

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
MAY 13 2004

KENNETH S. GARDNER, CLERK
PS REP. - AR

In re:)	Chapter 11
)	
NATIONAL STEEL CORPORATION, et al.,)	No. 02 B 08699
)	(Jointly Administered)
Debtors.)	Hon. John H. Squires
)	
)	Hearing Date: May 11, 2004
)	Hearing Time: 8:30 a.m.

**AMENDED FINAL JOINT APPLICATION OF (I) HSBC BANK USA, AS
INDENTURE TRUSTEE FOR FIRST MORTGAGE BONDHOLDERS,
(II) KELLEY DRYE & WARREN LLP, COUNSEL TO THE INDENTURE
TRUSTEE, AND (III) THIBODEAU, JOHNSON & FERIANCEK, PLLP,
LOCAL COUNSEL TO THE INDENTURE TRUSTEE, FOR (A) FINAL
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF
EXPENSES AND (B) RELEASE OF HOLDBACK COMPENSATION**

SUMMARY

NAMES OF APPLICANTS	HSBC Bank USA, Kelley Drye & Warren LLP, and Thibodeau, Johnson & Feriancek, PLLP
AUTHORIZED TO PROVIDE PROFESSIONAL SERVICES TO	Trustee for First Mortgage Bondholders
PERIODS FOR WHICH COMPENSATION IS SOUGHT	March 6, 2002 – March 31, 2003 (First Interim Compensation Period) April 1, 2003 – May 20, 2003 (Final Compensation Period)
AMOUNT OF FEES SOUGHT FOR FINAL COMPENSATION PERIOD	HSBC Bank USA - \$7,604.40 Kelley Drye & Warren LLP - \$59,558.50 Thibodeau, Johnson & Feriancek, PLLP - \$175.00
AMOUNT OF EXPENSE REIMBURSEMENT SOUGHT FOR FINAL COMPENSATION PERIOD	Kelley Drye & Warren LLP - \$4,108.13 Thibodeau, Johnson & Feriancek, PLLP - \$0.00
AMOUNT OF HOLDBACK SOUGHT	First Interim Compensation Period - \$18,355.61 Final Compensation Period - \$5,973.35
THIS IS AN: INTERIM APPLICATION	<input type="checkbox"/> FINAL APPLICATION <input checked="" type="checkbox"/>

EXHIBITS

The following exhibits are attached hereto and incorporated herein by reference:

- Exhibit A** Fee Order
- Exhibit B** Adequate Protection Order
- Exhibit C** Detailed Time Entry Records for HSBC Bank USA, as Trustee for First Mortgage Bondholders
- Exhibit D** Compensation Sought (includes billing rate and year of admission to practice) for Kelley Drye & Warren LLP, Counsel to the Trustee for First Mortgage Bondholders
- Exhibit E** Attorney Biographies
- Exhibit F** Detailed Time Entry Records for Kelley Drye & Warren LLP Professionals and Paraprofessionals
- Exhibit G** Summary of Kelley Drye & Warren LLP Expenses
- Exhibit H** Supporting Documentation to Kelley Drye & Warren LLP Expenses
- Exhibit I** Compensation Sought (includes billing rate and year of admission to practice) for Thibodeau, Johnson & Feriancek, PLLP
- Exhibit J** Detailed Time Entry Records for Thibodeau, Johnson & Feriancek, PLLP
- Exhibit K** Proposed Order

**TO THE HONORABLE JOHN H. SQUIRES
UNITED STATES BANKRUPTCY JUDGE:**

Kelley Drye & Warren LLP ("Kelley Drye"), counsel to the Indenture Trustee for First Mortgage Bondholders of National Steel Corporation and its affiliated debtors in the above-captioned cases (collectively, "National Steel" or the "Debtors"), hereby submits this amended application (the "Application") for an order allowing and awarding, on a final basis: (i) all compensation and reimbursements of expenses awarded pursuant to the Interim Compensation Order (as defined herein), (ii) \$7,604.40 in compensation for professional services rendered by the Trustee (as defined herein) from April 1, 2003 through and including May 20, 2003 (the "Final Compensation Period"), (iii) \$59,558.50 in compensation for 188.3 hours of professional services rendered by Kelley Drye during the Final Compensation Period, (iv) \$175.00 in compensation for 1.0 hour of professional services rendered by Thibodeau, Johnson & Feriancek, PLLP ("TJF") during the Final Compensation Period, (v) reimbursement of \$4,108.13 for expenses incurred by Kelley Drye during the Final Compensation Period in connection with such services, and (vi) all amounts of compensation previously heldback (the "Holdback Amounts"). In support of this Application, the Trustee, Kelley Drye, and TJF (together, the "Applicants") respectfully represent as follows:

Jurisdiction

1. This Court has jurisdiction over this Application pursuant to 28 U.S.C. § 1334 and the general reference of bankruptcy matters to this Court made by the District Court for the Northern District of Illinois. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of the Debtors' chapter 11 cases and this Application is proper under 28 U.S.C. §§ 1408 and 1409. The relief requested may be granted in accordance with the provisions of 11 U.S.C. §§ 105 and 331.

Background

2. On April 1, 2003 (the "Petition Date"), each of the Debtors filed with this Court a voluntarily petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). The chapter 11 cases were procedurally consolidated for administrative purposes.

3. HSBC Bank USA is the successor Indenture Trustee (the "Trustee") under the Indenture of Mortgage and Deed of Trust, dated as of May 1, 1952 (as supplemented, the "Indenture"), among National Steel and Great Lakes Steel Corporation, as Issuers, City Bank Farmers Trust Company, as Trustee, and Ralph E. Morton, as Individual Trustee, pursuant to which \$60,500,000 aggregate principal amount of National Steel's First Mortgage Bonds, 8 $\frac{3}{8}$ % Series Due 2006 (the "8 $\frac{3}{8}$ % Bonds") and \$300,000,000 aggregate principal amount of National Steel's First Mortgage Bonds, 9 $\frac{7}{8}$ % Series D Due 2009 (the "9 $\frac{7}{8}$ % Bonds" and, together with the 8 $\frac{3}{8}$ % Bond, the "Bonds") each were issued and remain outstanding. The Trustee retained Kelley Drye as counsel in connection with the Bonds, and TJF as local counsel for certain litigation relating to the collateral securing the Bonds.

4. The holders of the First Mortgage Bonds (the "Bondholders") formed an unofficial *ad hoc* committee in these cases (the "Bondholders' Committee") of which the Trustee is a member.

5. On March 7, 2002, the Court entered an Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Periodic Compensation and Reimbursement of Expenses of Professionals (the "Fec Order"). A copy of the Fee Order is attached hereto as Exhibit A.

6. On June 6, 2002, the Court entered a Stipulation and Order Pursuant to 11 U.S.C. §§ 361 and 363 Granting Adequate Protection For the Ratable Benefit Of First Mortgage Bondholders (the "Adequate Protection Order").¹ A copy of the Adequate Protection Order is attached hereto as Exhibit B. Pursuant to the Adequate Protection Order, the Debtors agreed to provide adequate protection to the Bondholders, including the payment of the fees and expenses of the Trustee, together with the fees and costs incurred in connection with the Trustee's retained professionals.

7. Pursuant to the Adequate Protection Order, the Applicants agreed to apply to this Court for allowance and payment of compensation earned and reimbursement of expenses incurred in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Fee Order, the Local Rules, and any other orders entered by the Court in these cases regarding professional compensation.

8. The Applicants have not entered into any agreement, express or implied, with any other party for the purpose of fixing or sharing fees or other compensation to be paid for professional services rendered in these cases. No promises have been received by the Applicants or any member thereof as to compensation in connection with these cases other than in accordance with the provisions of the Bankruptcy Code.

9. On June 12, 2003, the Applicants submitted their first interim application (the "First Interim Application") for the period March 6, 2002 to March 31, 2003 (the "First Interim Compensation Period") seeking the allowance and award of interim compensation for (a) the Trustee in the amount of \$19,986.82, (b) Kelley Drye in the amount of \$182,596.57, subject to a

¹ The Bondholders and the Debtors subsequently executed a second stipulation and order granting adequate protection and a third stipulation and order granting adequate protection.

holdback in the amount of \$18,259.66, (c) TJF in the amount of \$959.50, subject to a holdback in the amount of \$95.95, (d) reimbursement of Kelley Drye's expenses in the amount of \$9,120.51, and (e) reimbursement of TJF's expenses in the amount of \$147.07.

10. On July 15, 2003, this Court entered an order granting the Applicants' First Interim Application (the "Interim Compensation Order").

11. The Applicants also submitted monthly fee statements for the period from April 1, 2003 through May 20, 2003, in accordance with the Fec Order and the Adequate Protection Order, seeking payment of interim compensation and reimbursement of expenses on a monthly basis.

12. Pursuant to the Fec Order, the Debtors have made monthly payments to the Applicants for services rendered and expenses incurred during the Final Compensation Period as follows:

- a. For the period from April 1, 2003 through April 30, 2003, the Debtors have paid the Applicants \$47,501.58 (90% of fees and 100% of disbursements);
- b. For the period from May 1, 2003 through May 20, 2003, the Debtors have paid the Applicants \$24,972.22 (90% of fees and 100% of disbursements);

13. By this Application, the Applicants are seeking, on a final basis, the allowance and award of (a) all amounts of compensation and reimbursements allowed and awarded pursuant to the Interim Compensation Order, (b) compensation for services rendered by the Trustee during the Final Compensation Period, (c) compensation for professional services

rendered by Kelley Drye, as counsel to the Trustee, during the Final Compensation Period, (d) compensation for professional services rendered by TJE, as local counsel to the Trustee, during the Final Compensation Period, (e) reimbursement of expenses incurred by Kelley Drye in connection with its services during the Final Compensation Period, and (f) the \$24,328.96 previously subject to a holdback with respect to the monthly payments made by the Debtors pursuant to the Fee Order.

14. Because this is the Applicants' final fee application, and in light of the prior confirmation of the Debtors' Plan of Reorganization, the Applicants respectfully request the release of the Holdback Amounts. The results of this chapter 11 case have been readily ascertained and there is no necessity to require that funds remain subject to a holdback.

Trustee's Compensation

15. The Trustee seeks the approval of the sum of \$7,604.40 for services rendered by the Trustee during the Final Compensation Period. Attached hereto as Exhibit C are the time entry records for the Trustee.

16. While the Trustee incurred fees totaling \$11,368.20 during the Final Compensation Period, we have reviewed the time entries of the Trustee for fees incurred for the general review of miscellaneous documents and court papers. Fees for those services total \$3,781.80 and fees for those services have not been included in the compensation sought by the Trustee in this Application.

Kelley Drye's Compensation and Expenses

17. Kelley Drye seeks approval of the sum of \$59,588.50 for legal services rendered to the Trustee during the Final Compensation Period, and \$4,108.13 for reimbursement of expenses incurred in connection with the rendition of such services, for a total award of \$65,568.95.

18. The fees sought reflect an aggregate of 188.3 hours of attorney and paraprofessional time spent and recorded in performing services for the Trustee during the Final Compensation Period, at a blended average hourly rate of \$316.46 for both professionals and paraprofessionals. The blended hourly rate for professionals only is \$337.53.

19. Kelley Drye rendered to the Trustee all services for which compensation is sought solely in connection with these cases, in furtherance of the duties and functions of the Trustee.

20. Kelley Drye maintains computerized records of the time expended in the rendition of the professional services required by the Trustee. These records are maintained in the ordinary course of Kelley Drye's practice. For the convenience of the Court and parties in interest, and in accordance with the Local Rules, billing summaries for the Final Compensation Period are attached hereto as Exhibit D, setting forth the name of each attorney and paraprofessional for whose work on these cases compensation is sought, each attorney's year of bar admission, the aggregate time expended by each such attorney and paraprofessional, the hourly billing rate for each such attorney or paraprofessional at Kelley Drye's standard billing rates, and the by-timekeeper amounts of compensation requested. The compensation requested by Kelley Drye is based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code. A description of the professional qualification of each attorney is attached hereto as Exhibit E.

21. Attached hereto as Exhibit F are time entry records broken down in tenths of an hour by matter and setting forth a detailed description of services performed by each attorney and paraprofessional on behalf of the Trustee.

22. Kelley Drye also maintains computerized records of all expenses incurred in connection with the performance of professional services. A summary of the amounts and categories of expenses for which reimbursement is sought is attached hereto as Exhibit G. Supporting documents for expenses incurred in April 1, 2003 through May 20, 2003 are attached hereto as Exhibit H.

23. While Kelley Drye has incurred a total of \$6,010.45 in expenses in connection with services rendered to the Trustee during the Final Compensation Period, Kelley Drye does not seek reimbursement for the following expenses:

4/20/03	Club Dues	\$50.00
4/24/03	Overtime Meal	\$26.55
4/25/03	Overtime Meal	\$13.45
5/12/03	Transportation/Lodging for Fee Application Hearing	\$1,757.79
5/13/03	Transportation from Fec Application Hearing	\$54.53
	TOTAL:	\$1,902.32

Accordingly, the amount of reimbursement sought by Kelley Drye in connection with the Final Compensation Period is \$4,108.13.

24. Throughout the Final Compensation Period, Kelley Drye has been acutely aware of cost considerations and has tried to minimize the expenses it incurs.

TJF's Compensation and Expenses

25. TJF seeks approval of the sum of \$175.00 for legal services rendered to the Trustee during the Final Compensation Period.

26. The fees sought reflect an aggregate of 1.0 hour of attorney time spent and recorded in performing services for the Trustee during the Final Compensation Period, at an hourly rate of \$175.00.

27. TJF rendered to the Trustee all services for which compensation is sought solely in connection with these cases, in furtherance of the duties and functions of the Trustee. The services rendered by TJF related to the Trustee's defense of a real estate partition action pending in District Court of Minnesota for the 9th Judicial District.

28. TJF maintains computerized records of the time expended in the rendition of the professional services required by the Trustee. These records are maintained in the ordinary course of TJF's practice. For the convenience of the Court and parties in interest, and in accordance with the Local Rules, billing summaries for the Final Compensation Period are attached hereto as Exhibit I, setting forth the name of the attorney for whose work on these cases compensation is sought, the attorney's year of bar admission, the aggregate of the time expended by such attorney, the hourly billing rate for such attorney at TJF's standard billing rate, and the by-timekeeper amounts of compensation requested. The compensation requested by TJF is based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code.

29. Attached hereto as Exhibit J are time entry records broken down in tenths of an hour by matter and setting forth a detailed description of services performed by the TJF attorney on behalf of the Trustee.

30. TJF has incurred no expenses in connection with services rendered to the Trustee during the Final Compensation Period.

Summary of Services

31. The professional services rendered by the Trustee, Kelley Drye, and TJF have directly contributed to the effective administration of the Debtors' estates. The following summarizes the services rendered during the Final Compensation Period and is not intended as a detailed description of such services, which is set forth in Exhibit F annexed hereto.

a. Case Administration

32. Applicants reviewed and analyzed certain pleadings filed by other parties in the bankruptcy cases to the extent necessary to determine whether such pleadings affect the rights of Bondholders.

33. Fees in this category total \$9,888.50 representing 23.80 hours of time spent.

b. Asset Disposition

34. Applicants reviewed and analyzed motions associated with the sale of assets, including the sale of the Bondholders' collateral, and negotiated and assisted with the sale of substantially all of the Debtors' assets to U.S. Steel including in the preparation of documents associated with the sale required to settle objections to the sale and for closing the transaction. Applicants also attended to distributions to Bondholders with respect to all collateral sale proceeds.

35. Fees in this category total \$9,466.00 representing 27 hours of time spent.

c. Real Estate Partition Action

36. Applicants settled the action to partition certain real property that is subject to the lien of the indenture.

37. Fees in this category total \$7,479.00 representing 25.1 hours of time spent.

d. Indenture Administration

38. Applicants engaged in telephone conferences and correspondences with Bondholders in connection with monitoring case status, and Applicants prepared notices to Bondholders in connection with the same.

39. Fees in this category total \$14,763.00, representing 40.2 hours of time spent.

f. Participation on *ad hoc* Committee

40. Applicants participated on conference calls with the *ad hoc* committee of Bondholders in connection with the bankruptcy case.

41. Fees in this category total \$2,592.50, representing 6.1 hours of time spent.

g. Monthly Fee Statements & Fee Application

42. Applicants devoted time preparing the First Interim Application and monthly fee statements from April 1, 2003 through May 20, 2003.

43. Fees in this category total \$15,369.50, representing 66.10 hours of time spent.

Factors To Be Considered in Awarding Attorneys' Fees

44. Section 330(a)(1) of the Bankruptcy Code provides that a court may award a professional employed in the case under section 1103 of the Bankruptcy Code "reasonable compensation for actual necessary services rendered . . . and reimbursement for actual, necessary expenses." Section 330(a)(3) further provides guidelines for awarding such fees and expenses:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent, and value of such services, taking into account all relevant factors, including -

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- (E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3). Case law establishes additional factors to be considered in awarding fees, including the time and labor required, the novelty and difficulty of questions, the skill requisite to perform the legal services properly, the preclusion of other employment by the applicant due to acceptance of the current case, the customary fee, whether the fee is fixed or contingent, time limitations imposed by the client or other circumstances, the amount involved and results obtained, the experience, reputation and ability of the attorneys, the "undesirability" of the case, and the nature and length of professional relationship. *See, e.g., In re First Colonial Corp. of America*, 544 F.2d 1291, 1298-99 (5th Cir. 1977); *In re Nine Assocs., Inc.*, 76 B.R. 943, 945 (S.D.N.Y. 1987).

45. The Trustee, Kelley Drye and TJF respectfully submit that the professional services rendered during the Final Compensation Period were reasonable and necessary and provided a benefit to the Debtors' estates. These services required a high level of professional competence and expertise, and such services were performed efficiently and effectively. The hourly rates billed by the Trustee, Kelley Drye and TJF were customary for professional services rendered in other matters and were fair and reasonable. Exhibit E attached to this Application describes the experience of Applicants' attorneys who have devoted time to the representation of the Indenture Trustee in these cases.

46. Kelley Drye submits that the expenses incurred during the Final Compensation Period were customary and necessary. Kelley Drye seek reimbursement only of its actual costs.

47. Kelley Drye and TJF have made every effort to restrict the number of lawyers involved in these cases to a minimum at any particular stage so as to minimize duplication of efforts and employ special expertise in a given field of law to obtain the best possible results.

**Applicants Seek Final Allowance and Award of
Interim Compensation Orders and Prior Holdback**

48. In addition to the relief sought herein relating to the Final Compensation Period, in this Application, the Applicants also seek final allowance and award of the amounts allowed and awarded in the Interim Compensation Order. The allowance and award, on a final basis, of the amounts allowed and awarded in the Interim Compensation Order and the release of the Holdback Amounts are appropriate at this time for all the reasons set forth herein and previously set forth in the First Interim Application.

49. The First Interim Application, with all respective exhibits thereto, are incorporated herein by reference.

Offsets Against Holdback Amounts

50. As set forth in the First Interim Application and paragraph 17 herein, the Applicants do not seek any Trustee's fees incurred for the general review of miscellaneous documents and court papers. During the First Interim Compensation Period, these fees equaled \$9,434.40. During this Final Interim Compensation Period, these fees equaled \$3,761.80. Pursuant to the monthly fee statements already submitted by the Applicants, however, the Debtors paid these amounts. As such, the Applicants acknowledge that the Debtors are entitled to offset the sum of \$13,196.20 from the Holdback Amounts.

51. In addition, due to an arithmetic error in the May monthly fee statement, the Debtors overpaid the Applicants in the amount of \$1,337. The Debtors paid the Applicants in connection with the May monthly fee statement \$24,972.22, when the amount actually owed to the Applicants was \$23,635.22. This reflects an overpayment of \$1,337. The Applicants acknowledge that the Debtors are entitled to offset this overpayment of \$1,337 from the Holdback Amounts.

52. Taking into account the offsets as mentioned above, the total amount currently due the Applicants on account of the Holdback Amounts is \$9,755.76.

WHEREFORE, for the reasons set forth above, the Trustee, Kelley Drye and TJF respectfully request that the Court enter an order, substantially in the form attached hereto as Exhibit K (a) authorizing and awarding, on a final basis (i) the amounts allowed and awarded in the Interim Compensation Order, (ii) compensation to the Trustee for professional services rendered during the Final Compensation Period in the amount of \$7,604.40, (iii) compensation to Kelley Drye for professional services rendered as counsel to the Trustee during the Final Compensation Period in the amount of \$59,558.50, (iv) compensation to TJF for professional services rendered as local counsel to the Trustee during the Final Compensation Period in the amount of \$175.00, (v) reimbursement to Kelley Drye of expenses incurred in connection with rendering its services in the amount of \$4,108.13, and (vi) the release of the Holdback Amounts, subject to offsets as discussed above and (b) granting such other and further relief that the Court deems just.

Dated: Chicago, Illinois
May 3, 2004

KELLEY DRYE & WARREN LLP

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Bondholders of National Steel Corporation, *et al.*

EXHIBIT A

Fec Order

EOB MAR -7 2002

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

02B03699

In re:)
)
NATIONAL STEEL CORPORATION,)
)
et al.,)
)
Debtors.)

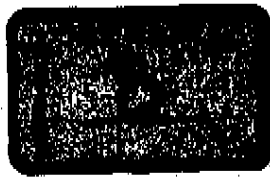
Case No. 02-1002
(Jointly Administered)
Chapter 11
Hon. SOUIRES, B.J.
447

ADMINISTRATIVE ORDER UNDER
11 U.S.C. §§ 105(a) AND 331 ESTABLISHING
PROCEDURES FOR PERIODIC COMPENSATION AND
REIMBURSEMENT OF EXPENSES OF PROFESSIONALS

This matter having come before the Court on the motion, dated
March 6, 2002 (the "Motion"),¹ of the above-captioned debtors and debtors-in-
possession (the "Debtors"), for an administrative Order under 11 U.S.C. §§ 105 and
331 establishing procedures for periodic compensation and reimbursement of
expenses of professionals (the "Professionals"); and the Court having reviewed the
Motion; and the Court having determined that relief requested in the Motion is in the
best interests of the Debtors, their estates, their creditors and other parties-in-interest;
and it appearing that notice of the Motion was good and sufficient under the
particular circumstances and that no other or further notice need be given; and upon
the record herein; and after due deliberation thereon; and good and sufficient cause
appearing therefor, it is hereby

¹ Unless otherwise defined, capitalized terms used herein shall have the
meanings ascribed to them in the Motion.

CH001/2011(1947.1)



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ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is GRANTED.

2. Except as may otherwise be provided in Court orders authorizing the retention of specific (i.e., ordinary course) Professionals, all Professionals in these cases shall seek interim compensation in accordance with the following procedures (the "Procedures"):²

3. On or before the 25th day of each month following the month for which compensation is sought,³ each Professional shall prepare a monthly statement of all fees and costs incurred (the "Monthly Fee Statement") during the preceding month,⁴ which Monthly Fee Statement shall include detailed itemizations of the services and hours expended by matter and Professional, and a summary statement of

² All time periods referenced in the Motion and this Order shall be calculated in accordance with Rule 9006(a) of the Federal Rules of Bankruptcy Procedure.

³ A Professional's first Monthly Fee Statement shall be filed on or before the later of (a) the 25th day of the month after the month in which this Order has been entered, or (b) the 25th day of the month after the month in which this Court enters an order approving the retention of a specific Professional. For administrative convenience, Professionals may combine as part of the first Monthly Fee Statement, all fees and expenses incurred during the period from the Petition Date through the end of the month in which a Professional is required to file their first Monthly Fee Statement, as described above.

⁴ For administrative convenience, those Professionals who are retained on a date occurring more than halfway through any given month may include those fees and expenses for that portion of the month with the Monthly Fee Statement such Professional is submitting for the next full month following the date of such Professional's retention.

the status of prior compensation requests, but which summary need not include the narrative discussion generally included in interim fee applications or a notarized certification of the Professional.

4. The Monthly Fee Statement shall be filed with the Court and served on the following parties (collectively, the "Notice Parties"): (i) National Steel Corporation, 4100 Edison Lakes Parkway, Mishawaka, IN 46545 (Attn: Ronald J. Werhnyak, Esq.); (ii) Section 327(e) counsel for the Debtors, Piper Marbury Rudnick & Wolfe, 203 North LaSalle Street, Suite 1800, Chicago, IL 60601 (Attn: Mark A. Berkoff, Esq.); (iii) Section 327(e) counsel for the Debtors, Skadden, Arps, Slate, Meagher & Flom (Illinois), 333 West Wacker Drive, Chicago, Illinois 60606 (Attn: Timothy R. Pohl, Esq.); (iv) counsel for the lenders, Weil, Gotshal & Manges (Attn: Elaine Stangland, Esq.); (v) the Office of the United States Trustee, 227 West Monroe Street, Suite 3350, Chicago, IL 60606 (Attn: Stephen Wolfe, Esq.); (vi) counsel for any statutory Committee(s) appointed in these cases; and (vii) any other Professionals (excluding Ordinary Course Professionals) retained pursuant to Order of this Court in these cases.

5. Each Notice Party shall have twenty (20) days after service of a Monthly Fee Statement to object thereto (the "Objection Deadline"). Any objections (an "Objection") to a Monthly Fee Statement shall set forth the nature of the objection and the specific amount of fees and/or costs at issue and shall be filed with the Court and served so as to be received on or before twenty (20) days following

service of the Monthly Fee Statement by (i) the Professional whose statement is objected to and (ii) the other Notice Parties.

6. If none of the Notice Parties objects before the Objection Deadline, then the Debtors shall be authorized to pay each Professional ninety percent (90%) of the fees and one-hundred percent (100%) of the expenses requested in the Monthly Fee Statement. If an Objection is received, then the objecting party and the affected Professional shall attempt to resolve the Objection on a consensual basis. If the parties are unable to reach a resolution of the Objection, the affected Professional shall either: (i) file a request for payment with the Court, which request shall be heard at the first scheduled omnibus hearing occurring at least twenty (20) days after the filing and service of such request, or (ii) forego payment of the disputed amount until the next interim or final fee application hearing, at which time the Court shall consider and dispose of the Objection. Even where an Objection is received, the Debtors shall be authorized to pay ninety percent (90%) of the fees and one-hundred percent (100%) of the reimbursements requested that are not the subject of the Objection. (e.g., if a Professional requests \$100 in compensation and \$5 is subject to an Objection, ninety percent of \$95 (or \$85.50) shall be paid).

7. Thereafter, at four month intervals (or at such other intervals convenient to the Court), each of the Professionals must file with the Court and serve on the Notice Parties an interim fee application (an "Interim Fee Application") for Court approval of the compensation and reimbursement of expenses sought in the

Monthly Fee Statements filed during such four month period (the "Interim Fee Period"). In addition to the service requirement in the previous sentence, each Professional shall serve notice of its Interim Fee Application (which notice identifies the Professional seeking compensation, discloses the period for which the fees and reimbursement of expenses are being sought, and describes the amount of the fees and expenses paid pursuant to these Procedures as well as those fees and expenses being sought) on all parties that have entered their appearance pursuant to Bankruptcy Rule 2002.

8. Each Professional must file its first Interim Fee Application on or before August 30, 2002, and the first Interim Fee Application should cover the Interim Fee Period from the Petition Date through and including July 31, 2002. Thereafter, Interim Fee Applications shall be due on or before the 25th day of the month following the end of the four month Interim Fee Period for which interim approval of compensation and reimbursement is sought.

9. Any Professional that fails to file an Interim Fee Application when due shall be ineligible to receive further interim payments of fees or expenses under these Procedures until such time as a further Interim Fee Application is submitted by the Professional.

10. The Debtors shall request that the Court schedule a hearing on the Interim Fee Applications after all such Applications for the Interim Fee Period have been filed, or at such other intervals as the Court deems appropriate. Upon

allowance by the Court of a Professional's Interim Fee Application, the Debtors shall be authorized to promptly pay such Professional all fees (including the ten percent (10%) holdback described above) and expenses not previously paid pursuant to the Monthly Fee Statements.

11. The pendency of an Objection to payment of compensation or reimbursement of expenses shall not disqualify a Professional from the future payment of compensation or reimbursement of expenses.

12. Neither (i) the payment of or the failure to pay, in whole or in part, monthly or interim compensation and reimbursement of expenses under these Procedures nor (ii) the filing of or failure to file an Objection shall bind any party in interest or the Court with respect to the allowance of interim or final applications for compensation and reimbursement of expenses of Professionals. All fees and expenses paid to Professionals under these Procedures are subject to disgorgement until final allowance by the Court.

13. Each member of the Committee in these cases shall be permitted to submit statements of expenses (excluding Committee member counsel fees and expenses) and supporting vouchers to counsel for the Committee, who shall collect and file such requests for reimbursement in accordance with the foregoing procedure for monthly, interim and final compensation and reimbursement of Professionals.

14. Compliance with the Procedures set forth above shall be deemed sufficient and adequate notice of interim and final fee applications and any hearings

thereon under the applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and the Local Rules of this Court.

15. Notwithstanding anything herein to the contrary, the Debtors' rights to seek approval of alternative procedures for periodic compensation and reimbursement of expenses of professionals are preserved.

Dated: Chicago, Illinois
March 6, 2002


UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Adequate Protection Order

IN THE UNITED STATES BANKRUPTCY COURT **E O D JUN - 6 2002**
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)
) Case No. 02-08699
) (Jointly Administered)
NATIONAL STEEL CORPORATION,)
) Chapter 11
 et al.,)
) Hon. John H. Squires
)
Debtors.)

**STIPULATION AND ORDER PURSUANT TO
11 U.S.C. §§ 361 AND 363 GRANTING ADEQUATE PROTECTION
FOR THE RATABLE BENEFIT OF FIRST MORTGAGE BONDHOLDERS**

On this 6th day of June 2002, for and in consideration of the mutual promises,

covenants and agreements set forth herein, the parties set forth below hereby stipulate and agree
(the "Stipulation") as follows:

RECITALS

WHEREAS, on March 6, 2002 (the "Petition Date"), the Debtors each filed voluntary petitions in the Bankruptcy Court for reorganization relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101-1330 (as amended, the "Bankruptcy Code"). The Debtors continue to manage and operate their businesses as debtors and debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

WHEREAS, on March 19, 2002, the United States Trustee appointed the official committee of unsecured creditors of the Debtors (the "Creditors' Committee"). No trustee or examiner has been appointed.

WHEREAS, the Bankruptcy Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. Venue of this case and matter in this district is proper pursuant to 28 U.S.C.

JK

§§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief sought herein are sections 361 and 363 of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

WHEREAS, National Steel is the Mortgagor under that certain Indenture of Mortgage and Deed of Trust dated May 1, 1952 (as amended and supplemented from time to time, the "Bond Indenture") with HSBC Bank USA, as successor trustee (the "Trustee") to The Chase Manhattan Bank, and Frank J. Grippo, as individual trustee. Pursuant to the Bond Indenture, certain of the Debtors are obligors under two outstanding series of public bonds: the 8 3/8% 2006 Series Bonds and the 9 7/8% 2009 Series D Bonds (collectively, the "First Mortgage Bonds").

WHEREAS, holders of the First Mortgage Bonds (the "First Mortgage Bondholders") have formed an unofficial ad hoc committee in these cases (the "Bondholders Committee").

WHEREAS, the Debtors admit that National Steel Corporation is truly and justly indebted under the 8 3/8% 2006 Series Bonds and 9 7/8% 2009 Series D Bonds as of the Petition Date in the aggregate principal amounts of \$60,000,000 and \$300,000,000, respectively, without defense, counterclaim or offset of any kind. The members of the Bondholders Committee collectively hold, as of the date hereof, in excess of 50% of the aggregate principal amount owing under the First Mortgage Bonds. The Debtors admit that the First Mortgage Bondholders were granted first priority liens (the "Petition Date Bondholder Liens") in substantially all of the land (excluding certain unimproved land), buildings and equipment (excluding, generally, mobile

equipment) that are owned in fee by the Debtors at the Granite City Division and the Regional Division (collectively, "Petition Date Bondholder Collateral").¹

WHEREAS, the Debtors further admit that the Petition Date Bondholder Liens constitute valid, binding, enforceable (other than in respect of the stay of enforcement arising from section 362 of the Bankruptcy Code) and perfected first priority liens in the Petition Date Bondholder Collateral (subject only to prior liens expressly permitted by the Bond Indenture), and are not subject to avoidance or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

WHEREAS, the Trustee and Bondholders Committee have asserted that they are entitled to adequate protection of their interests in the Petition Date Bondholder Collateral. The Debtors and Bondholders Committee have negotiated in good faith an agreement providing for the provision of adequate protection for the benefit of the First Mortgage Bondholders pursuant to sections 361 and 363 of the Bankruptcy Code as set forth herein.

WHEREAS, the granting of the adequate protection as set forth herein will minimize disputes and litigation over the value and use by the Debtors of the Petition Date Bondholder Collateral.

WHEREAS, the notice of the hearing at which this Stipulation was entered and approved by the Bankruptcy Court, which notice was provided by the Debtors to the Master

¹ The First Mortgage Bondholders were not granted liens under the Bond Indenture in, among other things, that certain vacuum degassing facility and pickle line facility which service the Great Lakes Division nor in that certain continuous caster description of the Petition Date Bondholder Collateral to the Bondholder Committee as soon as practicable.

Service List (which includes, among other entities, the United States Trustee, counsel for the Debtors' postpetition lenders and counsel for the Creditors' Committee) and all parties having filed proper notices of appearance in these cases, constitutes reasonable and adequate notice under the circumstances in accordance with the Bankruptcy Code, Bankruptcy Rules and case management order (Docket No. 47) and no other notice is required or need be given.

WHEREAS, good and sufficient cause has been shown for approval of this Stipulation. Among other things, the approval of this Stipulation will enable the Debtors to continue the operation of their businesses while avoiding disputes with the Trustee and Bondholders Committee with respect to adequate protection. Accordingly, approval of this Stipulation is in the best interests of the Debtors and their estates and creditors.

WHEREAS, the Trustee and Bondholders Committee are non-insiders of the Debtors, and the Debtors, the Trustee and Bondholders Committee have negotiated this Stipulation and the adequate protection requested hereunder in good faith and at arms' length.

NOW THEREFORE, in consideration of the foregoing, the Debtors, the Trustee and Bondholders Committee through their undersigned counsel, hereby agree and stipulate as follows:

1. The terms and conditions of this Stipulation shall become effective only upon approval of this Stipulation by the Bankruptcy Court.
2. The Debtors' agreement to grant adequate protection to the Trustee for the ratable benefit of the First Mortgage Bondholders as set forth below is reasonable and appropriate under the circumstances.

The fees and expenses described in this paragraph 4 shall be subject in all respects to the process for payment of fees and expenses, as well as interim and final approval by the Bankruptcy Court, as set forth in the Bankruptcy Court's order dated March 6, 2002, governing interim compensation of professionals (Docket No. 34).

(b) To secure the claims set forth in paragraph 6 below, for the ratable benefit of all First Mortgage Bondholders, the Trustee shall be granted liens and security interests (the "Adequate Protection Liens") in all of the Debtors' assets not constituting Petition Date Bondholders Collateral (the "Adequate Protection Collateral"). The Adequate Protection Liens shall be:

(i) pursuant and subject to the approved subordination terms attached hereto as Exhibit 1 (the "Subordination Agreement"),² junior and subordinate to the liens granted on the Adequate Protection Collateral to the lenders (the "DIP Lenders") under the Debtors' debtor-in-possession financing facility (the "DIP Facility"), and any other valid, enforceable liens on the Adequate Protection Collateral in existence on the Petition Date to which the DIP Facility liens are subject, as set forth in that certain order dated April 3, 2002 approving the DIP Facility on a final basis entered by the Bankruptcy Court (Docket No. 345) (the "Final DIP Order");

² The approved subordination terms are attached as Annex I to the First Amendment to Secured Super Priority DIP Credit Agreement and Authorization.

(ii) senior and superior to any liens granted on the Adequate Protection Collateral that secure any prepetition or postpetition claims of NKK Corporation or its affiliates;

(iii) subject and subordinate to the Carve-Out as defined and described in the Final DIP Order, which Carve-Out shall also be for the benefit of the fees and expenses professionals retained by the Bondholders Committee incurred through the date of termination of this Stipulation pursuant to paragraph 11 below; and

(iv) ratable liens on a pari passu basis with any adequate protection liens granted by the Debtors in the Adequate Protection Collateral to any other party entitled to adequate protection as may be agreed to by the Debtors (subject to the approval of the Bankruptcy Court).

5. Subject to the further approval of the Bankruptcy Court, the Debtors may also grant adequate protection liens on the Petition Date Bondholder Collateral as adequate protection to other secured creditors, provided however that (a) such liens are junior, subject and subordinate in every and all respect to the Petition Date Bondholder Liens on the Petition Date Bondholder Collateral and (b) the holders of such junior liens shall be subject in all respects to an agreement incorporating terms substantially similar to those set forth in the Subordination Agreement.

6. The Adequate Protection Liens granted pursuant to this Stipulation shall secure (a) interest on the principal amount owing under the First Mortgage Bonds accruing since the Petition Date at the default contract rate (but only to the extent that the First Mortgage

3. The Debtors are authorized to take any and all actions necessary or desirable to perform the Debtors' obligations and the transactions contemplated by this Stipulation.

4. Specifically, pursuant to sections 361 and 363 of the Bankruptcy Code, as adequate protection:

(a) The Debtors shall make provisional payment on a monthly basis of:

(i) reasonable fees and expenses of legal professionals for the Bondholders Committee (lead counsel and local counsel), plus payment of reasonable legal fees and expenses of outside counsel to the Trustee (which shall not be unreasonably duplicative of legal fees and expenses incurred by the Bondholder Committee), based upon submission of monthly fee statements similar to those submitted by the professionals for the Creditors' Committee;

(ii) reasonable fees and expenses of one financial advisor to the Bondholders Committee, based upon submission of monthly fee statements similar to those submitted by the professionals for the Creditors' Committee, provided however that if the financial advisor retained by the Bondholder Committee is to be compensated on a flat monthly fee basis, such monthly fee shall not exceed \$125,000 per month; and

(iii) reasonable expenses of members of the Bondholders Committee if such expenses are incurred in the performance of the duties of such committee.

Bondholders are entitled to be paid post-petition interest pursuant to 11 U.S.C. § 506(b) as determined by the Bankruptcy Court, with the Debtors and any other party reserving their rights to challenge the allowability of postpetition interest), and (b) the amount of diminution of the value (if any) of the Petition Date Bondholder Collateral from the Petition Date.

7. Consistent with paragraph 13 of the Final DIP Order, if after an unwaived event of default under the DIP Facility the DIP Lenders exercise their rights and remedies upon any of the Adequate Protection Collateral or Petition Date Bondholder Collateral, then the automatic stay under section 362 of the Bankruptcy Code shall, at that time, be deemed modified to the extent necessary to allow the Trustee to exercise any rights or remedies that the Trustee may have under non-bankruptcy law with respect to the Petition Date Bondholder Collateral and Adequate Protection Collateral, subject to the provisions of the Subordination Agreement. The Trustee's nonbankruptcy rights and remedies with respect to the Petition Date Bondholder Collateral shall be as set forth in the Bond Indenture and related documents, and to the extent the exercise of rights and remedies with respect to the Adequate Protection Collateral is permitted under the Subordination Agreement, such rights and remedies shall be deemed to be those set forth in the DIP Facility.

8. The Debtors hereby waive any right to contest the validity and enforceability of the claims of the First Mortgage Bondholders as of the Petition Date, or the validity and enforceability of the Petition Date Bondholder Liens on the Petition Date Bondholder Collateral; provided that, the Creditors' Committee and other parties shall have until the earlier of the following dates to file appropriate pleadings to challenge the claims of or the validity, extent or priority of liens held by the Bondholders in the Petition Date Bondholder

Collateral: (i) a date which is 90 days following the date of a written notice from counsel to the First Mortgage Bondholders to counsel for the Creditors' Committee stating that the First Mortgage Bondholders are scheduling a date certain by which such claims must be brought or (ii) a date which is 90 days following the date on which the First Mortgage Bondholders declare in writing that the Stipulation is terminated. If no such challenge or claim is made by the earlier of the aforesaid dates, then such claims and liens of the First Mortgage Bondholders shall be deemed valid and binding on all parties.

9. The Debtors shall cooperate in providing reasonable access as requested by the Bondholders Committee financial advisor to enable such advisor to evaluate and analyze the Petition Date Bondholder Collateral for all valuation purposes.

10. The Debtors shall provide to the Bondholders Committee and its advisors copies of all reports provided to the Creditors' Committee, subject to the execution by Bondholder Committee members or any professionals retained by the Bondholders Committee of confidentiality agreements in substantially the form executed by the Creditors' Committee and its advisors; provided that materials addressing or relating to disputes or potential disputes with the First Mortgage Bondholders shall not be provided.

11. On not less than 30 days' notice to the Debtors, the Creditors' Committee, and Agent for the DIP Lenders, the Bondholders Committee may terminate this Stipulation, and seek further adequate protection for any reason. Upon such termination, all obligations of the Debtors set forth herein shall cease, provided that all rights and interests existing as of the effective date of such termination shall remain in full force and effect.

12. The Debtors, the Trustee and the Bondholders Committee each reserve all of their respective rights with respect to all valuation issues and the Debtors reserve all of their rights as to whether the First Mortgage Bondholders are entitled to adequate protection and, if so, in what manner and amount, including without limitation whether or not there is or has been any diminution in the value of the Petition Date Bondholder Collateral, including to seek to allocate the payments of fees and expenses made pursuant to paragraph 4(a) above to principal outstanding under the First Mortgage Bonds. If the Debtors, the Trustee and the Bondholders Committee are unable to reach an ultimate agreement with respect to the amount and treatment of First Mortgage Bondholder claims or adequate protection claims (if any), disputes shall be resolved by the Bankruptcy Court.

13. If the Debtors agree to provide adequate protection to any other secured creditor, then the Debtors may only agree to grant such adequate protection on terms substantially similar to or less favorable than those granted hereunder, unless with respect to any superior terms (including the provision of any periodic cash payments), the Debtors provide such terms to the Trustee and First Mortgage Bondholders. Nothing herein shall be deemed a waiver of the restrictions on the provision of adequate protection by the Debtors contained in the DIP Facility or the Subordination Agreement. This paragraph 13 shall only apply to adequate protection terms agreed to by the Debtors on a consensual basis.

14. The Trustee may file a copy of this Stipulation as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which the Debtors have real or personal property. This Stipulation, once approved by the Bankruptcy Court, shall evidence the validity and priority of

the Adequate Protection Liens without any need for the Indenture Trustee or First Mortgage Bondholders to otherwise file or record this Stipulation for the purpose of perfecting the interests granted herein.

National Steel Corporation and its affiliates

By: *Mark A. Allen*

Its: *SVP and Chief Financial Officer*

Bondholders Committee

By: *Ray Strunk*

Its: *Counsel*

HSBC Bank USA

By: _____

Its: _____

SO ORDERED this *6* day of *July*, 2002

James H. Quinn
United States Bankruptcy Judge


National Steel Corporation and its
affiliates

By: _____
Its: _____

Bondholders Committee

By: _____
Its: _____

HSBC Bank USA

By:  _____
Its: VICE PRESIDENT

SO ORDERED this ___ day of May, 2002

United States Bankruptcy Judge

**FIRST AMENDMENT
TO
SECURED SUPER PRIORITY DEBTOR IN POSSESSION CREDIT AGREEMENT
AND AUTHORIZATION**

THIS FIRST AMENDMENT TO SECURED SUPER PRIORITY DEBTOR IN POSSESSION CREDIT AGREEMENT AND AUTHORIZATION (the "*First Amendment*"), dated as of May __, 2002, by and among NATIONAL STEEL CORPORATION, a Delaware corporation (the "*Borrower*"), the Requisite Lenders (as defined below), the Issuers (as defined below), CITICORP USA, INC. ("*CUSA*"), as agent for the Lenders and the Issuers (in such capacity, the "*Administrative Agent*"), HELLER FINANCIAL, INC. ("*Heller*") as Collateral Monitoring Agent, FLEET CAPITAL CORPORATION ("*Fleet*") and THE CIT GROUP/BUSINESS CREDIT, INC. ("*CIT*") as Documentation Agents, HELLER FINANCIAL, INC. and GMAC BUSINESS CREDIT, LLC ("*GMAC*") as Syndication Agents, MIZUHO CORPORATE BANK, LTD., formerly known as THE FUJI BANK, LIMITED as Co-Arranger, and SALOMON SMITH BARNEY INC., as Sole Book Manager and Sole Lead Arranger, to that certain Secured Super Priority Credit Agreement dated as of March 6, 2002 by and among the Borrower, the Administrative Agent, the Collateral Monitoring Agent, the Documentation Agents, the Syndication Agents, the Co-Arranger, the Lenders and Issuers, and SSBI (the "*Credit Agreement*"; capitalized terms used herein but not defined herein being used herein as defined in the Credit Agreement).

WITNESSETH:

WHEREAS, the Borrower, the Lenders, the Administrative Agent, the Collateral Monitoring Agent, the Documentation Agents and the Syndication Agents are parties to the Credit Agreement; and

WHEREAS, the parties hereto wish to amend the terms of the Credit Agreement as set forth herein; and

WHEREAS, the Obligations are "Senior Loan Obligations" under and as defined in the Lien Subordination Agreement dated as of September 28, 2001 among CUSA as administrative agent under the Pre-petition Credit Agreement, NKK Corporation, as successor in interest to NUF LLC ("*NKK*"), a Delaware limited liability company, the Borrower and certain of the Guarantors, as amended (the "*Lien Subordination Agreement*");

WHEREAS, the Lenders wish to authorize the Administrative Agent to waive, on the terms and conditions set forth below, certain provisions of the Lien Subordination Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Amendment to Article I Definitions, Interpretation and Accounting Terms.

(a) Section 1.1 of the Credit Agreement is hereby amended by amending and restating in its entirety the definition of "*Net Cash Proceeds*" as follows:

"*Net Cash Proceeds*" means proceeds received by any Loan Party after the Effective Date in cash or Cash Equivalents from any (a) Asset Sale net of (i) the reasonable cash costs of sale, assignment or other disposition, (ii) taxes paid or payable as a result thereof and (iii) any amount required to be paid or prepaid on Indebtedness (other than the Obligations) secured by a perfected and unavoidable Lien on the assets subject to such Asset Sale; *provided, however*, that evidence of each of (i), (ii) and (iii) above is provided to the Administrative Agent in form and substance reasonably satisfactory to it; and (b) Property Loss Event, net of any amount to the extent required to be paid or prepaid on Indebtedness (other than Obligations) secured by a valid, binding, perfected and unavoidable Lien on the assets giving rise to the Property Loss Event.

(b) Section 1.1 of the Credit Agreement is hereby amended by adding new definitions for "*Adequate Protection Claims*," "*Adequate Protection Lien*," "*Demonstrable Diminution in Value Claim*," "*Permitted Adequate Protection Lien*" and "*Pre-petition Secured Claim*" in appropriate alphabetical order therein as follows:

"*Adequate Protection Claims*" means Claims for adequate protection granted pursuant to an order of the Bankruptcy Court to the holder of a Pre-petition Secured Claim which shall not exceed the amount of the Demonstrable Diminution in Value Claim of the holder of such Pre-petition Secured Claim. "*Adequate Protection Claims*" may include Claims based on the amount of interest, costs and fees accrued from and after the Petition Date in respect of the Pre-petition Secured Claim to which such Claims relate that is allowable under section 506(b) of the Bankruptcy Code based on the value of (i) the collateral subject to the Lien securing the related Pre-petition Secured Claim and (ii) that portion of the collateral subject to the Lien granted under Section 361 of the Bankruptcy Code securing the related Demonstrable Diminution in Value Claim.

"*Adequate Protection Lien*" means a Lien granted under Section 361 of the Bankruptcy Code to secure an Adequate Protection Claim.

"*Demonstrable Diminution in Value Claim*" means a Claim for adequate protection equal to the demonstrable diminution of value of collateral securing a Pre-petition Secured Claim (exclusive of that portion of the collateral of the holder of such Claim which is subject to a Lien granted under Section 361 of the Bankruptcy Code).

"*Permitted Adequate Protection Lien*" means an Adequate Protection Lien, other than any such Lien provided to NKK or any assignee thereof, which is subject to and governed by terms substantially the same as the Approved Subordination Terms set forth on *Exhibit L*.

"*Pre-petition Secured Claim*" means Claims existing on the Petition Date which are subject to a valid, perfected, enforceable and unavoidable Lien in one or more assets of the Borrower or any Obligor.

Section 2. Amendment to Article II The Facilities.

(a) *Clause (l)* of *Section 2.4* of the Credit Agreement is hereby amended by deleting the reference to "*Section 2.12(c)*" therein and inserting the reference "*clause (c)* of *Section 2.13*" in its place.

(b) *Section 2.8* of the Credit Agreement is hereby amended by deleting the reference to "*13.4(b)*" therein.

(c) *Clause (h)* of *Section 2.14* of the Credit Agreement is hereby amended by deleting the reference "*Section 2.1(b) (Tranches: Priority of Funding and Use)*" therein and inserting the reference "*clause (c)* of *Section 2.1 (Maximum Credit)*" in its place.

Section 3. Amendment to Article VIII Negative Covenants.

Section 8.2 of the Credit Agreement is hereby amended by deleting the word "and" at the end of *clause (f)* thereof, by deleting the punctuation "." at the end of *clause (g)* thereof and inserting in its place the punctuation ";", and by inserting at the end thereof a new clauses (h) and (i) as follows:

"(h) Permitted Adequate Protection Liens; and

(i) Adequate Protection Liens for the benefit of NKK that are, in a manner satisfactory to the Administrative Agent, subordinated to the Obligations pursuant to that certain Lien Subordination Agreement dated as of September 28, 2001, among Citicorp, USA, Inc., as administrative agent under the Pre-petition Credit Agreement, the Borrower, Pellet, Pro-Coil, NSFC and NSH."

Section 4. Amendment to the Exhibits.

The Exhibits to the Credit Agreement are hereby amended by adding a new "Exhibit L" in the form of Annex I hereto.

Section 5. Authorization.

The Lenders hereby authorize the Administrative Agent to waive the provisions of Section 4 and Section 6.5 of the Lien Subordination Agreement to allow NKK to seek and receive (without an obligation to pay over) adequate protection payments solely in respect of NKK's attorneys' fees in the Cases to the extent authorized by the Bankruptcy Court, and to seek a subordinated Adequate Protection Lien, provided that NKK delivers to the Administrative Agent a writing, in form and substance satisfactory to the Administrative Agent, acknowledging and agreeing that:

- (a) the Obligations are "Senior Loan Obligations" under (and as defined in) the Lien Subordination Agreement;
- (b) any and all Adequate Protection Liens granted to NKK in the Cases are and shall be subordinated to any and all Liens securing any "Senior Loan Obligations" (as defined in the Lien Subordination Agreement) on the same terms and conditions as set forth in the Lien Subordination Agreement (including, without limitation, Sections 2, 3, 4 and 5 thereof);
- (c) the Administrative Agent and the Lenders are entitled to and may exercise all rights and benefits under the Lien Subordination Agreement of, in the case of the Administrative Agent, the "Senior Agent" thereunder (and as defined therein) and in the case of the Lenders, the "Senior Lenders" thereunder (and as defined therein), *mutatis mutandis*, as if each were a signatory thereto; and
- (d) such other provisions as the Administrative Agent deems advisable.

Section 6. Conditions of Effectiveness.

This First Amendment shall become effective when, and only when, the Administrative Agent shall have received copies of this First Amendment duly executed by the Borrower and Lenders constituting the Requisite Lenders.

Section 7. Representations and Warranties.

The Borrower represents and warrants to the Administrative Agent and each Lender that this First Amendment has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms. After giving effect to this First Amendment, each of the representations and warranties set forth in *Article IV (Representations and Warranties)* of the Credit Agreement is true and correct on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, and no Immediate Default or Event of Default has occurred and is continuing.

Signature Page to Stipulation and Order Pursuant
to 11 U.S.C. §§ 361 and 363 Granting Adequate
Protection for the Benefit of First Mortgage Bondholders

Mr. Russ Paladino, as Individual Trustee

By: Kelley Drye & Warren, his authorized counsel

By: 
Mark R. Somerstein

Section 8. Reference to the Effect on the Loan Documents.

(a) Upon the effectiveness of this First Amendment, on and after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference in the other Loan Documents to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended hereby, and this Amendment and the Credit Agreement shall be read together and construed as a single instrument.

(b) Except as specifically amended herein, the Credit Agreement and all other Loan Documents shall remain in full force and effect in accordance with their respective terms and are hereby ratified and confirmed.

(c) The Borrower reaffirms its prior grant under the Credit Agreement of a valid and continuing security interest in, lien on, and right of set-off against, all of the Collateral of the Borrower, whether now owned or existing or hereafter acquired or arising, regardless of where located, and the priority of the Administrative Agent's Claim as set forth in Section 2.20 of the Credit Agreement.

(d) The execution, delivery and effectiveness of this First Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any covenant, agreement or provision of any of the Loan Documents.

Section 9. Guarantors' Consent.

Each Guarantor hereby consents to, and agrees to be bound by, the terms of the Credit Agreement as amended hereby and agrees that the terms of this Amendment shall not affect in any way its obligations and liabilities under the Loan Documents, all of which obligations and liabilities shall remain in full force and effect and each of which is hereby reaffirmed.

Section 10. Execution in Counterparts.

This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 11. Governing Law.

This First Amendment shall be governed by and construed in accordance with the law of the State of New York.

Section 12. Headings.

Section headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by their respective officers and members thereunto duly authorized, as of the date first above written.

NATIONAL STEEL CORPORATION,
as Borrower

By: _____
Title:

CITICORP USA, INC.,
as Administrative Agent

By: _____
Title:

HELLER FINANCIAL, INC.
*as Syndication Agent and
Collateral Monitoring Agent*

By: _____
Title:

GMAC BUSINESS CREDIT, LLC
as Syndication Agent

By: _____
Title:

FLEET CAPITAL CORPORATION
as Documentation Agent

By: _____
Title:

THE CIT GROUP/ BUSINESS CREDIT, INC.
as Documentation Agent

By: _____
Title:

SALOMON SMITH BARNEY INC.
as Arranger

By: _____
Title:

MIZUHO CORPORATE BANK, LTD. (formerly known
as THE FUJI BANK, LIMITED)
as Co-Arranger

By: _____
Title:

CITIBANK, N.A.
as Issuer

By: _____
Title:

Lenders:

CITICORP USA, INC.

By: _____
Title:

NATIONAL CITY COMMERCIAL FINANCE, INC.

By: _____
Title:

MIZUHO CORPORATE BANK, LTD. (formerly known
as THE FUJI BANK, LIMITED)

By: _____
Title:

HELLER FINANCIAL, INC.

By: _____
Title:

Consented to, Acknowledged and
Agreed as of May __, 2002:

NS HOLDINGS CORPORATION,
NATIONAL STEEL PELLET COMPANY,
PROCOIL CORPORATION,
AMERICAN STEEL CORPORATION,
D.W. PIPELINE COMPANY,
GRANITE CITY STEEL COMPANY,
GRANITE INTAKE CORP.,
GREAT LAKES STEEL CORPORATION,
THE HANNA FURNACE CORPORATION,
HANNA ORE MINING COMPANY,
INGLESIDE CHANNEL & DOCK CO.,
INGLESIDE POINT CORPORATION,
INGLESIDE HOLDINGS, L.P.,
LIBERTY PIPE AND TUBE, INC.,
MID-COAST MINERALS CORPORATION,
MIDWEST STEEL CORPORATION,
NSC REALTY CORPORATION,
NS LAND COMPANY,
NS TECHNOLOGIES, INC.,
NSL, INC.,
NATCOAL, INC.,
NATIONAL ACQUISITION CORPORATION,
NATIONAL CASTER ACQUISITION CORPORATION,
NATIONAL CASTER OPERATING CORPORATION,
NATIONAL CASTING CORPORATION,
NATIONAL COAL MINING COMPANY,
NATIONAL COATING LIMITED CORPORATION,
NATIONAL COATING LINE CORPORATION,
NATIONAL MATERIALS PROCUREMENT CORPORATION,
NATIONAL MINES CORPORATION,
NATIONAL ONTARIO CORPORATION,
NATIONAL ONTARIO II, LIMITED,
NATIONAL PICKLE LINE CORPORATION,
NATIONAL STEEL CORPORATION (NEW YORK),
NATIONAL STEEL FUNDING CORPORATION,
NATLAND CORPORATION,
PETER WHITE COAL MINING CORP.,
PURITAN MINING COMPANY,
ROSTRAVER CORPORATION,
SKAR-ORE STEAMSHIP CORPORATION,
THE TEAL LAKE IRON MINING COMPANY,
as Guarantors

By: _____
Title: Authorized Signatory

Annex I

Exhibit L

Approved Subordination Terms

Section 1. Definitions As used in this Exhibit L ("Approved Subordination Terms"), the following terms shall have the following meanings and capitalized terms defined in the Agreement and used (but not otherwise defined) herein shall have the meanings ascribed to them in the Agreement. The provisions of Section 1.5 of the Agreement shall apply to this Exhibit.

"Holder" means a Person or any agent for such Person (including an indenture trustee) that holds a Pre-petition Secured Claim.

"Insolvency or Liquidation Proceeding" means (a) any voluntary or involuntary case or proceeding under the Bankruptcy Code with respect to the Borrower or any other Obligor, including the Casca, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to the Borrower or any other Obligor or with respect to any of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of the Borrower or any Obligor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of the Borrower or any other Obligor.

"Lien Subordination" means the subordination of the Adequate Protection Liens substantially on the terms set forth herein.

"Obligor" means any Loan Party and any other obligor under the Senior Loan Documents.

"paid in full" and "payment in full" means, with respect to any and all Senior Loan Obligations, payment in full thereof in cash (or otherwise to the written satisfaction of the Senior Lenders, including, in the case of any outstanding Letter of Credit, receipt of cash collateral or a backstop letter of credit in respect thereof on terms acceptable to the Requisite Senior Lenders) in an amount equal to 105% of the amount available to be drawn under such Letter of Credit, and termination of the Commitments of the Senior Lenders and all other obligations under the Senior Credit Agreement.

"Senior Agent" means the Administrative Agent and/or the Collateral Agent, as the context requires or permits and any successor thereto exercising substantially the same rights and powers under any of the Senior Loan Documents (or if there is more than one, a majority thereof) or if there is no acting Senior Agent under the Senior Loan Documents, Senior Lenders holding at least a majority of the then outstanding Senior Loan Obligations.

"Senior Lenders" means the Secured Parties under and as defined in the Agreement and each and every other holder of a Senior Loan Obligation.

"*Senior Loan Documents*" means the Agreement and each of the other Loan Documents, any and all documents evidencing or creating any Senior Loan Obligations and all documents and instruments delivered in connection with or pursuant thereto or under which a Lien is granted on any of the Collateral or under which rights or remedies with respect to any of the foregoing are governed, as any such document or instrument may from time to time be amended, renewed, restated, supplemented or otherwise modified, including to increase the amount of Senior Loan Obligations, change the tenor thereof, the interest rate thereon or to add or modify covenants and other terms applicable thereto.

"*Senior Loan Obligations*" means (a) all Obligations, (b) the principal of, interest on and fees, expenses and other obligations under or in respect of all loans, letters of credit and other extensions of credit under any financing under Section 364 of the Bankruptcy Code, or any arrangement for use of cash collateral under Section 363 of the Bankruptcy Code, (c) all interest, expenses, fees, reimbursements, indemnities and other similar amounts owing pursuant to any of the Senior Loan Documents, (d) any amounts advanced by any of the Senior Lenders to acquire, pay or otherwise satisfy, discharge or reduce any claim secured by a Lien on the Collateral which is senior to a Lien granted to the Senior Lenders pursuant to the Senior Loan Documents, (e) any other advance or extension of credit by any Senior Lender for the purpose of maintaining, preserving or protecting any of the Collateral. Senior Loan Obligations shall include any and all covenants, amounts, obligations and duties owing by Borrower or any other Obligor with respect to any extension of credit or any commitment or agreement relating thereto, howsoever designated and to whomsoever owed, that restates, amends, supplements, refinances or replaces any of the Senior Loan Obligations described in the preceding sentence, regardless of the amount, tenor or purpose thereof incurred during the pendency of any of the Cases, or, to the extent that the Adequate Protection Lien of the applicable Subordinated Holders has not been extinguished or terminated, after termination or other dismissal of the Cases or upon or after the reorganization or liquidation of any such Obligor. Senior Loan Obligations shall also include all interest accrued or accruing (or which would, absent the commencement of an Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the Senior Loan Documents whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding. To the extent any payment with respect to the Senior Loan Obligations (whether by or on behalf of the Borrower or any Obligor, as proceeds of security, enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential in any respect, set aside or required to be paid to a debtor in possession, trustee, receiver or similar Person, then the obligation or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

"*Subordinated Holders*" shall mean the Persons holding Adequate Protection Liens, but only in their capacity as holders of such Adequate Protection Liens.

Section 2. Lien Priorities

2.1 Subordination

Notwithstanding the date, manner or order of grant, attachment or perfection:
(a) any Lien on the Collateral securing the Senior Loan Obligations now or hereafter held by the