGREES TO PAY. IF, NOTWITHSTANDING THE PROVISIONS OF THIS SECTION, THE ISSUER, ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS INCUR ANY EXPENSE, OR SUFFER ANY LOSSES, CLAIMS OR DAMAGES OR INCURS ANY LIABILITIES, THE COMPANY WILL INDEMNIFY AND HOLD HARMLESS THE ISSUER, ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS FROM THE SAME AND WILL REIMBURSE THE ISSUER, ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS IN RELATION THERETO, AND THIS COVENANT TO INDEMNIFY, HOLD HARMLESS AND REIMBURSE THE ISSUER, ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL SURVIVE PAYMENT AND DISCHARGE OF THE BONDS.

**Section 8.18. Section Headings.** The table of contents and headings of the various articles and sections of this Agreement are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof. References to article and section numbers are references to articles and sections in this Agreement unless otherwise indicated.

**Section 8.19. Concerning the Trustee.** The rights, privileges, protections, indemnities and immunities of the Trustee under the Indenture are hereby incorporated herein as if set forth herein in full and shall be extended to, and shall be enforceable by, the Trustee hereunder.

**Section 8.20. Joinder of Operating Company.** The Operating Company has joined in the execution of this Agreement for the purpose of making and confirming its applicable representations, warranties and covenants contained herein as the owner and operator of the Project Facilities. The Operating Company has no obligation with respect to the obligations of the Company contained herein including, without limitation, the payment obligations of the Company set forth in Sections 4.01 and 4.02, as well as those in Sections 3.05, 5.02, 7.04, 8.14 and 8.17.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be duly executed in its name and its seal to be hereunto affixed by its duly authorized officer, and each of the Company and the Operating Company has caused this Agreement to be duly executed in its name by its duly authorized officer, all as of the date first above written.

ARKANSAS DEVELOPMENT FINANCE  
AUTHORITY

[SEAL]



By: Mark A. Conine  
Name: Mark A. Conine  
Title: President

UNITED STATES STEEL CORPORATION

By: \_\_\_\_\_  
Name: Arne S. Jahn  
Title: Vice President - Treasurer & Chief Risk  
Officer

EXPLORATORY VENTURES, LLC

By: \_\_\_\_\_  
Name: Arne S. Jahn  
Title: Treasurer

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be duly executed in its name and its seal to be hereunto affixed by its duly authorized officer, and each of the Company and the Operating Company has caused this Agreement to be duly executed in its name by its duly authorized officer, all as of the date first above written.

ARKANSAS DEVELOPMENT FINANCE  
AUTHORITY

[SEAL]

By: \_\_\_\_\_  
Name: Mark A. Conine  
Title: President

UNITED STATES STEEL CORPORATION

By:  \_\_\_\_\_  
Name: Arne S. Jahn  
Title: Vice President - Treasurer & Chief Risk  
Officer

EXPLORATORY VENTURES, LLC

By:  \_\_\_\_\_  
Name: Arne S. Jahn  
Title: Treasurer

## **EXHIBIT A**

### **PROJECT FACILITIES**

The Project Facilities consist of certain solid waste disposal facilities financed or refinanced with the proceeds of \$290,000,000 Environmental Improvement Revenue Bonds, Series 2022 (United States Steel Corporation Project) (Green Bonds) issued by the Arkansas Development Finance Authority (the “*Issuer*”), including two electric arc furnaces, a ladle furnace and an endless casting and rolling facility and other equipment and facilities, located and to be located at the flat-rolled steel making facility under construction by Exploratory Ventures, LLC (the “*Operating Company*”), an indirect subsidiary of United States Steel Corporation (the “*Company*”), near the City of Osceola in Mississippi County, Arkansas, all as more fully described in the Tax Regulatory Agreement, dated as of the date of delivery of such Bonds, between the Issuer and each of the Company and the Operating Company.

**EXHIBIT B**

**FORM OF DISBURSEMENT REQUEST**

Statement No. \_\_\_\_ Requesting Disbursement of Funds from Project Fund  
pursuant to Section 3.03 of Loan Agreement between the Arkansas Development  
Finance Authority and each of United States Steel Corporation and Exploratory Ventures, LLC

Pursuant to Section 3.03 of the Loan Agreement, dated as of September 1, 2022 (the “*Agreement*”), between the Arkansas Development Finance Authority (the “*Issuer*”) and each of United States Steel Corporation (the “*Company*”) and Exploratory Ventures, LLC (the “*Operating Company*”), the undersigned Authorized Company Representative hereby requests and authorizes The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”) under the Trust Indenture, dated as of September 1, 2022 (the “*Indenture*”), by and between the Issuer and the Trustee, to pay to the Company or the Operating Company or to the person(s) listed on the Disbursement Schedule, if any, attached hereto out of the moneys deposited in the Project Fund (as established pursuant to the Indenture) the aggregate sum of \$\_\_\_\_\_, to reimburse the Company or the Operating Company in full, or to pay such person(s) as indicated in any Disbursement Schedule, for the advances, payments and expenditures made by it in connection with the acquisition, construction, equipping and installation of the Project Facilities. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

(a) Each item for which disbursement is requested hereunder is properly payable out of the Project Fund in accordance with the terms and conditions of the Agreement and none of those items has formed the basis for any disbursement heretofore made from the Project Fund;

(b) This statement and all exhibits hereto, including the Disbursement Schedule, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto; and

(c) This statement constitutes the approval of the Company of each disbursement hereby requested and authorized.

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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Authorized Company Representative

Disbursement Schedule

Payee

Amount

Purpose

**EXHIBIT C**

**FORM OF COMPLETION CERTIFICATE**

Pursuant to Section 3.02 of the Loan Agreement, dated as of September 1, 2022 (the “*Agreement*”), between the Arkansas Development Finance Authority (the “*Issuer*”) and each of United States Steel Corporation (the “*Company*”) and Exploratory Ventures, LLC (the “*Operating Company*”), the undersigned hereby certifies to the Trustee (all capitalized terms used and not otherwise defined herein having the meaning set forth in the Agreement) the following:

- (a) the acquisition, construction, equipping and installation of the Project Facilities was substantially completed on or about \_\_\_\_\_, 20\_\_;
- (b) all other facilities necessary in connection with the Project Facilities have been acquired, constructed, equipped and installed;
- (c) the total amount disbursed as of the date hereof from the Project Fund for the purposes described in Section 3.03 of the Agreement is \$\_\_\_\_\_;
- (d) \$\_\_\_\_\_ shall be retained in the Project Fund for the payment of costs of the Project Facilities not yet due or for liabilities which the Company or the Operating Company is contesting or which otherwise should be retained, because \_\_\_\_\_  
[explain the reasons such amounts are being contested or should be retained]; and
- (e) other than the amount referred to in (d) above, the remaining balance in the Project Fund of \$\_\_\_\_\_ shall be transferred or disbursed to \_\_\_\_\_ for \_\_\_\_\_  
\_\_\_\_\_ for \_\_\_\_\_  
[explain the reasons such amounts are being transferred or disbursed and provide the Trustee with an Opinion of Nationally Recognized Bond Counsel to the effect that such transfer or disbursement will not cause the interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes in accordance with Section 5.01(f) of the Indenture].

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Authorized [Operating] Company Representative

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, David B. Burritt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United States Steel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 28, 2022

/s/ David B. Burritt

David B. Burritt

President and Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Jessica T. Graziano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United States Steel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 28, 2022

/s/ Jessica T. Graziano

Jessica T. Graziano

Senior Vice President and Chief Financial Officer

CHIEF EXECUTIVE OFFICER  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

I, David B. Burritt, President and Chief Executive Officer of United States Steel Corporation, certify that:

- (1) The Quarterly Report on Form 10-Q of United States Steel Corporation for the period ending September 30, 2022, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the foregoing report fairly presents, in all material respects, the financial condition and results of operations of United States Steel Corporation.

/s/ David B. Burritt

David B. Burritt

President and Chief Executive Officer

October 28, 2022

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CHIEF FINANCIAL OFFICER  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350

I, Jessica T. Graziano, Senior Vice President and Chief Financial Officer of United States Steel Corporation, certify that:

- (1) The Quarterly Report on Form 10-Q of United States Steel Corporation for the period ending September 30, 2022, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the foregoing report fairly presents, in all material respects, the financial condition and results of operations of United States Steel Corporation.

/s/ Jessica T. Graziano

Jessica T. Graziano

Senior Vice President and Chief Financial Officer

October 28, 2022

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**United States Steel Corporation**  
**Mine Safety Disclosure**  
**(Unaudited)**

For the quarter ended September 30, 2022

Mine (Federal Mine Safety and Health Administration (MSHA) ID)	Total # of Significant & Substantial violations under §104(a) <sup>(a)</sup>	Total # of orders under §104(b) <sup>(a)</sup>	Total # of unwarrantable failure citations and orders under §104(d) <sup>(a)</sup>	Total # of violations under §110(b)(2) <sup>(a)</sup>	Total # of orders under §107(a) <sup>(a)</sup>	Total dollar value of proposed assessments from MSHA	Total # of mining related fatalities	Received Notice of Pattern of Violations under §104(e) <sup>(a)</sup> (yes/no)?	Received Notice of Potential to have Pattern under §104(e) <sup>(a)</sup> (yes/no)?	Total # of Legal Actions Pending with the Mine Safety and Health Review Commission as of Last Day of Period <sup>(b)</sup>	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Mt. Iron (2100820, 2100282)	—	—	—	—	—	\$204,359	—	no	no	211	147	51
Keewatin (2103352)	—	—	—	—	—	\$—	—	no	no	—	—	—

<sup>(a)</sup> References to Section numbers are to sections of the Federal Mine Safety and Health Act of 1977.

<sup>(b)</sup> Includes all legal actions pending before the Federal Mine Safety and Health Review Commission, together with the Administrative Law Judges thereof, for each of our iron ore operations. These actions may have been initiated in prior quarters. All of the legal actions were initiated by us to contest citations, orders or proposed assessments issued by the Federal Mine Safety and Health administration, and if we are successful, may result in the reduction or dismissal of those citations, orders or assessments. As of the last day of the period, all 194 legal actions were to contest citations and proposed assessments.