

HEARING DATE AND TIME: January 30, 2003 @ 10:00 a.m.
OBJECTION DEADLINE: January 22, 2003 @ 4:00 p.m.

WEIL, GOTSHAL & MANGES LLP
Attorneys for the Debtors
767 Fifth Avenue
New York, New York 10153
(212) 310-8000
Jeffrey L. Tanenbaum (JT 9797)
George A. Davis (GD 2761)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re : Chapter 11 Case Nos.
: :
BETHLEHEM STEEL CORPORATION, : 01-15288 (BRL) through
et al. : 01-15302, 01-15308
: through 01-15315 (BRL)
Debtors. : (Jointly Administered)
: :
-----X

**NOTICE OF HEARING ON MOTION OF DEBTORS PURSUANT
TO SECTIONS 105(a) AND 363(b) OF THE BANKRUPTCY CODE
TO AMEND THE ORDER, DATED JANUARY 7, 2002, AUTHORIZING
REIMBURSEMENT OF CERTAIN FEES AND EXPENSES OF THE UNITED
STEELWORKERS OF AMERICA *NUNC PRO TUNC* TO OCTOBER 1, 2002**

PLEASE TAKE NOTICE that upon the annexed motion of Bethlehem Steel Corporation and its affiliated debtors (collectively, "Bethlehem"), dated December 23, 2002 (the "Motion"), the undersigned will move before the Honorable Burton R. Lifland, United States Bankruptcy Judge, on January 30, 2003 at 10:00 a.m. in Room 623, United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004 for an order, pursuant to sections 105(a) and 363(b) of title 11 of the United States Code (the "Bankruptcy Code"), to amend the Order of the Court, dated January 7, 2002, authorizing Bethlehem to reimburse the United Steelworkers of America (the "USWA") for certain fees and expenses to substitute Potok,

Campbell and Co., LLC (“Potok”) as the financial advisor for the USWA in the place of Keilin & Co., LLC (“Keilin”), *nunc pro tunc* to October 1, 2002, on the terms and conditions as set forth more fully in the Motion.

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Motion must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User’s Manual for the Electronic Case Filing System can be found at <http://www.nysb.uscourts.gov>, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court’s case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Wordperfect or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers), and shall be served in accordance with General Order M-242, upon (i) Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Jeffrey L. Tanenbaum, Esq. and George A. Davis, Esq.), (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st floor, New York, New York 10004 (Attn: Tracy H. Davis, Esq.), (iii) Kramer Levin Naftalis & Frankel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Thomas M. Mayer, Esq.), (iv) Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017 (Attn: John Fouhey, Esq.), (v) Sidley Austin Brown & Wood LLP, 875 Third Avenue, New York, New York 10022 (Attn: Lee S. Attanasio, Esq.), and (vi) Cohen, Weiss and Simon, LLP, Attorneys for

USWA, 330 West 42nd Street, New York, New York 10036, Attn: Babette Ceccotti,
Esq., so as to be received no later than January 22, 2003 at 4:00 p.m. (Eastern Time).

Dated: New York, New York
December 23, 2002

/s/ George A. Davis
Jeffrey L. Tanenbaum (JT 9797)
George A. Davis (GD 2761)
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
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Attorneys for Debtors and
Debtors in Possession

HEARING DATE AND TIME: January 30, 2003 @ 10:00 a.m.
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In re : Chapter 11 Case Nos.
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: through 01-15315 (BRL)
Debtors. : (Jointly Administered)
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**MOTION OF DEBTORS PURSUANT TO SECTIONS 105(a) AND 363(b)
OF THE BANKRUPTCY CODE FOR APPROVAL AND AUTHORIZATION
TO AMEND ORDER, DATED JANUARY 7, 2002, AUTHORIZING
REIMBURSEMENT OF CERTAIN FEES AND EXPENSES OF THE UNITED
STEELWORKERS OF AMERICA *NUNC PRO TUNC* TO OCTOBER 1, 2002**

TO THE HONORABLE BURTON R. LIFLAND,
UNITED STATES BANKRUPTCY JUDGE:

Bethlehem Steel Corporation (“Bethlehem”) and its affiliated debtors,
(collectively, “Bethlehem” or the “Debtors”), respectfully represent as follows:

Background

1. On October 15, 2001 (the “Commencement Date”), each of the Debtors commenced a case under chapter 11 of title 11, United States Code (the “Bankruptcy Code”). Bethlehem continues to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Bethlehem is a Delaware corporation, which, along with its subsidiaries and affiliates, manufactures and sells a wide variety of steel mill products including hot-rolled, cold-rolled and coated sheets, tin mill products, carbon and alloy plates, rail, specialty blooms, and carbon and alloy bars. Its principal markets include automotive, construction, machinery and equipment, appliance, containers, service centers, and rail.

3. Bethlehem is one of the largest integrated steelmakers in the United States. Its principal operations are comprised of three divisions: Burns Harbor Division, Sparrows Point Division, and Pennsylvania Division. The Burns Harbor Division operates facilities in Indiana on Lake Michigan and in Lackawanna, New York on Lake Erie. The Sparrows Point Division operates a facility on the Chesapeake Bay, near Baltimore, Maryland. Sales of products produced at the Burns Harbor and Sparrows Point Divisions, primarily steel sheet, generate approximately 80% of Bethlehem's revenues. The Pennsylvania Division, which encompasses Pennsylvania Steel Technologies, operates three facilities in Pennsylvania – Coatesville, Conshohocken and Steelton.

4. Bethlehem commenced the chapter 11 cases to provide the necessary time to stabilize its business operations and to develop and implement a strategic plan to return its businesses to sustained profitability. Key objectives of the plan will include restructuring Bethlehem's capital structure, seeking the cooperation of the United Steel Workers of America ("USWA"), the representative of approximately 80% of their employees, to improve productivity and reduce costs, particularly employment and healthcare costs, and finding a solution to their approximate \$3 billion retiree healthcare

obligation. While in chapter 11, Bethlehem will continue to work with the federal government to remedy unfair trade practices, reduce excess steel capacity and foster domestic steel industry consolidation.

Jurisdiction

5. This Court has jurisdiction to consider this motion pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

The Restructuring Negotiations

6. Bethlehem currently employs approximately 11,000 persons, approximately 80% of whom are covered by one master collective bargaining agreement and a number of plant specific agreements and settlement agreements with the USWA (collectively, the “Represented Employees”).

7. As a percent of sales, Bethlehem has the highest total employment cost in the steel industry. In 2000, employment costs approximated 35% of sales, and in the first nine months of 2001, it totaled about 37% of sales. Pension and other post-employment benefits (“OPEB”) expenses are estimated to have cost \$45 per ton in 2001 and is expected to reach approximately \$50 per ton in 2002 – the highest in the steel industry. Bethlehem’s unfunded pension and OPEB obligations, aggregating almost \$5 billion, consume substantial amounts of Bethlehem’s cash flow and liquidity. The continuing and growing burden of such legacy costs clearly affects Bethlehem’s ability to maintain competitive operating facilities and achieve positive net income.

8. Because a competitive and economically justified labor agreement is critical to Bethlehem’s long-term success, Bethlehem has met, and continues to meet, with representatives of the USWA on an almost daily basis to consider Bethlehem’s

request for appropriate modifications to the agreements. These discussions have given considerable attention to myriad issues, including Bethlehem's significant legacy costs and the work rules at its steel plants. In the face of the substantial complexities presented by such considerations and the need for the highest level of understanding and professional attention, as well as the enormous scope of activities that need to be pursued during the chapter 11 cases, the USWA requested that Bethlehem agree to reimburse the USWA for the costs and expenses that it would incur in connection with the due diligence analysis, restructuring discussions, and negotiations with Bethlehem and others, including the various governmental units that would occur. The USWA informed Bethlehem that similar requests have been granted in other steel industry chapter 11 cases, notably *In re LTV Steel Co., Inc.*, Ch. 11 Case No. 00-43866 (Bankr. N.D. Ohio), *In re Republic Techs. Int'l, LLC*, Ch. 11 Case No. 01-51117 (Bankr. N.D. Ohio), and *In re Geneva Steel Co.*, Ch. 11 Case No. 99-21130 (Bankr. D. Utah). After extended negotiations and agreement on limitations as to reimbursements, Bethlehem agreed to a reimbursement arrangement, subject to authorization and approval of the Court.

Reimbursement of Professional Costs and Expenses

9. On November 5, 2001, Bethlehem and the USWA entered into a letter agreement, a copy of which is annexed hereto as Exhibit "A," pursuant to which Bethlehem agreed, subject to Court approval, to reimburse the reasonable professional fees and expenses of the USWA (the "November 5 Letter"). Pursuant to the November 5 Letter, the USWA had retained Keilin & Co., LLC ("Keilin") to serve as its financial advisor. Pursuant to the November 5 Letter, Bethlehem agreed to pay Keilin a monthly fee of \$100,000 (with the exception of the periods October 15- October 31, 2001 and

April 1 –April 15, 2002, in which case the fee was \$50,000), and a success fee of \$5 million, less the amount of any monthly work fees paid to Keilin, subject to the occurrence of the effective date of either a confirmed plan of reorganization for Bethlehem or the sale of all or substantially all Bethlehem’s operating assets to a third party (a “Success Fee Event”), and the approval of the USWA. The understanding also provided that if Keilin’s services were to terminate prior to the effective date of a Success Fee Event, Bethlehem agreed to pay Keilin the success fee so long as Bethlehem completes a transaction that implements a restructuring at any time within eighteen (18) months following termination.

10. On November 29, 2001, Bethlehem moved, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, for authorization to reimburse certain professional fees and expenses of the USWA. By order dated January 7, 2002 (the “Reimbursement Order”), a copy of which is annexed hereto as Exhibit “B,” the Court authorized Bethlehem to reimburse the USWA for its reasonable professional costs and expenses, including the payment to Keilin of a success fee, all as set forth in the Reimbursement Order. Specifically, the Reimbursement Order authorized Bethlehem to reimburse the USWA, based on the usual and customary rates charged by the USWA’s professionals (excluding in-house professionals), as identified, subject to an overall limit of \$1.4 million (the “Cap”), exclusive of any success fee that might be allowed. As for the success fee, the Reimbursement Order authorized Bethlehem to pay to Keilin a success fee of up to \$5 million, but only upon the service and filing of an application therefor and the occurrence of (a) confirmation of a plan of reorganization for Bethlehem or consummation of a sale of all or substantially all Bethlehem’s assets which is, in any

case, supported by the USWA, and (b) review and determination of the application by the Court pursuant to section 330 of the Bankruptcy Code after the confirmation or sale. The Reimbursement Order also set forth the method for reimbursement and guidelines for indemnification.¹

11. To date, Bethlehem has paid Keilin a total of \$602,504, representing payments of monthly work fees of \$100,000 per month, in addition to reasonable expenses.

Replacement of Keilin with Potok, Campbell and Co., LLC

12. By letter dated November 22, 2002 (the “Keilin Termination Letter”), a copy of which is annexed hereto as Exhibit “C,” the USWA, on its own initiative, terminated its employment of Keilin and informed Keilin that it would not approve the payment of any success fee to Keilin by Bethlehem. The USWA has engaged Potok, Campbell and Co., LLC (“Potok”) as its financial advisor, effective October 1, 2002, to replace Keilin and perform the same services as Keilin. Bethlehem is informed that principals of Potok formerly were associated with Keilin; however, these principals of Potok have not been associated with Keilin during the pendency of this matter. Bethlehem recognizes the termination of Keilin by the USWA and the need of the USWA for continuing financial advisory services in connection with the ongoing negotiations. Therefore, Bethlehem has agreed to reimburse the USWA for the services of Potok in replacement of Keilin pursuant to the terms and conditions of the letter agreement between Bethlehem and the USWA, dated November 22, 2002 (the “USWA

¹ The Reimbursement Order currently is the subject of an appeal filed by the Office of the United States Trustee that is pending in the United States District Court for the Southern District of New York (the “Appeal”).

Letter”), a copy of which is annexed hereto as Exhibit “D,” subject to approval of the Court. Except as otherwise specified, the same conditions as applied to Keilin in the performance of its services, including indemnification, are to apply to Potok.

13. The USWA Letter provides that, retroactive to November 1, 2002, Bethlehem will pay Potok a monthly work fee of \$75,000 (compared to the Keilin monthly fee of \$100,000), and reimburse Potok for its reasonable expenses, subject to the Cap. As stated above, the Reimbursement Order limits the authority of Bethlehem to reimburse the USWA for professional fees (exclusive of any success fee that may be payable) to an amount not to exceed \$1.4 million. To date, Bethlehem has paid \$802,776 as reimbursement expenses in connection with the USWA (\$602,504 of which has been paid to Keilin). Consequently, there remains a balance of \$597,224, which amount will continue to be a limit on the amount of the USWA’s professional fees and expenses that are reimbursable by Bethlehem consistent with the Reimbursement Order.

14. Further, the USWA Letter provides that Bethlehem will pay Potok a success fee of \$2.5 million (compared to the potential Keilin success fee of \$5 million, although the monthly work fee will not be credited against the Potok success fee), subject to the approval of the USWA, upon the occurrence of a Success Fee Event and review and determination by the Court of an application by Potok for the payment of the success fee pursuant to section 330 of the Bankruptcy Code. If Potok’s services are terminated prior to the effective date of a Success Fee Event, so long as Bethlehem completes a transaction that implements a restructuring of their assets and operations at any time within eighteen (18) months following Potok’s termination, upon approval of the USWA, Potok would be entitled to the success fee as governed by the Reimbursement Order. In

short, the Potok success fee is subject to substantially the same conditions that had applied to the Keilin success fee. Additionally, the USWA has advised Bethlehem that it will have no further obligation to Keilin or the USWA as to the services of Keilin and no success fee will be paid to Keilin. It is based upon the foregoing that Bethlehem is agreeable to Potok's replacement of Keilin.

Relief Requested

15. By this Motion, Bethlehem seeks an order pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, (i) amending the Reimbursement Order to substitute Potok for Keilin as financial advisor for the USWA and otherwise amending the terms and conditions of payment of the fees and expenses of the USWA's financial advisor as specified in the USWA Letter, and (ii) determining that Keilin is not entitled to any success fee.

16. Section 363(b) of the Bankruptcy Code enables Bethlehem to use property of the estate for transactions outside the ordinary course of business. Specifically, section 363(b)(1) provides that a debtor in possession, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1).

17. The words "use, sell, or lease" contained in section 363 were "intended to cover a broad range of transactions," and more specifically, the "entire range of transactions the trustee or debtor might enter." *Armstrong World Indus., Inc. v. James A. Phillips, Inc. (In re James A. Phillips, Inc.)*, 29 B.R. 391, 396 n.3 (S.D.N.Y. 1983). Manifestly, section 363(b) empowers a bankruptcy court to authorize a debtor to expend funds in the bankruptcy court's discretion outside the ordinary course of business. Courts

have authorized a variety of transactions outside the ordinary course of business pursuant to section 363(b). *See, e.g., Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650 (S.D.N.Y. 1992), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993) (bankruptcy court properly approved modified breakup fee agreement under section 363(b) notwithstanding lack of any specific reference in the Bankruptcy Code to breakup fees).

18. Moreover, pursuant to section 105(a) of the Bankruptcy Code, the bankruptcy court is empowered to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). *See, e.g., Bartel v. Shugrue (In re Ionosphere Clubs, Inc.)*, 171 B.R. 18 (S.D.N.Y. 1994); *LTV Corp. v. Aetna Casualty & Ins. Co. (In re Chateaugay Corp.)*, 167 B.R. 776 (S.D.N.Y. 1994) (bankruptcy court has authority to release claims against nondebtors pursuant to section 105(a), but only when release of such claims is essential to confirmation of debtor's plan); *Eastern Airlines, Inc. v. Rolleston (In re Ionosphere Clubs Inc.)*, 124 B.R. 635 (S.D.N.Y. 1991) (bankruptcy court's power to issue injunction pursuant to section 105(a) extends to creditor's actions against third parties when such injunction is necessary to protect debtors and parties in interest in their attempt to reorganize successfully).

19. Section 105(a) of the Bankruptcy Code is the statutory predicate to enable a debtor to make payments that are deemed critical to the pursuit of a successful reorganization. Thus, despite the fact that the Bankruptcy Code contains no specific provision authorizing the approval of payment of a debtor's prepetition obligations even if such obligations are considered critical to maintaining business operations, the cases

that authorize and approve the payment of prepetition obligations in the interest of enabling debtors and other parties in interest to pursue the goal of reorganization are legion. *See, e.g., In re Just for Feet, Inc.*, 242 B.R. 821, 825 (D. Del. 1999) (approving payment of critical vendors' prepetition claim after recognizing the "court's power to authorize payment of pre-petition claims when such payment is necessary for the debtor's survival during chapter 11"); *In re Wehrenberg, Inc.*, 260 B.R. 468, 469 (Bankr. E.D. Mo. 2001) ("Payment of the prepetition claims of . . . vendors . . . is necessary to realize the possibility of a successful reorganization."). Similarly, in these chapter 11 cases, in addition to authorizing Bethlehem to pay prepetition claims of certain critical vendors and service providers pursuant to section 105(a), this Court authorized Bethlehem to satisfy prepetition claims of processors, warehousemen, and shippers, and to pay prepetition wages, compensation, and employee benefits pursuant to section 105(a). This Court also authorized Bethlehem to pay prepetition sales and use taxes pursuant to section 105(a) in conjunction with section 363(b). *A fortiori*, the Bankruptcy Court has exercised its equitable powers within the confines of the Bankruptcy Code to aid in the administration of these chapter 11 cases, all in accordance with the Supreme Court's decision in *Norwest Bank Worthington v. Ahlers*, 485 U.S. 197 (1988) (bankruptcy court's equitable powers must be exercised within the confines of the Bankruptcy Code) and its progeny.

20. Bethlehem's employment-related costs are a primary cause of its inability to economically produce steel and related products. Resultantly, based upon extended analysis of the pertinent factors, including operating revenues, legacy costs, and liquidity burn rates, Bethlehem must continue to obtain significant participation from the

USWA in its restructuring efforts. Currently, Bethlehem is engaged on an almost daily basis with the USWA in the negotiation of a new collective bargaining agreement. A competitive, economically justified collective bargaining agreement is the linchpin to any reorganization of Bethlehem. The negotiations are at a critical stage. To deprive the USWA of its financial advisor at this time would be detrimental to the ongoing negotiations.

21. The proposed success fee to be paid to Potok does not add to the potential costs of reimbursement for financial advisory services to the USWA that were originally contemplated. The potential \$5 million success fee relating to Keilin (less the monthly work fees paid to Keilin) is greater than the proposed \$2.5 million success fee that would be payable to Potok. Further, the monthly payments of \$75,000 to be made to Potok are less than the \$100,000 monthly payments previously made to Keilin. The reimbursement expenses in connection with the Potok engagement results in a benefit to Bethlehem and its economic stakeholders.

22. Under the circumstances, and for the same reasons that supported this Court's earlier Reimbursement Order, in the exercise of its sound business judgment, it is appropriate and necessary to amend the Reimbursement Order to authorize Bethlehem to (i) reimburse the USWA for the professional costs and expenses of Potok in the place and stead of Keilin in connection with the restructuring negotiations, in accordance with the terms of the USWA Letter; and (ii) pay Potok the success fee, in accordance with the terms of the USWA Letter and the Reimbursement Order.

Notice

23. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this Motion has been provided to (i) the attorneys for the USWA, (ii)

Keilin, (iii) Potok, (iv) the United States Trustee for the Southern District of New York, (v) the attorneys for the Debtors' prepetition senior lenders and postpetition lenders, (vi) the attorneys for the statutory creditors' committee, (vii) all government agencies required to receive notice of the proceedings under the Federal Rules of Bankruptcy Procedure and other regulatory rules, and (viii) all parties in interest who have requested notice pursuant to Fed. R. Bankr. P. 2002. The Debtors submit that no other or further notice need be given.

Waiver of Memorandum of Law

24. This Motion does not raise any novel issues of law. Accordingly, the Debtors respectfully request that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted.

WHEREFORE the Debtors request that the Court amend the Reimbursement Order as requested herein and grant such other and further relief as is just.

Dated: New York, New York
December 23, 2002

/s/ George A. Davis
Jeffrey L. Tanenbaum (JT 9797)
George A. Davis (GD 2761)
WEIL, GOTSHAL & MANGES LLP
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Attorneys for Debtors and
Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case Nos.
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BETHLEHEM STEEL CORPORATION,	: 01-15288 (BRL) through
et al.	: 01-15302, 01-15308
	: through 01-15315 (BRL)
Debtors.	: (Jointly Administered)
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**ORDER PURSUANT TO SECTIONS 105(a) AND 363(b) OF
THE BANKRUPTCY CODE APPROVING AND AUTHORIZING
AMENDMENT OF ORDER, DATED JANUARY 7, 2002, AUTHORIZING
REIMBURSEMENT OF CERTAIN FEES AND EXPENSES OF THE UNITED
STEELWORKERS OF AMERICA *NUNC PRO TUNC* TO OCTOBER 1, 2002**

Upon the motion dated December 23, 2002 (the “Motion”) of Bethlehem Steel Corporation and its affiliated debtors (collectively, “Bethlehem” or the “Debtors”), pursuant to sections 105(a) and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”), to amend the Order of the Court, dated January 7, 2002 (the “Reimbursement Order”), authorizing Bethlehem to reimburse the United Steelworkers of America (the “USWA”) for certain fees and expenses to substitute Potok, Campbell and Co., LLC (“Potok”), for Keilin & Co., LLC (“Keilin”), as financial advisor for the USWA and otherwise provide for the approval of the terms and conditions for payment of Potok’s fees and expenses, *nunc pro tunc* to October 1, 2002, all as more fully described in the Motion, and the Court having jurisdiction to consider and determine the Motion as a core proceeding in accordance with 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested by the Motion is necessary and in the best interests of Bethlehem; and due notice of the Motion having been provided; and sufficient cause appearing therefor, it is

ORDERED, ADJUDGED AND DECREED:

1. It is in the best interests of Bethlehem and all parties in interest that the Motion be, and, it hereby is granted and the Reimbursement Order be, and it hereby is, amended to substitute Potok for Keilin as financial advisor for the USWA and otherwise provide for the terms and conditions for the payment of Potok's fees and expenses in accordance with and as specified in the USWA Letter (as defined in the Motion, a copy of which is annexed thereto as Exhibit "D"), pursuant to sections 105(a) and 363(b) of the Bankruptcy Code.

2. The Court shall retain exclusive jurisdiction to construe and enforce the terms of the USWA Letter, any application made by Potok, and this Order.

3. Bethlehem shall have no further obligation to Keilin pursuant to the terms of the November 5 Letter and the Reimbursement Order.

4. The requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York as to the filing of a memorandum of law is waived.

Dated: New York, New York
January __, 2003

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Bethlehem Steel Corporation

NOV 14 2001

1170 EIGHTH AVENUE
BETHLEHEM, PA 18016-7699

ROBERT S. MILLER, Jr.
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER



DIRECT DIAL: (610) 694-2108
FACSIMILE: (610) 694-3686
E-MAIL: rs.miller@bethsteel.com

November 5, 2001

Mr. Leo W. Gerard
International President
United Steelworkers of America
Five Gateway Center
Pittsburgh, PA 15222

Dear Mr. Gerard:

The following will confirm our understanding regarding those professionals that the USWA intends to utilize to undertake the due diligence and analysis that will be required in order for the Union to participate in discussions regarding the restructuring of the Company, including, but not limited to, negotiations regarding possible modifications to the existing labor and benefits agreements with the USWA.

The Company agrees, subject to the approval of the Bankruptcy Court, which approval the Company agrees to promptly seek, to reimburse the Union for the work performed by the professionals listed on Attachment A during the period of the Company's bankruptcy. The reimbursement would be based on each professional's usual and customary rates (in the case of the Union's in-house professionals, rates would be based on the cost of comparable professional services), subject to an overall cap of \$1.5 million for the period commencing October 15, 2001, and ending April 15, 2002, or upon payment of \$1.5 million, whichever occurs later. Each professional and the Union shall submit to the Company and any committee of creditors appointed by the Office of the United States Trustee, consistent with the guidelines for professional compensation adopted by the United States Bankruptcy Court for the Southern District of New York, a written statement describing the professional services performed, the persons who performed the services, the time expended by each such person together with that person's billing rate, and a detailed explanation for all disbursements for which reimbursement is requested. If no objection is interposed to the submitted statement, the Company shall pay the reimbursement requested. If any objection is interposed to any portion of a submitted statement, pending resolution of that objection, the Company shall not pay the disputed item. The Company and interested parties shall make every effort to amicably resolve any disputes as soon as practicable. If the dispute is not resolved within five business days after any objection is interposed, any party may request that the Bankruptcy Court resolve the dispute.

In addition, subject to the approval of the Bankruptcy Court, which approval the Company agrees to promptly seek, the Company agrees to pay an investment banking success fee of \$5.0. million (less any amount received under their monthly retainer) to the Union's investment banker, Keilin & Co., payable upon approval by the USWA, and the occurrence of the effective date of a confirmed plan of reorganization for the Company. The Company agrees upon the request of the USWA, to support the payment of said Success Fee.

Sincerely,



Accepted and agreed to
this 13th day of ~~October~~ NOV. 2001:

United Steelworkers of America

By Leo W. Gerard
Leo W. Gerard
International President

EXHIBIT B

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter 11 Case Nos.
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BETHLEHEM STEEL CORPORATION,	:	01-15288 (BRL) through
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Debtors.	:	(Jointly Administered)
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**ORDER PURSUANT TO SECTIONS 105(a) AND 363(b)
OF THE BANKRUPTCY CODE AUTHORIZING
THE DEBTORS TO REIMBURSE CERTAIN
PROFESSIONAL FEES AND EXPENSES OF
THE UNITED STEEL WORKERS OF AMERICA**

Upon the motion dated November 29, 2001 (the "Motion")^{*} of Bethlehem Steel Corporation and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), pursuant to sections 105(a) and 363(b) of title 11 of the United States Code (the "Bankruptcy Code"), for authorization to reimburse certain professional fees and expenses of the United Steelworkers of America ("USWA"), as collective bargaining agent and representative of approximately 80% of the Debtors' current employees as well as certain retirees, all as more fully described in the Motion, and the Court having jurisdiction to determine the Motion in accordance with 28 U.S.C. § 1334, and due notice of the Motion having been provided to the United States Trustee for the Southern District of New York, the respective attorneys for the Debtors' pre-chapter 11 lenders and post-chapter 11 lenders, the attorneys for the

^{*} Capitalized terms used but not defined herein have the respective meanings ascribed to them in the Motion.

statutory committee of unsecured creditors (the “Creditors’ Committee”), the USWA, and any party who has filed a notice of appearance and request for service of papers in these chapter 11 cases, and it appearing that no other or further notice need be made, and after a hearing held on December 19, 2001 and consideration of the Objection of the United States Trustee, dated December 17, 2001, the Response of the Creditors’ Committee, dated December 18, 2001, and the appearances of interested parties having been noted in the record and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED, ADJUDGED AND DECREED:

1. It is in the best interests of the Debtors and all parties in interest that the Motion be, and, it hereby is granted and Debtors be, and, they hereby are authorized pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code to reimburse USWA for its reasonable professional costs and expenses in accordance with the terms of the USWA Letter attached to the Motion as Exhibit “A1,” and the letter of Keilin & Company llc (“Keilin”) attached to the Motion as Exhibit “A2” (the “Keilin Letter”) in an aggregate amount not to exceed \$1.4 million exclusive of any Success Fee, provided, however, that the USWA Letter is deemed amended:

(a) on Attachment A, to delete as reimbursable the professional fees and costs of “International Union In-House Professionals (Legal Department, Research and Benefits Department, Assistants to International Officers, etc.)” for “Labor, Bankruptcy and ERISA Matters; Financial Analysis and Bargaining Matters”;

(b) to delete from the USWA Letter all references to the professionals and matters set forth in subparagraph (a) hereof;

(c) to change all references in the USWA Letter as to the aggregate reimbursable amount of \$1.5 million for professional fees and expenses to \$1.4 million; and

(d) to require that all statements for reimbursement of professional fees and expenses made by USWA together with the statements of the particular professionals performing services on behalf of the USWA shall be submitted to the attorneys for the agent for pre-chapter 11 lenders in addition to the entities set forth in the USWA Letter.

2. The Debtors be, and, they hereby are authorized pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code to pay to Keilin, the investment banker employed by the USWA, a Success Fee of up to \$5 million in accordance with the terms and conditions of the Keilin Letter, Exhibit “A2,” but only upon the service and filing of an application for the payment of such Success Fee, and the occurrence of:

(a) confirmation of a plan of reorganization for the Debtors or consummation of a sale of all or substantially all of the Debtors’ assets which is, in any case, supported by the USWA; and

(b) review and determination of the application by the Court pursuant to Section 330 of the Bankruptcy Code, after the confirmation or sale.

3. The indemnification provisions of the Keilin Letter, Exhibit “A2”, are subject to the following:

(a) All requests of Keilin for indemnity, contribution or otherwise pursuant to the indemnification provisions of the Keilin Letter, Exhibit “A2”, shall be by means of an application therefor (interim or final, as the case may be) (“Application”)

and shall be subject to review by the Court to assure that such payment conforms to the terms of the Keilin Letter, Exhibit "A2", and is reasonable based upon the circumstances of the litigation or settlement as to which indemnity is requested; provided, however, that in no event shall Keilin be indemnified or receive contribution if it is determined that Keilin acted in bad faith, engaged in self-dealing or breached its fiduciary duty, if any, or committed gross negligence or willful misconduct; and

(b) In no event shall Keilin be indemnified or receive contribution or other payment under the indemnification provisions of the Keilin Letter, Exhibit "A2", if the Debtors, their estates, or the Creditors' Committee, asserts a claim for, and the Court determines by final order that such claim arose out of, Keilin's own bad faith, self-dealing, breach of fiduciary duty, if any, gross negligence or willful misconduct; and

(c) If Keilin seeks reimbursement for attorneys' fees from the Debtors pursuant to the Keilin Letter, Exhibit "A2", the invoices and supporting time records for such attorneys shall be included in Keilin's Application for indemnification and such invoices and time records shall be subject to the United States Trustee's Guidelines for Compensation and Reimbursement and Expenses and the approval of the Bankruptcy Court under the standards of sections 330 and 331 of the Bankruptcy Code without regard to whether such attorneys have been retained under section 327 of the Bankruptcy Code; and

(d) To the extent this order is inconsistent with the Keilin Letter, Exhibit "A2", the terms of this order shall govern.

4. The Court shall retain exclusive jurisdiction to construe and enforce the terms of the Keilin Letter, Exhibit "A2", any Application made by Keilin and this order.

5. If any Application for indemnification or reimbursement of attorneys' fees is made by Keilin, the Debtors shall serve a notice of such Application and any hearing to consider such Application upon all of their creditors for the purposes of providing such creditors an opportunity to timely object to the Application.

6. The requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York as to the filing of a memorandum of law is waived.

Dated: New York, New York
January 7, 2002

/s/ Burton R. Lifland
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

UNITED STEELWORKERS OF AMERICA
Five Gateway Center
Pittsburgh, PA 15222



Ron Bloom
Special Assistant to the President

Phone: (412) 562-2260
Fax: (412) 562-2263
email: rbloom@uswa.org

November 22, 2002

Mr. Eugene Keilin, Partner
Keilin & Co., LLC
200 Park Avenue
58th Floor
New York, NY 10166

RE: Bethlehem Steel:

Dear Gene:

You are hereby notified that the USWA will no longer be requiring your firm's services on the above captioned matter.

In addition, please be advised that the Union will not be "approving" Company payment of a success fee to Keilin and Company and therefore, in accordance with the various agreements concerning that matter, none will be forthcoming.

Thank you for your efforts on our behalf.

Sincerely,

A handwritten signature in black ink, appearing to be "Ron Bloom", written over a horizontal line.

Ron Bloom
Special Assistant to the President

RB/ss

BCC: Leo Gerard
Steve Miller
Bruce Simon

EXHIBIT D

Bethlehem Steel Corporation

1170 EIGHTH AVENUE
BETHLEHEM, PA 18016-7699



November 22, 2002

Mr. Leo W. Gerard
International President
United Steelworkers of America
Five Gateway Center
Pittsburgh, Pennsylvania 15222

Re: Bethlehem Steel Corporation – USWA Financial Advisor

Dear Mr. Gerard:

The following will confirm our mutual understanding concerning the desire on the part of the United Steelworkers Of America ("USWA") to engage a replacement financial advisor to assist it in the on-going negotiations with Bethlehem Steel Corporation ("BethSteel") to develop an amended or new collective bargaining agreement:

- Pursuant to an order of the Bankruptcy Court dated January 7, 2002 (the "Order"), BethSteel was authorized to reimburse the USWA for certain professional fees and expenses, subject to certain conditions.
- Included among the entities performing professional services on behalf of the USWA was Keilin & Co., LLC ("Keilin"), as financial advisor.
- Since January 7, 2002, BethSteel has paid to Keilin a total of \$602,504.
- On its own initiative, the USWA has terminated its engagement of Keilin.
- In connection with such termination, the USWA has advised Keilin and BethSteel that it will not approve the payment by BethSteel of any success fee to Keilin, which approval is required by the Order.
- BethSteel will not be obligated to make any further payments to Keilin.
- The USWA has engaged the services of Potok, Campbell and Co., LLC as its new financial advisor effective October 1, 2002, and desires that BethSteel reimburse the USWA for the services of Potok, Campbell and Co., LLC at the rate of \$75,000 per month, beginning November 1, 2002, and to pay to Potok, Campbell and Co., LLC a success fee of \$2.5 million subject to the approval of the USWA and the occurrence of:

- 2 -

- (i) confirmation of a plan of reorganization for BethSteel and its affiliated Debtors or consummation of a sale of all or substantially all of the assets of BethSteel and its affiliated Debtors which is, in any case, supported by the USWA; and
- (ii) review and determination of the application by Potok, Campbell and Co., LLC for the payment of the success fee, by the Bankruptcy Court pursuant to section 330 of the Bankruptcy Code, after the confirmation or sale.
- Notwithstanding the confirmation of a plan of reorganization or a sale of assets, the approval of the USWA will be a condition precedent to the payment of any success fee.
 - The Order limits the authority of BethSteel to reimburse the USWA for professional fees (net of any success fee that may be payable) to an amount not to exceed \$1.4 million, and to date, BethSteel has paid on behalf of the USWA a total of \$802,776. Consequently, there remains a balance of \$597,224. This amount will continue to be a cap on the amount of the professional fees which are reimbursable by BethSteel.
 - BethSteel agrees to promptly seek authority from the Bankruptcy Court to authorize it to reimburse the USWA for the services of Potok, Campbell and Co., LLC as described above and the USWA will actively support BethSteel's motion.
 - Potok, Campbell and Co., LLC has agreed to be governed by the provisions of the Order as to the performance of its services and the payment, if appropriate, of any success fee subject to the above provisions.

As you are aware, the Order currently is subject to an appeal filed by the Office of the United States Trustee ("OUST") that is pending in the United States District Court for the Southern District of New York. The above agreement and understanding, of course, is subject to the outcome of such appeal and to any final disposition of the controversy with the OUST.

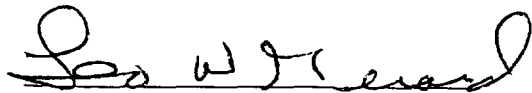
If the foregoing is consistent with your understanding, please so indicate by executing this letter in the space provided below and return it to me.

Very truly yours,



Robert S. Miller
Chairman and Chief Executive Officer

Agreed to and Accepted
this 26th day of November, 2002



Leo W. Gerard, International President