SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

REPUBLIC TECHNOLOGIES INTERNATIONAL INC
CIK:**1013335**| IRS No.: **133753384** | State of Incorp.:**DE** | Fiscal Year End: **1227**
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SIC: **3312** Steel works, blast furnaces & rolling mills (coke ovens)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): AUGUST 13, 1999

REPUBLIC TECHNOLOGIES INTERNATIONAL, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	333-04254	13-3753384
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

3770 EMBASSY PARKWAY, AKRON, OHIO 44333
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

---

(330) 670-3000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

BAR TECHNOLOGIES INC.
(FORMER NAME OR ADDRESS, IF CHANGED SINCE LAST REPORT)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On August 13, 1999, Republic Technologies International, Inc., a Delaware corporation named Bar Technologies Inc. prior to that date (the "Company"), consummated the combination (the "Combination") of the operating assets and liabilities of the Company with Republic Engineered Steels, Inc., a Delaware corporation ("Republic"), and the steelmaking and bar producing assets of USS/Kobe Steel Company, an Ohio general partnership ("USS/Kobe"), of which USX Corporation ("USX") and Kobe Steel, Ltd. ("Kobe") each were indirectly 50% partners. Pursuant to the Combination, the operating assets and liabilities of the Company were contributed to a newly formed limited liability company, Republic Technologies International, LLC, a Delaware limited liability company ("RTI, LLC"), and Republic and the direct partners of USS/Kobe were merged with and into RTI, LLC, resulting in RTI, LLC holding the operating assets and liabilities of each of the Company, Republic and USS/Kobe (other than certain unrelated seamless tube producing assets of USS/Kobe that were spun off prior to consummation of the Combination). As a result of the Combination, the Company received an approximately 70% indirect managing membership interest in RTI, LLC, as further described below. Prior to the Combination, the Company and Republic were each controlled by affiliates of The Blackstone Group. Following the consummation of the Combination, affiliates of The Blackstone Group continue to control the Company and have the right to appoint a majority of its directors.

The Combination was consummated pursuant to a Master Restructuring Agreement, dated as of August 13, 1999 and filed as Exhibit 2.1 hereto, which provided for, among other things: (1) the merger of a newly formed wholly-owned merger subsidiary of the Company with and into the parent of Republic ("Republic Holdings"), in consideration for which each share of common stock of Republic Holdings was converted into 1.78949 shares of Class D Common Stock, par value

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$.001 (the "Common Stock"), of the Company; (2) the merger of Republic with and into RTI, LLC in consideration for which all of the shares of Republic were converted into an approximately 39% membership interest in Republic Technologies International Holdings, LLC, a Delaware limited liability company that is the sole member of RTI, LLC and a direct approximately 70% owned subsidiary of the Company ("RTI Holdings"); (3) the assignment by the Company of substantially all of its assets (including its subsidiaries) to, and the assumption of substantially all of its liabilities by, RTI, LLC, in consideration for an approximately 31% direct managing membership interest in RTI Holdings, resulting in the Company holding, directly and indirectly through Republic Holdings, an approximately 70% managing membership interest in RTI Holdings; and (4) following the spinoff of USS/Kobe's seamless tube producing assets, the merger of the general partners of USS/Kobe with and into RTI, LLC, the termination of USS/Kobe and the contributions of USS/Kobe and approximately $35 million to RTI Holdings by USX and Kobe in the aggregate, in consideration for which each of USX and Kobe received, indirectly, an approximately 15% membership interest in RTI Holdings. The USS/Kobe assets acquired in the Combination consisted primarily of a blast furnace and bar steel manufacturing facility located near Lorain, Ohio. The Company intends to continue the current use of the Lorain facility. Each of USX and Kobe received the right to appoint two directors to the board of directors of the Company and certain minority consent rights in connection with the Combination, and RTI, LLC has entered into certain supply agreements with affiliates of USX and technical assistance agreements with affiliates of Kobe.

Certain indebtedness of the Company, Republic Holdings, Republic and USS/Kobe was refinanced in connection with the Combination through (1) the sale of units comprising in the aggregate $425 million principal amount of senior secured notes co-issued by RTI, LLC and RTI Capital Corp., direct and indirect subsidiaries of RTI Holdings, and warrants to purchase up to approximately 10% of the fully diluted Common Stock of the Company, (2) borrowings by subsidiaries of RTI Holdings under a new credit agreement with BankBoston, N.A. of approximately $245 million (which facility provides for total borrowings of up to $425 million), and (3) the sale of equity securities of the Company for approximately $155 million in the aggregate.

ITEM 5. OTHER EVENTS.

Pursuant to contractual obligations arising in connection with the completion of the Combination and binding upon the Company and certain of its subsidiaries, the Company and certain of its subsidiaries are obligated to make publicly available certain information prepared in connection with the Combination. Such information is included in Exhibit 99.1.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(A) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED.

(1) Audited financial statements for Republic as of June 30, 1998 and June 30, 1997 and for the years ended June 30, 1998, 1997 and 1996 are set forth below. Unaudited financial statements for Republic as of March 31, 1999 and June 30, 1998 and for the period from September 8, 1998 to March 31, 1999, the period from July 1, 1998 to September 7, 1998 and the nine month period ended March 31, 1998 are also set forth below.

The Company expects that any additional financial statements for Republic required to be filed as part of a Current Report on Form 8-K and not included in this filing will be filed not later than October 12, 1999.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Republic Engineered Steels, Inc.:

We have audited the accompanying consolidated balance sheets of Republic Engineered Steels, Inc. and subsidiaries as of June 30, 1998 and 1997, and the related consolidated statements of income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Republic Engineered Steels, Inc. and subsidiaries as of June 30, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

July 31, 1998, except as to
Note 20 which is as of
November 12, 1998

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 1998 AND 1997
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,675	$ 6,412
Receivables, less allowance for doubtful accounts of $1,575 in 1998 and $1,624 in 1997 (note 5)	61,038	61,075
Inventories (notes 2 and 5)	125,343	114,543
Prepaid expenses	2,844	2,012
Deferred income taxes (note 9)	7,902	8,791
Assets held for sale	42,052	51,686
Other current assets	404	621
Total current assets	262,258	245,140
Property, plant and equipment, net (notes 3 and 5)	290,721	299,917
Intangibles and other assets, net (notes 4 and 5)	24,471	27,711
Restricted cash (note 5)	715	1,183
Deferred income taxes (note 9)	46,927	45,665
Assets held for sale	11,903	13,318
	$636,995	$632,934
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	59,573	60,280
Accrued compensation and benefits	29,892	29,128
Accrued liabilities	13,656	18,791
Accrued ESOP contribution	--	201
Total current liabilities	103,121	108,400
Long-term debt (note 5)	273,922	273,939
Other postretirement benefits (note 8)	131,256	128,073
Defined benefit pension obligations (note 7)	12,178	16,885
Environmental costs (note 16)	13,746	16,862
Other liabilities	1,301	3,521
Total liabilities	535,524	547,680
Shareholders' equity:		
Special preferred stock, $.01 par value; one share authorized, one share issued, liquidation value of $1,500 (note 10)	2	2
Common stock, $.01 par value; authorized 27,000,000 shares; issued 19,707,923 shares; outstanding 19,706,578 (note 11)	197	197
Additional paid in capital	275,270	275,270
Accumulated deficit	(173,990)	(173,086)
	101,479	102,383
Less receivable from Employee Stock Ownership Trust	--	17,121
Less treasury stock, at cost, 1,345 shares	8	8
Total shareholders' equity	101,471	85,254
Commitments and contingencies (notes 3, 5, 7, 8, 13, 14, 15, and 16)		
	$636,995	$632,934

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</TABLE>

See accompanying notes to consolidated financial statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
YEARS ENDED JUNE 30, 1998, 1997, AND 1996
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Net sales	$689,870	$627,929	$604,076
Cost of product sold (including depreciation of $24,609 in 1998, $24,393 in 1997, and $19,114 in 1996)	612,526	576,745	558,496
Gross profit	77,344	51,184	45,580
Selling expenses	6,794	8,208	9,132
General and administrative expenses	33,687	30,488	32,070
Special charges (credits) (note 18)	(1,097)	1,649	3,890
Other postretirement benefits charges (note 8)	4,951	15,585	12,715
Noncash ESOP charges	15,616	28,191	29,938
Other charges (credits), net:			
Interest charges	27,622	28,807	27,958
Capitalized interest (note 3)	--	--	(8,491)
Interest income	(710)	(512)	(538)
Miscellaneous, net	(410)	(739)	(562)
	86,453	111,677	106,112
Loss from continuing operations before income tax benefit	(9,109)	(60,493)	(60,532)
Income tax benefit (note 9)	2,661	23,999	24,114
Net loss from continuing operations	$ (6,448)	$(36,494)	$(36,418)
Income from discontinued operations, net of income tax expense of $2,288, $1,430, and $1,978 respectively	5,544	2,175	2,988
Net loss	(904)	(34,319)	(33,430)
Earnings per Share:			
Basic average shares outstanding	19,707	19,707	19,707
Net loss per common share--continuing operations	$ (0.33)	$ (1.85)	$ (1.85)
Net income per common share--discontinued operations	0.28	0.11	0.15
Net loss per common share	$ (0.05)	$ (1.74)	$ (1.70)
Diluted average shares outstanding	19,707	19,707	19,756
Net loss per common share--continuing operations	$ (0.33)	$ (1.85)	$ (1.84)
Net income per common share--discontinued operations	0.28	0.11	0.15
Net loss per common share	$ (0.05)	$ (1.74)	$ (1.69)

</TABLE>

See accompanying notes to consolidated financial statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED JUNE 30, 1998, 1997, AND 1996
(IN THOUSANDS, EXCEPT AS INDICATED OTHERWISE)

<TABLE>
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	PREFERRED STOCK	COMMON STOCK	SPECIAL PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	MINIMUM PENSION LIABILITY ADJUSTMENT

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Balance as of June 30, 1995................	1*	19,707	$ 2	$197	$275,270	$(105,337)	$ (1,604)
Net loss..................................	--	--	--	--	--	(33,430)	--
Minimum pension liability adjustment net of tax (note 7)............................	--	--	--	--	--	--	1,604
ESOP loan repayment........................	--	--	--	--	--	--	--
Balance as of June 30, 1996................	1*	19,707	2	197	275,270	(138,767)	--
Net loss..................................	--	--	--	--	--	(34,319)	--
ESOP loan repayment........................	--	--	--	--	--	--	--
Balance as of June 30, 1997................	1*	19,707	2	197	275,270	(173,086)	--
Net loss..................................	--	--	--	--	--	(904)	--
ESOP loan repayment........................	--	--	--	--	--	--	--
Balance as of June 30, 1998................	1*	19,707	$ 2	$197	$275,270	$(173,990)	$ --

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	RECEIVABLE FROM EMPLOYEE STOCK OWNERSHIP TRUST	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
Balance as of June 30, 1995................	$(80,386)	$(8)	$ 88,134
Net loss..................................	--	--	(33,430)
Minimum pension liability adjustment net of tax (note 7)............................	--	--	1,604
ESOP loan repayment........................	32,665	--	32,665
Balance as of June 30, 1996................	(47,721)	(8)	88,973
Net loss..................................	--	--	(34,319)
ESOP loan repayment........................	30,600	--	30,600
Balance as of June 30, 1997................	(17,121)	(8)	85,254
Net loss..................................	--	--	(904)
ESOP loan repayment........................	17,121	--	17,121
Balance as of June 30, 1998................	$ --	$(8)	$ 101,471

</TABLE>

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* Not in thousands

See accompanying notes to consolidated financial statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998, 1997, AND 1996
(IN THOUSANDS)

<TABLE>
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<S> <C> <C> <C>

	1998	1997	1996
Cash flows from operating activities:			
Net loss...	$ (904)	$(34,319)	$(33,430)
Adjustments to reconcile net loss to net cash provided by continuing operations:			
Income from discontinued operations..................................	(5,544)	(2,175)	(2,988)
Depreciation and amortization..	27,427	27,982	22,517
Provision for ESOP contribution......................................	15,616	28,191	29,938
Deferred income tax benefit..	(373)	(22,569)	(21,984)
Change in assets and liabilities, net of discontinued operations:			
Receivables, net...	37	(1,176)	2,097
Inventories..	(10,800)	911	14,748
Prepaid expenses...	(832)	(238)	40
Other current assets...	217	(343)	126
Intangibles and other assets.......................................	1,027	(164)	1,516
Accounts payable...	745	(3,140)	(6,866)
Accrued compensation and benefits..................................	764	(2,066)	(1,002)

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Accrued liabilities	(6,236)	1,270	1,098
Accrued ESOP contribution	(201)	42	(144)
Accrued income taxes	--	--	(177)
Other postretirement benefits	2,752	13,549	10,784
Defined benefit pension obligations	(4,707)	(3,549)	(3,095)
Environmental costs	(3,417)	(2,168)	(3,288)
Other liabilities	(2,220)	(29)	(1,846)
Total adjustments	14,255	34,328	41,474
Net cash provided by operating activities of continuing operations	13,351	9	8,044
Net cash provided by (used in) discontinued operations	18,640	20,380	(1,732)
Net cash provided by operating activities	31,991	20,389	6,312
Cash flows from investing activities:			
Additions to property, plant and equipment from continuing operations, including capitalized interest of $8,491 in 1996	(15,807)	(7,835)	(44,590)
Additions to property, plant and equipment from discontinued operations	(520)	(1,864)	(551)
Net cash used in investing activities	(16,327)	(9,699)	(45,141)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	--	--	53,700
Repayment of long-term debt	(17)	(17)	(16)
Revolver activity, net	--	(7,000)	(16,000)
Deferred financing costs associated with long-term debt	--	(923)	(1,807)
Other financing activities, net	616	1,588	417
Net cash provided by (used in) financing activities	599	(6,352)	36,294
Net increase (decrease) in cash and cash equivalents	16,263	4,338	(2,535)
Cash and cash equivalents at beginning of year	6,412	2,074	4,609
Cash and cash equivalents at end of year	$ 22,675	$ 6,412	$ 2,074
Supplemental disclosure of cash flow information:			
Interest paid, net of amounts capitalized	$ 26,353	$ 27,072	$ 19,801
Income taxes paid	$ --	$ --	$ 25

</TABLE>

See accompanying notes to consolidated financial statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997, AND 1996
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization and Nature of Operations

On April 28, 1995, Republic Engineered Steels, Inc. (Republic or the Company) issued 8,050,000 shares of its common stock in an Initial Public Offering (IPO) resulting in net proceeds of $48,782. Prior to the IPO, the Company was owned by substantially all of its employees through an Employee Stock Ownership Plan (ESOP). The ESOP acquired all of the originally issued common shares of the Company on November 28, 1989 with the proceeds of two loans from the Company in the amounts of $190,000 (Loan A) and $30,000 (Loan B), respectively, each bearing interest at 10 percent per annum. The ESOP obtained the funds to repay the loans primarily through tax deductible contributions made by the Company to the ESOP based on annual stipulated percentages of employee compensation or dividends. The ESOP repaid Loan A and Loan B (plus interest) over their respective maturity periods. As of June 30, 1998 and 1997, the ESOP owned approximately 54 percent and 56 percent, respectively, of the common stock of the Company.

The Company produces a wide range of special bar quality (SBQ) hot-rolled and cold-finished steels and specialty steel bars for the automotive, heavy equipment manufacturing, aerospace, and power generation industries.

The Company's principal customers are manufacturers in the automotive, machinery, industrial equipment, machine and hand tools, and aviation and aerospace industries, as well as independent forgers who supply finished parts to the aforementioned industries. The Company also has significant sales to steel service centers.

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Although the Company has a nationwide customer base, approximately 70 percent and 65 percent of its shipments for fiscal years 1998 and 1997, respectively, were to customers in the states of Indiana, Illinois, Michigan, New York, Ohio, and Pennsylvania. See also note 12.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Republic Engineered Steels, Inc. and its wholly owned subsidiaries: The Nimishillen & Tuscarawas Railway Company and The Oberlin Insurance Company. All significant intercompany balances have been eliminated in consolidation.

(c) Cash Equivalents

The Company considers all short-term investments with maturities at date of purchase of three months or less to be cash equivalents.

(d) Inventories

Inventories are carried at the lower of cost or market, with cost determined using the last-in, first-out (LIFO) method.

(e) Long-Lived Assets

Property, plant and equipment is recorded at cost less depreciation accumulated to date. Depreciation is computed on the straight-line method over the estimated useful lives of the assets; the range of useful lives is 39 years for buildings and 3-30 years for machinery and equipment. Accelerated methods are used for income tax purposes.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

The Company adopted the provisions of Financial Accounting Standards Board (FASB) No. 121, Accounting for the Impairment of Long-Lived Assets to be Disposed Of, during fiscal year 1997. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the amount or fair value, as defined, of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Adoption of the FASB No. 121 did not have a material impact on the Company's consolidated financial position, results of operations, or liquidity.

(f) Intangibles

Intangible assets consist primarily of deferred loan and bond fees and intangible pension assets. The deferred loan and bond fees are being amortized on a straight-line basis over the lives of the related debt instruments.

(g) Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method. Under that method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(h) Environmental Costs

The Company and other basic steel companies have in recent years become subject to increasingly demanding environmental standards imposed by federal, state, and local environmental laws and regulations. It is the policy of the Company to endeavor to comply with applicable environmental laws and regulations. The Company establishes a liability for an amount which the Company believes is adequate, based on information currently available, to cover the

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costs of remedial actions it will likely be required to take to comply with existing environmental laws and regulations.

The stated amount represents an estimate of the environmental remediation costs associated with future events triggering or confirming the costs that, in management's judgment, are likely to occur. This estimate is based on currently available facts, existing technology, and presently enacted laws and regulations, and it takes into consideration the likely effects of inflation and other societal and economic factors. The precise timing of such events cannot be reliably determined at this time due to absence of any deadlines for remediation under the applicable environmental laws and regulations pursuant to which such remediation costs will be expended. No claims for recovery are netted against the stated amount.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

(i) Basic and Diluted Net Loss Per Common Share

During fiscal year 1998, the Company adopted FASB No. 128, Earnings per Share. For the years presented, the Company presents basic and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earning per share reflects the potential dilution that could occur if common stock equivalents were exercised and then shared in the earnings of the Company. The weighted average common shares outstanding for both the basic and diluted per share calculation was 19,707 for fiscal 1998 and 1997, respectively. For fiscal 1996 the weighted average common shares outstanding for the basic and diluted per share calculation were 19,707 and 19,756, respectively. For fiscal 1996, the increase in the weighted average common shares outstanding was due to the dilutive effect of stock options (see also note 6).

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the preparation of the consolidated financial statements, the Company uses estimates for, among others, deferred income tax benefits, defined benefit pension obligations, other postretirement benefit obligations, and environmental remediation, all of which are significant to the consolidated financial statements taken as a whole. Changes in circumstances in the near term could have an impact on these estimates, and the change in estimate could have a material effect on the consolidated financial statements.

(k) Stock Based Compensation

During fiscal year 1997, the Company adopted FASB No. 123, Accounting for Stock-Based Compensation, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the grant date. Alternatively, FASB No. 123 allows entities to continue to measure the compensation cost for stock-based awards using the intrinsic value based method of accounting prescribed by the Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and to provide pro forma net income and pro forma earnings per share disclosures as if the fair value based method defined in FASB No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures of FASB No. 123.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

(l) Reclassification

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Certain previously reported amounts have been reclassified to conform with the current presentation.

(2) INVENTORIES

Inventories consist of the following:

	JUNE 30, 1998	JUNE 30, 1997
Raw materials	$ 12,157	$ 10,923
Finished and semifinished product	111,481	101,785
Supplies, molds, and stools	1,705	1,835
	$125,343	$114,543

The above inventory amounts are net of LIFO reserves which decreased the value of the inventory by $2,435 and $7,101 as of June 30, 1998 and 1997, respectively, and reserves to value inventory at the lower of cost or market which decreased the value of inventory by $2,165 and $1,169 as of June 30, 1998 and 1997, respectively.

During fiscal 1998 and fiscal 1997, inventory quantities were reduced, which resulted in a liquidation of LIFO inventory layers. The effects of these liquidations were to increase cost of products sold by $109 in fiscal 1998 and decrease cost of products sold by $63 in fiscal 1997.

Due to continued cost savings associated with the Cast-Roll facility and a reduction in certain raw material prices, the current cost of inventory continued to decrease from fiscal 1996 to fiscal 1998. These factors resulted in a reduction in the LIFO reserve in fiscal 1998 and 1997 of $4,666 and $8,266, respectively.

(3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	JUNE 30, 1998	JUNE 30, 1997
Land	$ 9,898	$ 9,898
Buildings	36,628	36,756
Machinery and equipment	356,036	353,677
	402,562	400,331
Less accumulated depreciation	127,664	106,276
	274,898	294,055
Construction in progress	15,823	5,862
	$290,721	$299,917

The Company's Cast-RollTM facility was officially placed in service January 1, 1996. Interest was capitalized on this facility during the construction period through December 31, 1995.

(3) PROPERTY, PLANT AND EQUIPMENT--(CONTINUED)

As of June 30, 1998, the Company was formally committed to spend $9,843 on

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capital expenditures.

(4) INTANGIBLES AND OTHER ASSETS

Intangibles and other assets consist of the following:

	JUNE 30, 1998	JUNE 30, 1997
Intangible pension asset (note 7)	$15,779	$17,596
Deferred loan and bond fees	10,534	10,529
Deposits	2,472	2,626
Other	218	218
	29,003	30,969
Less accumulated amortization	4,532	3,258
	$24,471	$27,711

(5) LONG-TERM DEBT

Long-term debt of the Company consists of the following:

	JUNE 30, 1998	JUNE 30, 1997
9% Solid Waste Revenue Bonds, Series 1996, due June 2021	$ 53,700	$ 53,700
8 1/4% Solid Waste Revenue Bonds, Series 1994, due October 1, 2014	20,200	20,200
9 7/8% First Mortgage Notes due December 15, 2001	200,000	200,000
Revolving credit agreement	--	--
Other	22	39
	273,922	273,939
Less current maturities of long-term debt	--	--
	$273,922	$273,939

On June 1, 1996, the Company obtained $53,700 of financing through the issuance of 9 percent Solid Waste Revenue Bonds, Series 1996, due June 1, 2021 in connection with the solid waste disposal facilities installed at its Cast-RollTM facility. These bonds were issued in addition to the Solid Waste Revenue Bonds, Series 1994, noted below, to assist in financing the facilities. As of June 30, 1998 and 1997, the Company had available $715 and $1,183, respectively, of the $53,700, which is classified as long-term restricted cash in the accompanying consolidated balance sheets.

On October 28, 1994, the Company obtained $20,200 of financing through the issuance of 8 1/4 percent Solid Waste Revenue Bonds, Series 1994, due October 1, 2014 in connection with the solid waste disposal facilities installed at the Cast-RollTM facility.

On December 15, 1993, the Company issued $200,000 aggregate principal amount of 9 7/8 percent First Mortgage Notes due December 15, 2001 (Notes) in an underwritten public offering. The Notes are redeemable, in whole or in part, at the option of the Company, on or after December 15,

(5) LONG-TERM DEBT--(CONTINUED)

1998 at specified premiums set forth therein which decline over three years. The

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Notes are secured by a mortgage on substantially all of the Company's property, plant and equipment as of December 15, 1993. Capital expenditures subsequent to that date aggregating approximately $269,000 are not part of the security for the Notes. The Notes contain affirmative and negative covenants including provisions for restrictions on additional borrowings, certain investments, certain payments, sale or disposal of assets, payment of dividends and liens, as well as change of control provisions. The Company is in compliance with all such covenants as of June 30, 1998. The proceeds from the Notes were used in part to repay the balance outstanding under the then existing revolving credit and term loan agreement and the Company's unsecured subordinated debentures held by LTV Steel Company, Inc. (LTV Steel).

On December 21, 1993, the Company entered into a $90,000 revolving credit facility which had a four-year term expiring in December 1997. Effective April 25, 1997, the Company amended and restated this $90,000 revolving credit facility (Revolving Credit Agreement). The amended and restated Revolving Credit Agreement, which expires April 25, 2000, permits borrowings up to $115,000 and is secured by the Company's receivables, inventories, subsidiaries' stock, short-term investments, and certain intangible assets. Advances under the facility are limited to specified percentages of the Company's eligible receivables and inventories.

The Revolving Credit Agreement provides up to $20,000 for letters of credit. Borrowings under the Revolving Credit Agreement bear interest at a per annum rate equal to, at the Company's option, (i) the higher of the base rate of BankBoston and 1/2 percent above the Federal Funds effective rate plus 1/4 percent; or (ii) LIBOR plus 2 1/4 percent. The borrowing base under the Revolving Credit Agreement is the sum of 55 percent of eligible inventory (as defined) up to a maximum of $75,000 and 85 percent of eligible accounts receivable (as defined). Fees of 2 1/2 percent per annum on the maximum drawing amount of each standby or documentary letter of credit are payable on the date of issuance of such letter of credit. As of June 30, 1998 and 1997, there were no outstanding letters of credit. A commitment fee of 3/8 percent per annum on the average unused portion of the facility is payable quarterly. The Revolving Credit Agreement contains certain limited negative and affirmative covenants, including failure to pay interest or principal when due, inaccurate or false representations or warranties, and limitations on restricted payments; the Company is in compliance with all such covenants as of June 30, 1998.

The Company's $200,000 First Mortgage Notes represent the only long-term debt which matures during the next five years (December 15, 2001).

(6) BENEFIT PLANS

The Company has defined contribution pension plans that cover substantially all employees. Company contributions to the plans are based on age and compensation. The Company funds retirement plan contributions as accrued. Company contributions totaled $7,667, $8,031, and $8,139, for the fiscal years ended June 30, 1998, 1997, and 1996, respectively.

The Company's ESOP covers substantially all United Steelworkers of America (USWA) and nonbargained-for employees of Republic Engineered Steels, Inc. The plan is designed to enable eligible employees to acquire a beneficial interest in the Company through the Employee Stock Ownership Trust (ESOP Trust). The Company expenses ESOP contributions as made or incurred.

(6) BENEFIT PLANS--(CONTINUED)

With the establishment of a public market for the Company's common stock in May 1995, distributions from the ESOP Trust will be made to participants upon request following termination of employment or after attaining age 70 1/2 if still in active employment. Participants who are 55 years of age and have 10 years of participation under the plan may also elect to receive distributions annually for a portion of their account balance. All distributions are in the form of one lump sum payment of whole shares (and cash for fractional shares) allocated to their account in the plan. See also note 20.

The Company has profit sharing plans covering all employees, excluding officers, of Republic Engineered Steels, Inc. and subsidiaries. Amounts provided to the profit sharing pool are based on percentages of the consolidated excess cash flows of the Company as defined in the Revolving Credit Agreement (see note 5).

From its inception, the Company had an executive incentive plan (Executive

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Plan) which covered key executives and management employees. In connection with the 1995 IPO, the board of directors of the Company adopted the 1995 Stock Option Plan (1995 Plan), primarily to provide substitute benefits for plan units previously granted under the Executive Plan. Vesting of the plan units occurred ratably from the date of grant at the rate of 20 percent per year. The vesting provisions remained unchanged when the plan units were converted to stock options. The stock options, totaling 1,764,000 shares, are exercisable after May 5, 1998 with the majority of such options granted having an exercise price of $6.67 per share and expire on November 28, 2001. There was no compensation expense relating to these plans for fiscal 1998, 1997 or 1996.

Since the options outstanding as of June 30, 1997 were granted prior to the effective date of FASB No. 123 and no additional options have been granted since, the pro forma net income and pro forma net income per share disclosures required by FASB No. 123 are not applicable.

(7) DEFINED BENEFIT PENSION OBLIGATIONS

The Company maintains a defined benefit "floor offset" plan which covers all USWA employees. The plan, when combined with benefits from the Company's defined contribution pension plan and benefits from an LTV Steel defined benefit pension plan, will provide a minimum level of pension benefits for USWA employees. Benefits are based on a combination of employees' age and years of service. The Company's policy is to fund this plan based on legal requirements and tax considerations. Assets of the plan are currently invested in money market funds, U.S. government

(7) DEFINED BENEFIT PENSION OBLIGATIONS--(CONTINUED)

securities, and common stocks. The following table sets forth the funded status of the plan as of June 30, 1998 and 1997:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Actuarial present value of benefit obligations:		
Vested benefits	$18,400	$17,182
Accumulated benefit obligation	23,764	24,166
Projected benefit obligation	23,764	24,166
Plan assets at fair value	11,586	7,281
Projected benefit obligation in excess of plan assets	12,178	16,885
Items not yet recognized in earnings:		
Prior service cost	(16,780)	(18,394)
Net gain	1,001	798
Adjustment required to recognize minimum liability	15,779	17,596
Accrued pension cost as reflected on the consolidated balance sheets	$12,178	$16,885

</TABLE>

Net pension expense included in operating income for the years ended June 30, 1998, 1997, and 1996 consist of the following components:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Service cost (benefit)	$(1,471)	$(1,498)	$(1,721)
Interest cost	1,899	1,865	2,113
Actual return on plan assets	(1,213)	(993)	(144)
Net amortization and deferred items	2,095	2,192	1,567
Net periodic pension cost	$ 1,310	$ 1,566	$ 1,815
Net periodic pension cost--continuing operations	$ 1,221	$ 1,459	$ 1,701

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Net periodic pension cost--discontinued operations	89	107	114
Net periodic pension cost	$ 1,310	$ 1,566	$ 1,815

Actuarial assumptions used in accounting for the pension plan for the fiscal years ended June 30, 1998, 1997, and 1996 were as follows:

	1998	1997	1996
Discount rate	7.0%	8.0%	8.0%
Rate of increase in future compensation levels	5.0%	5.0%	5.0%
Expected long-term rate of return on assets	8.0%	8.0%	8.0%

During fiscal 1995, the minimum pension liability of $24,089 exceeded unrecognized prior service costs by $2,468 and was recorded as a $1,604 charge to shareholders' equity, net of applicable income tax benefits of $864.

As of June 30, 1998 and 1997, the minimum pension liability of $15,779 and $17,596, respectively, is less than the unrecognized prior service cost; accordingly, the charge to shareholders' equity made in fiscal 1995 of $1,604, net of applicable income taxes of $864, was reversed in 1996.

(8) OTHER POSTRETIREMENT BENEFITS

Prior to 1997, the Company provided postretirement health care and life insurance benefits to substantially all employees who retired from the Company subsequent to November 28, 1989, upon attaining the following age and years of service:

AGE AT RETIREMENT	YEARS OF SERVICE
55	30
60	15
65	10

In fiscal 1997 the Company adopted a plan amendment to modify the minimum retirement age to 65 for future salaried retirees. This change resulted in a decrease in the accumulated postretirement benefit obligation (APBO) of $17,175. This reduction is being amortized over the estimated remaining life of the salaried work force, which at the time of the change was 13 years.

The following table presents the plan's APBO reconciled with amounts recognized in the Company's consolidated balance sheets:

	JUNE 30,	
	1998	1997
Accumulated postretirement benefit obligation:		
Retirees	$ 28,785	$ 27,758
Fully eligible active plan participants	29,704	28,183
Other active plan participants	71,401	71,944
	129,890	127,885
Unrecognized prior service cost:		
Original amount at adoption of FASB No. 106	(13,938)	(16,437)
Deferral of benefits for future salaried retirees	15,304	16,625
	1,366	188

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Accrued postretirement benefits as reflected on the consolidated balance sheets	$131,256	$128,073

</TABLE>

(8) OTHER POSTRETIREMENT BENEFITS--(CONTINUED)

Net periodic postretirement benefit charges (credits) recorded for the years ended June 30, included the following components:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Service cost--benefit attributed to service during the period	$ 3,593	$ 3,759	$ 3,761
Interest cost on accumulated postretirement benefit obligation	10,114	10,249	10,058
Immediate recognition of change in accumulated postretirement benefit obligation due to actuarial (gains) losses, including change in assumptions	(9,503)	983	(2,498)
Net amortization of unrecognized amounts for net gain and prior service cost	1,178	1,949	2,500
Net periodic postretirement benefit charges	$ 5,382	$16,940	$13,821
Net periodic postretirement benefit charges--continuing operations	$ 4,951	$15,585	$12,715
Net periodic postretirement benefit charges--discontinued operations	431	1,355	1,106
Net periodic postretirement benefit charges	$ 5,382	$16,940	$13,821

</TABLE>

The Company recorded a fourth quarter 1998 experience gain of $9,503 related to lower than anticipated per capita costs of indemnity and managed health care plans coupled with the increased enrollment in Risk Sharing HMO plans for Medicare eligible retirees.

The health care cost trend rates used in determining the APBO as of June 30, 1998 and 1997, were as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
1998	7.5%	7.5%
1999	7.0%	7.0%
2000	6.5%	6.5%
2001	6.0%	6.0%
2002	5.5%	5.5%
2003	5.0%	5.5%
Thereafter	4.5%	5.5%

</TABLE>

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the health care cost trend by 1 percent would increase the APBO as of June 30, 1998 from $129,890 to $155,275 and the aggregate of the service and interest cost components of net periodic postretirement benefit charges for 1998 from $13,719 to $16,682.

The discount rate used in determining the APBO was 7.0 and 8.0 percent as of June 30, 1998 and 1997 respectively. The discount rate used in determining the net periodic postretirement benefit charge was 7.0 percent for fiscal 1998 and 8.0 percent for fiscal 1997 and 1996. The reduction in discount rates combined with the reduction in health care cost trend rates in fiscal 1998 had an offsetting impact to the fiscal 1998 net periodic postretirement benefit charge. The withdrawal assumptions were revised in 1996 to meet Internal Revenue Service requirements, and health care cost trend rates were changed resulting in the loss of $129 and gain of $2,498 which were fully recognized in the net

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periodic postretirement benefit charges for fiscal 1997, and 1996, respectively.

(8) OTHER POSTRETIREMENT BENEFITS--(CONTINUED)

The Company's policy is to fund claims as incurred. Claims paid were $2,211, $2,037, and $1,931, during the fiscal years ended June 30, 1998, 1997, and 1996, respectively. The Company also recognizes actuarial gains and losses, including the impact of actuarial assumption changes, immediately rather than amortizing them over future years.

The Company also provides postemployment benefits to its employees in the form of supplemental unemployment benefits, severance benefits, and disability income benefits which are subject to the provisions of FASB No. 112, Accounting for Postemployment Benefits. However, in connection with the Company's collective bargaining agreement with the USWA, the Company has agreed to perform annual actuarial valuations; cash fund all deficiencies through a voluntary employee benefit association as described in Section 501(c)(9) of the Internal Revenue Code of 1986, as amended; and record the change in liability as an expense in the current period. Therefore, the adoption of the provisions of FASB No. 112 effective July 1, 1994 had no effect on the consolidated financial statements of the Company.

(9) INCOME TAXES

The net income tax benefit for fiscal years 1998, 1997, and 1996, includes a current tax (benefit) charge of $-0- for fiscal years 1998 and 1997 and ($152) for fiscal 1996, due to the federal alternative minimum tax, which was increased by a deferred benefit of $373, $22,569, and $21,984 in 1998, 1997 and 1996, respectively.

At present, given available state net operating loss carryforwards (NOLs), the Company is not assessed state income tax. The Company anticipates being assessed state income tax when certain temporary differences reverse or when such state NOLs expire beginning in year 2001. Other state taxes are included in general and administrative expenses.

The difference between the statutory U.S. federal income tax rate of 35 percent and the Company's effective tax rate was as follows:

<TABLE>
<CAPTION>

<S>	1998	1997	1996
Statutory federal income tax benefit	$ 447	$19,911	$19,448
State and local income tax benefit	64	2,844	2,778
Other	(138)	(186)	(90)
Income tax benefit	$ 373	$22,569	$22,136
Effective book income tax benefit rate	29.2%	39.7%	39.8%
Income tax benefit--continuing operations	$ 2,661	$23,999	$24,114
Income tax expense--discontinued operations	(2,288)	(1,430)	(1,978)
Income tax benefit	$ 373	$22,569	$22,136

</TABLE>

(9) INCOME TAXES--(CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

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<TABLE>
<CAPTION>

	JUNE 30, 1998	JUNE 30, 1997
<S>	<C>	<C>
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	$ 630	$ 650
Postretirement benefits	22,901	21,628
Environmental costs	5,094	6,451
Other liabilities	9,431	11,620
Net operating loss carryforwards	111,385	99,474
Other	1,180	938
Total gross deferred tax assets	150,621	140,761
Less valuation allowance	25,187	25,187
Net deferred tax assets	125,434	115,574
Deferred tax liabilities:		
Inventory valuation	10,626	9,762
Plant and equipment, principally due to differences in depreciation	57,658	50,513
Other	2,321	843
Total gross deferred tax liabilities	70,605	61,118
Net deferred tax asset	$ 54,829	$ 54,456

</TABLE>

The Company had available as of June 30, 1998, net operating loss (NOL) carryforwards, for regular federal income tax purposes, totaling approximately $278 million ($145 million for federal alternative minimum tax purposes) with expirations of: $45 million in year 2006; $24 million in year 2007; $12 million in year 2008; $16 million in year 2009; $8 million in year 2010; $71 million in year 2011; and $73 million in year 2012; and $29 million in year 2013. The Company believes that it is more likely than not that a significant portion of the aforementioned NOL carryforwards will be used prior to their expiration. While the Company has incurred pretax losses of nearly $195 million during its nine-year existence, deductible noncash ESOP contributions have totaled $216 million during that same period. Further, six of the eight years reflect substantial income on a pretax/pre-ESOP contribution basis and the ESOP loans have been fully repaid as of June 30, 1998 (eight years prior to the first year NOL expiration date). Management also believes that future operating results will be improved as a result of major capital improvements coupled with the ongoing cost reduction program which is linked to the labor agreement. Based on the aforementioned factors, but also recognizing the inherent uncertainties associated with forward looking statements, management believes that the valuation allowance which has been established is adequate to provide for deferred tax assets that more likely than not will not be realized during the NOL carryforward period.

(10) SPECIAL PREFERRED STOCK

In connection with the IPO, the Company issued one share of special preferred stock to the trustee of a trust, the only asset of which is the special preferred stock. The special preferred stock has the right to vote as a separate class on any proposed merger or consolidation of the Company

(10) SPECIAL PREFERRED STOCK--(CONTINUED)

(see note 19) or a sale of all or substantially all of the Company's assets and any additional issuance of common stock of the Company subsequent to the IPO, other than issuances pursuant to the 1995 Plan (notes 6 and 7). The agreement with respect to the trust for the special preferred stock will provide that the trustee of such trust will vote the share of special preferred stock as instructed by ESOP participants on a one share/one vote basis. Except as provided above, the special preferred stock has no voting power. The special preferred stock is redeemable by the Company for $1.5 at such time as the ESOP

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(and/or other benefit arrangement[s]) holds less than 25 percent of the issued and outstanding shares of common stock.

The special preferred stock is not entitled to receive any dividends but is entitled to a liquidation preference of $.01 per share. The special preferred stock may not be transferred without the consent of the Company.

(11) COMMON STOCK

As of June 30, 1998 and 1997, there are 27,000,000 authorized shares of the Company's common stock (Common Stock); 19,707,923 shares were issued and 19,706,578 shares were outstanding as of June 30, 1998 and 1997, of which 10,546,010 and 11,004,663 shares, respectively, were held by the ESOP Trust.

Holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders with the exception of the election of board of directors, which, commencing in 1998, will be one person, one vote. Shares of Common Stock held by the ESOP Trust may be voted only by the ESOP trustee. The ESOP provides that the administrative committee is required to solicit instructions of the participants in the ESOP and to direct the ESOP trustee to vote the shares of Common Stock held by the ESOP Trust in accordance with the votes of the participants.

The Company has not paid dividends on its Common Stock during the last four fiscal years and does not presently anticipate paying any dividends in the foreseeable future. The Company intends to reinvest earnings in the development and expansion of its business. Also, the payment of cash dividends on its Common Stock is restricted by covenants contained in certain of the Company's financing arrangements (note 5). The payment of dividends in the future will be at the sole discretion of the board of directors and will depend upon the Company's profitability, financial condition, capital needs, future prospects, legal restrictions on the payment of dividends in financing agreements, and other factors deemed relevant by the board of directors.

The holders of Common Stock are not entitled to any preemptive right to subscribe for, purchase, or receive any new or additional shares of capital stock of the Company. Upon the liquidation, dissolution, or winding up of the Company, the holders of shares of the Common Stock are entitled to receive ratably the net assets of the Company available after the payment of all debts and other liabilities and subject to the rights of the holder of the special preferred stock.

(12) CONCENTRATIONS OF CREDIT RISK

The Company has one customer which accounted for approximately 12 percent of total sales in each of the fiscal years ended June 30, 1998, 1997, and 1996. A majority of the Company's business is directly or indirectly related to the automobile industry.

(13) LEASE COMMITMENTS

Minimum rental payments due under noncancelable operating leases are estimated to be as follows: Year Ending June 30, 1998.

<TABLE>
<CAPTION>

YEAR ENDING JUNE 30, 1998	1998
1999	$1,179
2000	662
2001	195
2002	62
2003	8
Thereafter	--
	$2,106

</TABLE>

Rent expense was approximately $4,006, $3,983, and, $4,118, for the fiscal years ended June 30, 1998, 1997, and 1996, respectively.

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(14) LONG-TERM COMMITMENT

On December 3, 1997, the Company entered into a technical exchange agreement with Sanyo Special Steel Company of Japan for a total of $6 million. The forty-eight (48) month agreement involves technical assistance in melting, refining, and casting technologies. Obligations under this agreement as of June 30, 1998 are as follows:

1999	$1,200
2000	1,200
2001	1,200
2002	600
	$4,200

(15) LITIGATION

In September 1992, a lawsuit was filed against the Company in the U.S. District Court for the Northern District of Ohio (Eastern Division) on behalf of 19 former Company salaried employees whose employment was terminated on February 19, 1991. The claims asserted on behalf of each former employee were age discrimination under both federal and state laws, breach of employment contract, promissory estoppel, and violation of Ohio public policy (by reason of age discrimination). The relief sought for each former employee was lost pay and fringe benefits, liquidated damages (doubling the claimed lost pay and benefits), compensatory damages of $500 on each count, punitive damages of $500 under the public policy count, prejudgment interest, and attorneys' fees. The Company denied all of the claims with the intent of contesting them vigorously. The Company's motion for summary judgment with respect to these cases was partially granted on May 15, 1996, dismissing all claims of the former employees other than the age discrimination claims. In fiscal 1998, the age discrimination lawsuit was settled and payment was made in an amount which is not material to the Company.

The Company is involved in other legal proceedings, including various environmental proceedings with governmental authorities, product liability litigation, and claims by present and former employees under federal and counterpart state anti-discrimination and other laws relating to employment. The Company does not believe that any of these proceedings, either individually or in

(15) LITIGATION--(CONTINUED)

the aggregate, will have a material adverse effect on the consolidated financial condition or results of operations of the Company.

(16) ENVIRONMENTAL COMPLIANCE

The Company is subject to a broad range of federal, state, and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, and the remediation of contamination associated with the disposal of waste. The Company continuously monitors its compliance with such environmental laws and regulations and, accordingly, believes that it is currently in substantial compliance with such laws and regulations. The Company does not anticipate the need to make material expenditures for environmental control measures during the next 24 months. As is the case with most steel producers, the Company could incur significant costs related to environmental compliance, in particular those arising from remediation costs for historical waste disposal practices at certain of the Company's facilities. The Company believes that these costs are most likely to be in the range of $8,900 to $22,300 over the lives of the Company's facilities. This range represents the estimated aggregate cost to resolve the environmental contingencies. The Company does not anticipate any third-party recoveries. The reserve to cover probable current and noncurrent environmental liabilities was approximately $14,377 and $17,800 as of June 30, 1998 and 1997, respectively, substantially all of which is classified as a long-term obligation in the accompanying consolidated balance sheets.

The reserve has been established and is monitored based on continuing

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reviews of the reserve, each matter comprising the reserve, and whether any new matters should be included in the reserve, using currently available information relative to enacted laws and regulations and existing technology. These reviews are performed periodically by an in-house committee comprised of representatives experienced in environmental matters from the environmental, law, operating, and accounting departments in consultation with outside legal and technical experts, as necessary.

(17) DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment; therefore, they cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- Cash equivalents, accounts receivable, and accounts payable--The carrying amount approximates fair value because of the short-term maturity of these instruments.

- Long-term debt--The fair value of the First Mortgage Notes classified under long-term debt (see note 5), based on quoted market values, was approximately $199,000 as of June 30, 1998. The Company estimates that the fair value of the 8 1/4 percent Solid Waste Revenue Bonds, Series 1994, and the 9 percent Solid Waste Revenue Bonds, Series 1996, classified under long-term debt (see note 5) was approximately $22,220 and $64,440, respectively, as of June 30, 1998.

(18) ORGANIZATIONAL RESTRUCTURING

On January 29, 1997, the Company announced a plan for organizational restructuring and cost cutting initiatives including a revision to the salaried employees retiree health care plan changing

(18) ORGANIZATIONAL RESTRUCTURING--(CONTINUED)

eligibility requirements for receiving retiree health care benefits from age 57 with 30 years service or age 65 with 15 or more years service to age 65 with 15 or more years service. For the transition to the new plan, the plan would provide retiree health care benefits under the old plan to employees who were eligible for benefits as of March 31, 1997. Sixty-eight (68) individuals elected to avail themselves of this transition provision.

The Company also announced plans to restructure and reduce its salaried workforce by approximately 200 people and to further reduce the hourly workforce by more than 300 people as the Company reaches full capacity utilization of its Cast-RollTM facility and completes other smaller capital projects. The financial impact of the restructuring of the salaried workforce was estimated to be $1,649 and is reflected as a special charge in the fiscal 1997 financial statements. However, based on higher voluntary terminations than originally estimated, a $1,097 reduction in the restructuring reserve was recorded in fiscal 1998. The Company's plan to restructure the hourly workforce has not yet been approved as negotiations with the USWA continue. Generally, the restructuring of the hourly workforce will be covered by a supplemental unemployment benefit plan and other plans covered by union contracts. Therefore, reasonable estimates resulting from a hourly workforce restructuring cannot be made until negotiations with the USWA are finalized.

(19) SUBSEQUENT EVENT

The Company, along with an affiliate of Blackstone Capital Partners II Merchant Banking Fund L.P. and Veritas Capital Partners L.P., announced on July 24, 1998, that they had agreed to the acquisition of Republic by the Blackstone-Veritas affiliate for a cash price of $7.25 per share of Republic common stock.

The acquisition of Republic is subject to various approvals and will occur by means of a cash tender offer for all issued and outstanding shares, followed by a merger in which all remaining shares will be converted into the same cash consideration. Including acquired debt, the total purchase price is approximately $420,000.

Upon consummation of the tender offer, the Employee Stock Ownership Plan

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will be amended to allow in-service distributions upon request regardless of age or service.

(20) DISCONTINUED OPERATIONS

The acquisition of the Company by Blackstone was completed on September 8, 1998 (see footnote 19). In connection with the acquisition, the Company is committed to a formal plan of disposition for its specialty steels division, and accordingly, the accompanying consolidated financial statements have been restated to reflect that division as discontinued operations in accordance with Accounting Principles Board Opinion No. 30.

Summarized results of discontinued operations for the specialty steels division are as follows:

	FISCAL YEAR ENDED JUNE 30,		
	1998	1997	1996
Net sales	$107,467	$120,694	$137,284
Gross profit	12,622	11,033	12,149
Income before income taxes	7,832	3,605	4,966
Provision for income taxes	(2,288)	(1,430)	(1,978)
Net income	5,544	2,175	2,988

(20) DISCONTINUED OPERATIONS--(CONTINUED)

The components of net assets of discontinued operations included in the Company's balance sheet as assets held for sale are as follows:

	FISCAL YEAR ENDED JUNE 30,	
	1998	1997
Receivables	$11,595	$14,521
Inventory	30,457	37,165
Assets held for sale--current	$42,052	$51,686
Property, plant and equipment, net	$11,903	$13,318
Assets held for sale--noncurrent	$11,903	$13,318

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 1999 AND JUNE 30, 1998
(IN THOUSANDS)

	MARCH 31, 1999 (UNAUDITED)	PREDECESSOR COMPANY JUNE 30, 1998
ASSETS		

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Current assets:		
Cash and cash equivalents	$ 2,835	$ 22,675
Receivables, less allowance for doubtful accounts of $1,614 and $1,575, respectively	64,942	61,038
Receivables due from affiliate (Note 5)	41,689	--
Inventories (Note 2)	154,726	125,343
Prepaid expenses	8,123	2,844
Deferred income taxes	--	7,902
Assets held for sale (Note 4)	31,830	42,052
Other current assets	3,622	404
Total current assets	307,767	262,258
Property, plant and equipment, net	262,560	290,721
Intangibles and other assets, net	8,152	24,471
Restricted cash	341	715
Deferred income taxes	--	46,927
Receivables due from affiliate, non-current (Note 5)	531	--
Assets held for sale (Note 4)	11,687	11,903
Excess purchase price over net assets acquired (Note 1(b))	144,896	--
TOTAL ASSETS	$ 735,934	$ 636,995
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Short-term borrowings	$ 67,206	$ --
Defined benefit pension obligation (Note 9)	36,893	--
Amounts due to affiliates	6,645	--
Other current liabilities	125,031	103,121
Total current liabilities	235,775	103,121
Long-term debt (Note 3)	357,339	273,922
Other postretirement benefits	103,056	131,256
Defined benefit pension obligation (Note 9)	36,976	12,178
Accrued environmental costs (Note 7)	14,434	13,746
Other liabilities	1,035	1,301
Total liabilities	748,615	535,524
Commitments and contingencies (Notes 3,7,8 and 9)	--	--
Stockholders' equity (deficit):		
Special preferred stock, $.01 par value; one share authorized, no share issued and outstanding at March 31, 1999, one share issued and outstanding at June 30,1998, liquidation value of $1,500	--	2
Common stock, $0.01 par value; authorized 27,000,000 shares: 19,706,578 shares issued and outstanding at March 31, 1999 and 19,707,923 shares issued at June 30, 1998	197	197
Additional paid-in-capital	95,257	275,270
Accumulated other comprehensive loss	(17,257)	--
Accumulated deficit	(90,878)	(173,990)
	(12,681)	101,479
Less treasury stock, at cost, no shares at March 31, 1999 and 1,345 shares at June 30, 1998	--	8
Total stockholders' equity (deficit)	(12,681)	101,471
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 735,934	$ 636,995

</TABLE>

The accompanying notes are an integral part of these statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM SEPTEMBER 8, 1998 TO MARCH 31, 1999,
THE PERIOD FROM JULY 1, 1998 TO SEPTEMBER 7, 1998 AND
THE NINE MONTH PERIOD ENDED MARCH 31, 1998
(IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

		PREDECESSOR COMPANY (NOTE 1(C))	
	PERIOD FROM SEPTEMBER 8,	PERIOD FROM JULY	

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	1998 TO MARCH 31, 1999	1, 1998 TO SEPTEMBER 7, 1998	NINE MONTH PERIOD ENDED MARCH 31, 1998
<S>	<C>	<C>	<C>
Net sales	$361,350	$102,955	$ 511,381
Cost of products sold (including depreciation of $12,870, $4,178 and $18,470, respectively)	346,178	97,883	455,706
Gross profit	15,172	5,072	55,675
Selling expenses	5,214	1,216	5,102
General and administrative expenses	27,326	17,023	24,210
Postretirement benefits charges	4,300	2,082	10,279
Non-cash ESOP charges	--	--	15,596
Workforce reduction charges (Note 1(b))	40,162	--	--
Other charges (credits), net:			
Interest expense	29,877	4,588	20,732
Interest income	(414)	(236)	(364)
Miscellaneous, net	(415)	(153)	(306)
Loss from continuing operations before income taxes	(90,878)	(19,448)	(19,574)
Income tax benefit	--	--	3,920
Loss from continuing operations	(90,878)	(19,448)	(15,654)
Income (loss) from discontinued operations, net of income tax expense of $0 and $803, respectively (Note 4)	--	(298)	3,188
Net loss	$(90,878)	$(19,746)	$ (12,466)

</TABLE>

The accompanying notes are an integral part of these statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM SEPTEMBER 8, 1998 TO MARCH 31, 1999, THE PERIOD FROM JULY 1, 1998 TO SEPTEMBER 7, 1998 AND THE NINE MONTH PERIOD ENDED MARCH 31, 1998
(IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

		PREDECESSOR COMPANY	
	PERIOD FROM SEPTEMBER 8, 1998 TO MARCH 31, 1999	PERIOD FROM JULY 1, 1998 TO SEPTEMBER 7, 1998	NINE MONTH PERIOD ENDED MARCH 31, 1998
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	$(90,878)	$ (19,746)	$(12,466)
Adjustments to reconcile net cash provided by continuing operations:			
Loss (income) from discontinued operation	--	298	(3,188)
Depreciation and amortization	21,022	4,645	20,336
Accretion of call premium	4,038	--	--
Non-cash ESOP charges	--	--	15,616
Deferred income tax benefit	--	--	(3,117)
Change in operating assets and liabilities:			
(Increase) decrease in working capital	(44,189)	486	(22,914)
(Increase) decrease in other operating assets and liabilities	30,144	550	805
Total adjustments	11,015	5,979	7,538
Net cash provided by discontinued operations	10,377	1,584	15,549
Net cash used in continuing operations	(79,863)	(13,767)	(4,928)
Net cash provided by (used in) operating activities	(69,486)	(12,183)	10,621
Cash flows from investing activities:			
Additions to property, plant and equipment from continuing operations	(10,839)	(6,115)	(9,192)
Additions to property, plant and equipment from discontinued operations	(903)	(24)	(565)

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Acquisition, net of cash acquired	(156,458)	--	--
Net cash used in investing activities	(168,200)	(6,139)	(9,757)
Cash flows from financing activities:			
Net borrowings under revolving credit facility	75,100	--	--
Proceeds from environmental financing	--	--	477
Proceeds from bridge loan	65,045	--	--
Capital contribution	95,455	--	--
Other financing activities, net	4,921	(312)	683
Net cash provided by (used in) financing activities	240,521	(312)	1,160
Net increase (decrease) in cash and cash equivalents	2,835	(18,634)	2,024
Cash and cash equivalents-beginning of period	--	22,675	6,412
Cash and cash equivalents-end of period	$ 2,835	$ 4,041	$ 8,436
Supplemental Cash Flow Information:			
Cash paid for interest	$ 20,409	$ 4	$ 13,218
Cash paid for income taxes	$ --	$ --	$ --

</TABLE>

The accompanying notes are an integral part of these statements.

REPUBLIC ENGINEERED STEELS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER RELATED INFORMATION

(a) General

The condensed consolidated financial statements included herein have been prepared by Republic Engineered Steels, Inc. ("Republic" or the "Company") and are unaudited. Certain information and footnote disclosures normally prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Although management believes that all adjustments, including normal recurring adjustments, necessary for a fair presentation have been made, interim periods are not necessarily indicative of the results of operations for a full year. As such, the condensed consolidated financial statements of the Predecessor Company (see further discussion below) should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended June 30, 1998, included in the Predecessor Company's Form 10-K, filed with the Securities and Exchange Commission.

Republic is a major producer of special bar quality steel and specialty steel bar products for the automotive, heavy equipment manufacturing, aerospace and power generation industries. Special bar quality steel bars are higher quality hot-rolled and cold-finished carbon and alloy steel bars, and specialty steels are stainless, tool and vacuum re-melted steels. The Company is organized into three operating divisions: hot-rolled, cold-finished and specialty steels. In connection with its acquisition, as more fully described below, the Company intends to sell its specialty steels division, and accordingly, the accompanying condensed consolidated financial statements reflect that division as discontinued operations in accordance with Accounting Principles Board Opinion No. 30. Pursuant thereto, all revenues and expenses related to the specialty steels division have been segregated from continuing operations of Republic for all periods presented. In April 1999, the Company announced that Haynes International ("Haynes"), a leading manufacturer of nickel and cobalt based alloys, will manage its specialty steels division according to the terms of an agreement between the respective companies. The Company and Haynes are associated by common ownership.

The Company's principal customers are manufacturers in the automotive, machinery, industrial equipment, machine and hand tools and aviation and aerospace industries, as well as independent forgers who supply finished parts to the aforementioned industries. The Company also has significant sales to steel service centers.

(b) Organization

On September 8, 1998, Blackstone Management Associates II L.L.C.

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("Blackstone") and Veritas Capital Management, L.L.C. ("Veritas"), serving as general partners for limited partnerships, acquired Republic in a cash tender offer of $7.25 for each Republic common share (the "Acquisition"). RES Holding Corporation ("RES Holding") and its wholly owned subsidiary, RES Acquisition Corporation ("RES Acquisition") were formed for the purpose of acquiring Republic. The cash price paid totaled approximately $160.5 million, including transaction related expenses. The sources of funds contributed to RES Acquisition consisted of i.) $95.5 million in a capital contribution by RES Holding from the issuance of its common stock to Blackstone and its affiliates, Veritas and HVR Holdings, L.L.C. and ii.) borrowings of approximately $65.0 million under a short term bridge loan credit facility dated September 8, 1998 between RES Holding and Chase Manhattan Bank, as Administrative Agent. Republic was acquired by RES Acquisition on September 8, 1998 and subsequently, RES Acquisition was merged with and into Republic on September 21, 1998. Blackstone and Veritas intend to combine ("Combination") the Company and Bar Technologies Inc. ("Bar Tech"), a producer of special bar quality steel, also owned by Blackstone and Veritas, during 1999, subject to refinancing a significant portion of the combined companies' debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER RELATED INFORMATION--(CONTINUED)

The Acquisition has been accounted for as a purchase and, pursuant to the provisions of SEC Staff Accounting Bulletin No. 54 ("SAB No. 54") and the rules of pushdown accounting, the Acquisition gave rise to a new basis of accounting. Given the timing of the Acquisition, fair value analysis of the net assets acquired, including appraisals of property and equipment, are not yet completed. Based upon preliminary assessments through March 31, 1999, the purchase price and related acquisition expenses exceeded net assets acquired by approximately $150 million. Fair value adjustments, once finalized, may materially increase or decrease this amount. Pending completion of the fair value analysis, the preliminary excess purchase price over the estimated value of the net assets acquired is being amortized over 20 years. Upon completion of the fair value analysis, adjustments will be made to depreciate the fair value of acquired property, plant and equipment over their estimated useful lives and to amortize goodwill over 40 years.

In connection with the Acquisition, the Company has developed preliminary plans to rationalize and discontinue operations at certain manufacturing locations. Management is conducting a detailed evaluation to finalize the timing and extent of the further rationalization of the operations. As discussed in Note 9, the Company plans to reduce the hourly workforce through retirement and severance programs. These programs and the anticipated workforce reductions are substantially voluntary in nature. Accordingly, the costs associated with these workforce reductions are being recognized as charges to operations as the offers for early retirement benefits and voluntary severance programs are accepted by the employees and intended to be awarded by the Company. These workforce reductions are intended to be implemented over the next several years. Through March 31, 1999, the Company has incurred $40.2 million of workforce reduction charges for early retirement benefits, including increased pension and other postretirement benefit obligations and special termination payments.

(c) Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements for the period from September 8, 1998 to March 31, 1999 and as of March 31, 1999, reflect the new basis of accounting of the Acquisition. Periods prior to September 8, 1998 (Predecessor Company) have been presented under the historical cost basis of Republic.

The condensed consolidated financial statement includes the accounts of Republic Engineered Steels, Inc. and its wholly owned subsidiaries, Nimishillen & Tuscarawas Railway Company and The Oberlin Insurance Company. All significant intercompany balances have been eliminated.

(d) Cash Equivalents

The Company considers all short-term investments with maturities at date of purchase of three months or less to be cash equivalents.

(e) Inventories

Inventories are carried at the lower of cost or market with cost determined using the last-in, first-out (LIFO) method. Inventories are stated net of assets held for sale.

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(f) Long-Lived Assets

Property, plant and equipment are recorded at cost less depreciation accumulated to date. Depreciation is computed on the straight-line method over the estimated useful lives of the assets; the range of useful lives is 39 years for buildings and 3-30 years for machinery and equipment. Accelerated methods are used for income tax purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER RELATED INFORMATION--(CONTINUED)

(g) Intangibles and Other Assets

Intangible assets consist primarily of deferred loan and bond fees, and in the case of the Predecessor Company, an intangible asset related to the Company's pension plan. The deferred loan and bond fees are being amortized on a straight-line basis over the lives of the related debt instruments.

(h) Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method. Under that method, deferred tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Income taxes for the period subsequent to the Acquisition reflect the pushdown impact on the consolidated tax position resulting from a change of control. No cash payments of income taxes were made during any of the periods presented.

(i) Environmental Costs

The Company and other steel companies have in recent years become subject to increasingly demanding environmental laws and regulations. It is the policy of the Company to endeavor to comply with applicable environmental laws and regulations. The Company established a liability for an amount which the Company believes is adequate, based on information currently available, to cover costs of remedial actions it will likely be required to take to comply with existing environmental laws and regulations.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In preparation of the condensed consolidated financial statements included herein, the Company uses estimates for, among others, deferred income tax benefits, defined benefit pension obligations, other postretirement benefit obligations, environmental remediation and fair value adjustments related to the Acquisition, all of which are significant to the condensed consolidated financial statements taken as a whole. Changes in circumstances in the near term could have an impact on these estimates, and the change in estimate could have a material effect on the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER RELATED INFORMATION--(CONTINUED)

(k) Reclassifications

Certain previously reported amounts have been reclassified to conform to the current presentation.

(l) Comprehensive Income

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During fiscal 1999, the Company adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." Total comprehensive loss for the period from September 8, 1998 to March 31, 1999, the period from July 1, 1998 to September 7, 1998 and the nine month period ended March 31, 1998 is as follows:

	PERIOD FROM SEPTEMBER 8, 1998 TO MARCH 31, 1999	PREDECESSOR COMPANY (NOTE 1(C)) PERIOD FROM JULY 1, 1998 TO SEPTEMBER 7, 1998	NINE MONTH PERIOD ENDED MARCH 31, 1998
	(IN THOUSANDS)		
Net loss	$ (90,878)	$ (19,746)	$(12,466)
Other comprehensive loss	(17,257)	--	--
Total comprehensive loss	$(108,135)	$ (19,746)	$(12,466)

Other comprehensive loss in each of the periods above is comprised solely of an additional minimum pension liability, net of $0 income tax effects.

2. INVENTORIES

In connection with the Acquisition, inventories at March 31, 1999 reflect a new LIFO base cost as of September 8, 1998. Inventory amounts at June 30, 1998 are net of a $2.4 million LIFO reserve and a $2.2 million reserve to value inventories at the lower of cost or market. As a result of the new LIFO base, these reserves were $0 million at March 31, 1999. Inventories at March 31, 1999 and June 30, 1998 were as follows:

	MARCH 31, 1999	PREDECESSOR COMPANY JUNE 30, 1998
	(IN THOUSANDS)	
Raw materials	$ 12,530	$ 12,157
Finished and semi-finished product	140,383	111,481
Supplies, molds and stools	1,813	1,705
	$ 154,726	$125,343

3. DEBT

Long-term debt of the Company consisted of the following:

	MARCH 31, 1999	PREDECESSOR COMPANY JUNE 30, 1998
	(IN THOUSANDS)	
9% Solid Waste Revenue Bonds, Series 1996, due June 1, 2021	$ 53,700	$ 53,700
8 1/4% Solid Waste Revenue Bonds, Series 1994, due October 1, 2014	20,200	20,200
9 7/8% First Mortgage Notes due December 15, 2001	206,038	200,000

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Revolving Credit Agreement	75,100	--
Other	2,301	22
	357,339	273,922
Less current maturities of long-term debt	--	--
Total long-term debt	$ 357,339	$273,922

</TABLE>

The amended and restated Revolving Credit Agreement ("Revolving Credit Agreement"), which expires April 25, 2000, permits borrowings up to $115.0 million and is secured by the Company's receivables, inventories, stock of a subsidiary, short-term investments and certain intangible assets. As of March 31, 1999 and June 30, 1998, amounts outstanding under the Revolving Credit Agreement were $75.1 million and $0, respectively.

On May 6, 1999, the Revolving Credit Agreement was amended (the "Amended Agreement") to reflect the formation of Republic Technologies International Marketing LLC ("Marketing JV"), a marketing joint venture owned in equal proportions by the Company and Bar Tech (see Note 5 for further discussion.) Under the Amended Agreement, the Marketing JV becomes a co-borrower and all borrowings are secured additionally by the receivables of the Marketing JV. Under the terms of the Marketing JV agreement, the Company purchases all the receivables of the Marketing JV on a discounted basis as sales are made to customers. The Amended Agreement provides a temporary increase to permitted borrowings from $115.0 million to $135.0 million until December 31, 1999. Interest rates on borrowings under the Amended Agreement have been increased for base rate loans to base rate plus 3/4 percent and for LIBOR loans to LIBOR rate plus 2 3/4 percent. Fees for standby or documentary letters of credit were increased to 2 3/4 percent.

Borrowings under the Revolving Credit Agreement bear interest at a per annum rate equal to, at the Company's option, (i) the higher of the base rate of BankBoston or 1/2 percent above the Federal funds effective rate, plus 1/2 percent; or (ii) LIBOR plus 2 1/2 percent. The borrowing base under the Revolving Credit Agreement is the sum of 55 percent of "Eligible Inventory" up to a maximum of $75 million and 85 percent of "Eligible Accounts Receivable" less approximately $25.0 million of reserves. Amounts available at March 31, 1999 under the Revolving Credit Agreement were $15.4 million. Fees of 2 1/2 percent per annum on the maximum drawing amount of each standby or documentary letter of credit are payable on the date of issuance of such letter of credit. A commitment fee of 3/8 percent per annum on the average unused portion of the facility is payable quarterly. The Revolving Credit Agreement contains certain limited negative and affirmative covenants, including failure to pay interest or principal when due, inaccurate or false representations or warranties and limitations on restricted payments.

On October 28, 1994, the Ohio Water Development Authority issued $20.2 million of 8 1/4% Solid Waste Revenue Bonds due 2014, on behalf of the State of Ohio, at 98% of face amount in

3. DEBT--(CONTINUED)

connection with the solid waste disposal facilities installed at the CAST-ROLL(Trademark) facility. Additionally, on June 1, 1996, the Authority issued $53.7 million of 9.0% Solid Waste Revenue Bonds due June 1, 2021 in connection with the solid waste recycling facilities installed at the CAST-ROLL(Trademark) facility. The proceeds of the 1996 Bonds were used to reduce outstanding borrowings under the Revolving Credit Facility. As of March 31, 1999 the Company had available approximately $0.3 million from the 1996 Bonds which is classified as restricted cash in the accompanying condensed consolidated balance sheet, and zero from the 1994 Bonds.

The Company's $200 million 9 7/8% First Mortgage Notes ("Notes") mature on December 15, 2001. As a result of the Acquisition, the Company was required by the terms of the indenture to offer to purchase any and all of the Notes at a purchase price of $1,010 per $1,000 principal amount, plus accrued and unpaid interest (the "Change of Control Offer"). Such premium has been recorded as a fair value adjustment to the liabilities assumed in the Acquisition with a corresponding increase to the excess purchase price over net assets acquired.

On September 8, 1998, the Acquisition by RES Acquisition of Republic was partially funded with borrowings of approximately $65.0 million (the "RES Holding Facility") under the Credit Agreement, dated September 8, 1998 between

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RES Holding and The Chase Manhattan Bank ("Chase"), as Administrative Agent. The maturity of the RES Holding Facility is currently June 8, 1999, however, the Company is negotiating with its lenders to extend the maturity.

On October 5, 1998, the Company commenced the Change of Control Offer which expired on November 5, 1998. Approximately $28.1 million principal amount of Notes was tendered in accordance with the Change of Control Offer. The purchase of the tendered Notes was assigned to affiliates of the Lenders (as defined below).

On October 29, 1998, the Company commenced a new offer to purchase any and all of the outstanding Notes at a purchase price of $1,042.30 per $1,000 principal amount plus accrued and unpaid interest (the "Offer"). The Offer is scheduled to expire on June 30, 1999. The Company is accruing the Offer premium over the period of the Offer.

For the purpose of funding the Change of Control Offer and the Offer, the Company entered into an additional senior credit facility (the "Bridge Facility") with Chase, DLJ Bridge Finance, Inc. and BankBoston N. A. (the "Lenders") which provides for up to $208.5 million of borrowings. In November 1999, any outstanding loans under the Bridge Facility convert into long-term loans and accordingly, the Notes remain classified as long-term in the accompanying condensed consolidated balance sheet as of March 31, 1999.

The interest rate on borrowings under the Bridge Facility will be LIBOR (adjusted to include statutory reserves) plus a margin, increased by 0.5% every three months, subject to a maximum rate of 15.5% per annum. In the event of any borrowings under the Bridge Facility, the Company will pay certain fees and RES Holding will make available warrants to purchase a portion of the common equity of RES Holding. Such fees are subject to partial refund if the Company refinances the Bridge Facility. Any warrants will be initially held under certain circumstances in escrow and all or a portion of such warrants may be subsequently released to the Lenders or to the holders of the loans, or if the loans are refinanced, returned to RES Holding. Through March 31, 1999, no amounts have been borrowed under the Bridge Facility.

4. DISCONTINUED OPERATIONS

In connection with the Acquisition, the Company intends to sell its specialty steels division, and accordingly, the accompanying consolidated financial statements reflect that division as discontinued operations in accordance with Accounting Principles Board Opinion No. 30. All revenues and

4. DISCONTINUED OPERATIONS--(CONTINUED)

expenses related to the specialty steels division since the Acquisition date have been reported as adjustments to the purchase price of the Acquisition.

In April 1999, the Company announced that Haynes International ("Haynes"), a leading manufacturer of nickel and cobalt based alloys, will manage its specialty steels division according to the terms of an agreement between the respective companies. The Company will pay Haynes a management fee based upon the allocable portion of total costs incurred by Haynes attributable to management activities of the combined operations. The Company and Haynes are associated by common ownership.

Summarized results of discontinued operations for the specialty steels division were as follows:

<TABLE>
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	QUARTER ENDED MARCH 31,		PERIOD FROM SEPTEMBER 8, 1998 TO MARCH 31, 1999	PREDECESSOR COMPANY	
				PERIOD FROM JULY 1, 1998 TO JULY 1, 1998 TO SEPTEMBER 7, 1998	NINE MONTH PERIOD ENDED PERIOD ENDED MARCH 31, 1998
	1999	1998			
			(IN THOUSANDS)		
<S>	<C>	<C>	<C>	<C>	<C>
Net sales....................	$ 13,059	$28,011	$ 34,228	$14,533	$ 82,479
Gross profit.................	(1,304)	2,784	(2,212)	410	8,655
Income (loss) before income					

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taxes......................	(2,072)	1,456	(4,353)	(298)	3,991
Provision for income taxes...	--	291	--	--	803
Net income (loss)...........	$ (2,072)	$ 1,165	$ (4,353)	$ (298)	$ 3,188

</TABLE>

The components of net assets of discontinued operations included in the Company's balance sheet as assets held for sale were as follows:

<TABLE>
<CAPTION>

	MARCH 31, 1999	PREDECESSOR COMPANY JUNE 30, 1998
	(IN THOUSANDS)	
<S>	<C>	<C>
Receivables..	$ 9,195	$11,595
Inventory..	22,635	30,457
Assets held for sale--current.............................	$ 31,830	$42,052
Property, plant and equipment, net..........................	$ 11,687	$11,903
Assets held for sale--non-current.........................	$ 11,687	$11,903

</TABLE>

5. RELATED PARTY TRANSACTIONS

Affiliates of Blackstone and Veritas currently provide certain management and financial monitoring services to the Company pursuant to an agreement between the respective parties for which the Company pays an annual advisory fee plus reimbursement of certain out-of-pocket expenses.

The Company and Bar Tech share common management and have begun to perform certain sales, marketing and administrative functions on a combined basis. This includes marketing both companies' steel products jointly under the combined brand name "Republic Technologies International" using a single sales force. The costs of joint functions have been borne ratably by the Company and Bar Tech based upon relative sales volumes achieved.

5. RELATED PARTY TRANSACTIONS--(CONTINUED)

The Company also participates in an inventory purchasing arrangement with Bar Tech. Under the terms of this arrangement, the Company purchases materials on behalf of both companies and bills Bar Tech for its respective purchases, plus an administrative fee. During the quarter ended March 31, 1999 and the period September 8, 1998 through March 31, 1999, the Company purchased materials for Bar Tech and its subsidiary, Bliss & Laughlin Steel Company, totaling approximately $24.4 million and $33.4 million, respectively. A similar arrangement is in place with regard to insurance. The Company purchased insurance coverage for the combined company for which the costs are borne ratably by the Company and Bar Tech based on their respective share of coverage. The Company also purchased $8.7 million and $11.7 million of billet and bar products, at market prices, from Bar Tech during the quarter ended March 31, 1999 and the period September 8, 1998 through March 31, 1999, respectively.

At January 1, 1999, certain salaried employees of Bar Tech became employees of the Company. Under the terms of an employee leasing and overhead allocation agreement, the Company and Bar Tech share the costs of common expenses including, but not limited to sales and marketing services, administrative services, plant overhead and costs for certain common facilities.

As of January 4, 1999, Republic Technologies International Marketing, LLC ("Marketing JV") was formed to formalize prior efforts of the Company and Bar Tech to jointly market, advertise, promote and sell both companies' steel products to each company's existing and potential customers. The Marketing JV is owned by the Company and Bar Tech in equal proportions and will fill purchase orders for steel products by purchasing such steel products from the Company and/or Bar Tech, as appropriate for a particular order, and allocating such

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purchase orders to the Company or Bar Tech and receiving a sales commission designed to cover the marketing JV's operating expenses. Under the terms of the agreement, the Company purchases all the receivables of the Marketing JV on a discounted basis as sales are made to customers.

The following information is a result of the Company's transactions with its affiliates as described above. The following information is as of and for the periods described below:

	AS OF MARCH 31, 1999	AS OF JUNE 30, 1998
	(IN THOUSANDS)	
Accounts receivable due from affiliates:		
Bar Technologies Inc.	$41,689	$ --
Accounts receivable due from affiliates, long-term:		
Bar Technologies Inc.	$ 531	$ --
Amounts due to affiliates:		
Bar Technologies Inc.	$ 1,524	$ --
Blackstone Capital Partners II	1,125	--
Republic Technologies International Marketing, LLC	3,996	--
	$ 6,645	$ --

5. RELATED PARTY TRANSACTIONS--(CONTINUED)

FOR THE QUARTERS ENDED:	MARCH 31, 1999	MARCH 31, 1998
	(IN THOUSANDS)	
Net sales to affiliates:		
Bar Technologies Inc.	$1,794	$ --
Republic Technologies International Marketing, LLC	4,712	--
	$6,506	$ --
FOR THE NINE MONTH PERIOD ENDED:		
Net sales to affiliates:		
Bar Technologies Inc.	$2,570	$ --
Republic Technologies International Marketing, LLC	4,712	--
	$7,282	$ --

6. SUBSEQUENT EVENTS

In April 1999, the Company's principal owners, Blackstone and Veritas entered into a letter of intent with U.S. Steel Group of USX Corporation ("USX") and Kobe Steel, Ltd. ("Kobe") concerning the combination of USS/Kobe Steel Company's steelmaking and bar producing assets with those of the Company and Bar Tech. USX and Kobe would jointly own 30% of the combined operations. The combination is subject to numerous conditions including approval by the board of directors of USX and Kobe, negotiation and execution of definitive agreements, receipt of necessary government approvals, including antitrust, negotiation of a new labor agreement with the United Steel Workers of America and the refinancing of a significant portion of the combined companies' debt.

On July 1, 1999, the Company borrowed $208.5 million under the Bridge Facility to fund the Offer to repurchase the Notes (see Note 3). A portion of the Notes was purchased pursuant to a tender offer, which was completed June 30, 1999 and the remaining proceeds from the Bridge Facility were placed in

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escrow to fund the redemption of the remaining outstanding Notes. The Notes have been called for redemption and the redemption is expected to be completed on August 2, 1999.

7. ENVIRONMENTAL COMPLIANCE

The Company is subject to a broad range of federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, and the remediation of contamination associated with the disposal of waste. The Company continuously monitors its compliance with such environmental laws and regulations, and accordingly, believes that it is currently in substantial compliance with such laws and regulations. As is the case with most steel producers, the Company could incur significant costs related to environmental compliance, in particular those arising from remediation costs for historical waste disposal practices at certain of the Company's facilities. The Company anticipates making expenditures of approximately $0.1 million, which are covered by the Company's current reserve for environmental investigatory and control measures during the next 12 months. The reserve to cover potential current and non-current environmental liabilities was approximately $14.4 million at March 31, 1999 and June 30, 1998, substantially all of which is classified as a long-term obligation in the accompanying consolidated balance sheets (except for anticipated expenditures during the next twelve months).

7. ENVIRONMENTAL COMPLIANCE--(CONTINUED)

The reserve has been established and is monitored based on continuing reviews of the reserve, each matter comprising the reserve, and whether any new matters should be included in the reserve, using currently available information relative to enacted laws and regulations and existing technology. These reviews are performed periodically by an in-house committee comprised of representatives experienced in environmental matters from the environmental, operating and accounting departments in consultation with outside legal and technical experts, as necessary.

8. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings, including environmental proceedings with governmental authorities, product liability litigation, and claims by present and former employees under federal and counterpart state anti-discrimination and other laws relating to employment. The Company does not believe that any of these proceedings, either individually or in the aggregate, will have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

9. EMPLOYMENT AND RETIREMENT AGREEMENTS

Effective September 8, 1998, the Company entered into a five-year master collective bargaining agreement (the "Master CBA") and related settlement agreement (the "Settlement Agreement") with the United Steelworkers of America (the "USWA"). Management believes that the Master CBA will offer the Company the flexibility to rationalize its cost structure so that it may continue to invest in the business to maintain a position as a low-cost supplier. The Master CBA allows the Company to reduce the number of job classifications at all USWA-covered facilities to five from over 34 at certain facilities thereby permitting employees to be assigned a wider range of responsibilities.

The Settlement Agreement requires the Company to offer Early Retirement Buyouts ("ERBs") to at least 1,000 employees and permits the Company to offer a Voluntary Severance Plan ("VSP"). The purpose of these programs is to reduce the hourly workforce at Republic and Bar Tech facilities by a net reduction of over 1,400 hourly employees over four years. Subsequent to September 7, 1998, 259 ERBs were accepted. Under the terms of the Settlement Agreement, if the ERBs and VSP do not achieve targeted headcount reductions, the Company will have the flexibility to reduce the hourly workforce by approximately 300 employees in addition to the number of accepted ERBs and VSPs. Pursuant to the Master CBA, USWA represented employees will be eligible for Supplemental Unemployment Benefits (SUB) and the continuation of certain health insurance benefits.

The Company has entered into a memorandum of understanding with the Pension Benefit Guarantee Corporation (the "PBGC") pursuant to which (1) the PBGC agreed to forebear from instituting proceedings to terminate the USWA Defined Benefit Plan as a result of the Acquisition or the prospective combination with Bar Tech, (2) in January 1999, the Company funded the pension plan with an approximate $27 million initial contribution and (3) the Company will make an additional contribution to such pension plan in the amount of $20 million on or

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before July 1, 1999 (which is supported by a letter of credit). Additional quarterly contributions will be made by the Company commencing October 1, 1999 in accordance with the following schedule: $7.5 million per quarter for the first four payments, $7.6 million per quarter for the next four payments, $9.1 million per quarter for the next four payments and $8.5 million per quarter for the final four payments. Of the Company's aggregate pension obligation, $36.9 million was classified as a current liability and $4.8 million was classified as a long-term liability in the accompanying condensed consolidated balance sheet as of March 31, 1999.

(2) Financial statements for the Bar Products Line of USS/Kobe Steel Company as of December 31, 1997 and 1998 (audited) and as of March 31, 1999 (unaudited) and for the years ended December 31, 1996, 1997 and 1998 (audited) and for the three months ended March 31, 1997 and 1998 (unaudited) are set forth below.

The Company expects that any additional financial statements for the Bar Products Line of USS/Kobe Steel Company required to be filed as part of a Current Report on Form 8-K and not included in this filing will be filed not later than October 12, 1999.

REPORT OF INDEPENDENT AUDITORS

Management Committee
USS/KOBE Steel Company

We have audited the accompanying balance sheets of the Bar Products Line of USS/KOBE Steel Company, a partnership, as of December 31, 1998 and 1997, and the related statements of operations, changes in partners' investment and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the USS/KOBE Steel Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted audited standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bar Products Line of USS/KOBE Steel Company at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Bar Products Line of USS/KOBE Steel Company will continue as a going concern which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. As described in Note E to the financial statements, USS/KOBE Steel Company from time to time has breached the financial covenants of its debt agreements. If the minimum adjusted net worth requirement of $275 million is not maintained throughout 1999, a specified number of lenders may cause the debt repayment to be accelerated. If this occurs, there is no assurance, absent a refinancing of the debt such as contemplated under the proposed transaction described in Note B to the financial statements, that USS/KOBE Steel Company would have sufficient cash to meet its current debt and other obligations. This condition raises substantial doubt about the ability of the Bar Products Line of USS/KOBE Steel Company to continue as a going concern. Management's plans in regard to this matter are described in Note A. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classifications of liabilities that may result from the outcome of this uncertainty.

The financial statements as of March 31, 1999 and for the three months ended March 31, 1999 and 1998 were reviewed by us and our report thereon, dated July 7, 1999, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

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Cleveland, Ohio   Ernst & Young LLP
July 7, 1999

BAR PRODUCTS LINE OF USS/KOBE STEEL COMPANY
BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31		MARCH 31
	1997	1998	1999
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,909	$ 3,195	$ 177
Accounts receivable--net of allowances of $1,850 in 1997, $9,500 in 1998 and 1999	43,338	44,274	51,347
Inventories:			
Raw materials	58,329	51,451	28,880
Work-in-process	21,388	57,513	54,045
Finished goods	26,657	20,839	18,596
Supplies	1,274	1,391	1,170
	107,648	131,194	102,691
Other current assets	7,334	6,910	6,057
Total current assets	160,229	185,573	160,272
Property, plant and equipment:			
Land	2,607	2,633	2,633
Buildings and improvements	41,539	41,700	41,706
Machinery and equipment	613,483	636,723	643,369
Construction-in-progress	12,804	7,718	3,501
	670,433	688,774	691,209
Less accumulated depreciation	(223,567)	(269,045)	(280,713)
	446,866	419,729	410,496
Intangible pension asset	7,321	12,793	12,793
Total assets	$614,416	$618,095	$ 583,561
LIABILITIES AND PARTNERS' INVESTMENT			
Current liabilities:			
Checks in transit	$ 25,555	$ 16,261	$ 10,064
Note payable		3,215	2,224
Accounts payable	58,564	61,442	55,511
Accrued payroll and related expenses	17,781	17,371	15,513
Other accrued expenses	16,883	14,544	18,578
Current portion of other postretirement benefits liabilities	8,200	9,363	9,363
Total current liabilities	126,983	122,196	111,253
Accrued pension liabilities	5,263	10,314	12,174
Other postretirement benefits liabilities	29,808	37,027	38,767
Non-current debt	180,238	180,238	180,238
Other long-term obligations	702	1,926	1,914
Partners' investment:			
Accumulated other comprehensive loss		(445)	(445)
Division control	271,422	266,839	239,660
	271,422	266,394	239,215
TOTAL LIABILITIES AND PARTNERS' INVESTMENT	$614,416	$618,095	$ 583,561

</TABLE>

See notes to financial statements.

BAR PRODUCTS LINE OF USS/KOBE STEEL COMPANY
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

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<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31			THREE MONTHS ENDED MARCH 31	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES					
Net sales:					
Unrelated parties	$394,527	$416,593	$426,496	$123,332	$102,128
Related parties:					
Tubular transfers	165,901	197,810	145,185	52,461	21,863
Other	151,606	107,182	42,710	24,355	4,892
	712,034	721,585	614,391	200,148	128,883
COST AND EXPENSES					
Cost of sales	674,550	697,241	593,048	184,209	134,046
Depreciation and amortization	40,204	41,515	45,853	11,475	11,783
Selling and administrative expenses	20,145	19,492	17,270	4,691	4,585
	734,899	758,248	656,171	200,375	150,414
Loss from operations	(22,865)	(36,663)	(41,780)	(227)	(21,531)
OTHER (EXPENSES) INCOME					
Interest expense, net	(8,867)	(10,987)	(11,189)	(2,922)	(3,594)
Other income	296	105	24	74	111
	(8,571)	(10,882)	(11,165)	(2,848)	(3,483)
NET LOSS	$(31,436)	$(47,545)	$(52,945)	$ (3,075)	$(25,014)

</TABLE>

See notes to financial statements.

BAR PRODUCTS LINE OF USS/KOBE STEEL COMPANY
STATEMENTS OF CHANGES IN PARTNERS' INVESTMENT
(IN THOUSANDS)

<TABLE>
<CAPTION>

	USS LORAIN HOLDING COMPANY, INC.	KOBE/ LORAIN INC.	TOTAL
<S>	<C>	<C>	<C>
Balance at January 1, 1996	$169,055	$ 169,055	$338,110
Partners' non-cash contributions and transfers	7,464	7,464	14,928
Net loss	(15,718)	(15,718)	(31,436)
Balance at December 31, 1996	160,801	160,801	321,602
Partners' non-cash contributions and transfers	(1,318)	(1,317)	(2,635)
Net loss	(23,772)	(23,773)	(47,545)
Balance at December 31, 1997	135,711	135,711	271,422
Partners' non-cash contributions and transfers	19,741	19,741	39,482
Partners' cash contributions	4,440	4,440	8,880
Net loss	(26,472)	(26,473)	(52,945)
Other comprehensive loss	(223)	(222)	(445)
Total comprehensive loss	(26,695)	(26,695)	(53,390)
BALANCE AT DECEMBER 31, 1998	133,197	133,197	266,394
Partners' non-cash contributions and transfers (unaudited)	(1,083)	(1,082)	(2,165)
Net loss (unaudited)	(12,507)	(12,507)	(25,014)
BALANCE AT MARCH 31, 1999 (UNAUDITED)	$119,607	$ 119,608	$239,215

</TABLE>

See notes to financial statements.

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BAR PRODUCTS LINE OF USS/KOBE STEEL COMPANY
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31			THREE MONTHS ENDED MARCH 31	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES					
Net loss	$ (31,436)	$ (47,545)	$ (52,945)	$ (3,075)	$ (25,014)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	40,204	41,515	45,853	11,475	11,783
Loss (gain) on disposal of property, plant and equipment	(40)		58		
Provision for receivable allowance	(250)	(350)	7,650		
Change in pension liability and asset--net	(9,665)	4,377	(866)	1,683	1,860
Increase in other postretirement benefits liability--net	6,326	7,141	8,382	1,807	1,740
Changes in operating assets and liabilities:					
Decrease (increase) in accounts receivable	17,464	(4,883)	(8,586)	(1,195)	(7,073)
(Increase) decrease in inventories	(29,081)	17,183	(23,546)	18,296	28,503
Increase (decrease) in accounts payable and due to/from tubular products line	11,313	(10,480)	42,360	16,345	(8,096)
(Decrease) increase in payroll related liabilities	(11,964)	2,226	(410)	1,982	(1,858)
(Decrease) increase in other	(4,107)	21,203	(9,985)	(23,910)	(1,322)
Net cash provided by (used in) operating activities	(11,236)	30,387	7,965	23,408	523
INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment	40				
Purchases of property, plant and equipment--net	(33,564)	(42,326)	(18,774)	(5,245)	(2,550)
Net cash used in investing activities	(33,524)	(42,326)	(18,774)	(5,245)	(2,550)
FINANCING ACTIVITIES					
Contributions from Partners			8,880		
Proceeds from debt facilities	333,364	811,903	767,017	209,355	260,059
Principal payments on notes and other debt	(307,207)	(799,387)	(763,802)	(228,150)	(261,050)
Net cash provided by (used in) financing activities	26,157	12,516	12,095	(18,795)	(991)
Increase (decrease) in cash and cash equivalents	(18,603)	577	1,286	(632)	(3,018)
Cash and cash equivalents, beginning of period	19,935	1,332	1,909	1,909	3,195
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,332	$ 1,909	$ 3,195	$ 1,277	$ 177

</TABLE>

See notes to financial statements.

BAR PRODUCTS LINE OF USS/KOBE STEEL COMPANY
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998 (AUDITED) AND MARCH 31, 1999
(UNAUDITED)

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared assuming that the

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Bar Products Line (the Bar Products Line) of USS/KOBE Steel Company will continue as a going concern which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. As described in Note E, USS/KOBE Steel Company (USS/KOBE) from time to time has breached the financial covenants of its debt agreements. If the minimum adjusted net worth requirement of $275 million is not maintained throughout 1999, a specified number of lenders may cause the debt repayment to be accelerated. If this occurs, there is no assurance, absent a refinancing of the debt as contemplated under the proposed transaction described in Note B, that USS/KOBE Steel Company would have sufficient cash to meet its current debt and other obligations.

Management believes that the contractual commitment of each partner to make capital contributions of up to $15 million will be sufficient to ensure that adjusted net worth remains in excess of the minimum $275 million requirement throughout 1999. Additionally, if the transaction described in Note B were completed, the debt to which this covenant is related would be repaid. However, if the proposed transaction described in Note B does not close, there is no assurance that actual losses incurred by USS/KOBE will not exceed those anticipated by management and, further, that USS/KOBE and the Bar Products Line will be able to otherwise refinance the debt, could obtain waivers from its lenders or could obtain additional capital contributions in excess of the contractual commitments from each partner in sufficient amounts to meet the adjusted net worth requirement.

The Bar Products Line's independent auditors have included a "going concern" explanatory paragraph in their audit report accompanying the carve-out financial statements of the Bar Products Line. This paragraph states that the aforementioned condition raises substantial doubt about the ability of the Bar Products Line of USS/KOBE Steel Company to continue as a going concern. The financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

B. DESCRIPTION OF BUSINESS AND PROPOSED TRANSACTION

On April 12, 1999, USX Corporation (USX) and Kobe Steel Ltd. (Kobe) entered into a Letter of Intent with Blackstone Partners II L.L.C. (Blackstone) which provides for the combination of USS/KOBE Steel Company's steelmaking and bar producing assets with those of companies controlled by Blackstone and Veritas Capital Management L.L.C. (Veritas), primarily Republic Engineered Steels, Inc. and Bar Technologies, Inc., (Republic Technologies International, LLC ("RTI")). Under the terms of the Letter of Intent, USX and Kobe will contribute the steelmaking and bar producing assets and business, including the long-term debt, (collectively, the Bar Products Line) of USS/KOBE to the new joint venture in exchange for a 15% interest, each, in RTI. The transaction is expected to be completed in the third quarter of 1999.

The accompanying financial statements represent carve-out financial statements of the Bar Products Line which are being contributed to RTI, and are not intended to be a complete presentation of the financial position or the results of operations and cash flows of USS/KOBE on a stand-alone basis. The financial statements include allocations and estimates of direct and indirect USS/KOBE corporate administrative expenses as well as account balances attributable to the contributed operations which are described in Note C--Significant Accounting Policies and Allocations. The methods by which such amounts are attributed or allocated are deemed reasonable by the management of USS/KOBE.

B. DESCRIPTION OF BUSINESS AND PROPOSED TRANSACTION--(CONTINUED)

USS/KOBE is an Ohio general partnership whose owners (each with a 50% interest) are Kobe/Lorain Inc. (KLI), a wholly-owned subsidiary of Kobe Delaware Inc., in which Kobe Steel USA Holdings Inc. (Kobe Holdings) has a 90.7% stake and USS Lorain Holding Company, Inc. (ULHC) an Ohio Corporation wholly-owned by USX. KLI and ULHC are collectively referred to as the Partners. USS/KOBE operations commenced July 1, 1989 following the Partners' contribution of certain assets and liabilities and the completion of certain other transactions, resulting in USS/KOBE's ownership of the former Lorain Works fully integrated steel mill facilities of USX. USS/KOBE manufactures high quality steel bars, rod and seamless tubular products, primarily for the automotive, automotive service and energy markets.

The unaudited balance sheet as of March 31, 1999, and the related

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statements of operations and cash flows for the three months ended March 31, 1998 and 1999 and the statement of changes in partners' investment for the three months ended March 31, 1999, have been prepared in accordance with generally accepted accounting principles for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of adjustments of a normal and recurring nature) considered necessary for a fair presentation of the financial position and results of operations and cash flows have been included. Operating results for the three months ended March 31, 1999 are not necessarily indicative of the results that might be expected for the year ending December 31, 1999.

Domestic steel producers face significant competition from foreign producers affecting both prices and volume. USS/KOBE also competes with other domestic integrated bar and tubular steel producers, some of which have greater financial resources than USS/KOBE, and with minimills, which are relatively efficient, low-cost producers that generally produce steel from low cost raw materials, have lower employment and environmental costs and generally target regional markets.

C. SIGNIFICANT ACCOUNTING POLICIES AND ALLOCATIONS

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, on deposit and highly liquid investments with maturities of three months or less when purchased. The carrying amount of these assets approximates fair value. Checks in transit are considered to be current liabilities, and classified with "other", for purposes of cash flows. All cash accounts of USS/KOBE were allocated to the Bar Products Line.

Inventories

Inventories are valued at the lower of weighted average unit cost or market value. All raw materials were allocated to the Bar Products Line. Work-in-process and finished good inventory quantities were allocated to the Bar Products Line based upon the point of production as of the balance sheet date. All direct materials, labor and overhead including hourly pension and other postretirement benefit (OPEB) costs are capitalized in inventory. Salaried wages and benefits as well as the amortization of the OPEB transition obligation and depreciation and amortization are not capitalized into inventory.

C. SIGNIFICANT ACCOUNTING POLICIES AND ALLOCATIONS--(CONTINUED)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the various assets (35 years for buildings and ranging from 3 to 22 years for machinery and equipment). When a major facility or facilities depreciated on an individual basis are sold or otherwise disposed of, any gain or loss is reflected in operations. Proceeds from the disposal of other facilities depreciated on a group basis are credited to the depreciation reserve with no immediate effect on income. Property, plant and equipment and the related accumulated depreciation as well as construction-in-progress related to the Bar Products Line were determined based on the production cost center to which the asset is assigned. Depreciation expense was determined by the production cost center to which each asset relates.

At December 31, 1998, the Bar Products Line has ingot teeming, soaking pit and blast furnace assets which are idle, with a net carrying value of approximately $6.8 million.

Construction-in-Progress

Costs (including capitalized interest) incurred in the construction of new assets, and additions, improvements and betterments to existing assets which add to the productive capacity or extend the useful lives of those assets are capitalized as construction-in-progress. At the time an asset or improvement is placed into service, the related costs are transferred to the appropriate property, plant and equipment account.

Impairment of Property, Plant and Equipment

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When indicators of impairment are present, the recoverability of property, plant and equipment is assessed by determining whether the amortization of the remaining balance over its remaining useful life can be recovered through undiscounted future operating cash flows. If impairment exists, the carrying amount of the related asset is reduced. Management has evaluated its long-lived assets as held for use and has determined through a cash flow analysis that no impairment in value exists as of March 31, 1999. If the proposed transaction that is described in Note B is consummated and depending upon the fair value assigned to the combined business, there could be an asset impairment charge recorded on the Bar Products Line financial statements at the closing date of the transaction.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were allocated to the Bar Product Line based upon related production cost centers. Payroll related liabilities were allocated based upon the headcount of the various production cost centers.

Postretirement Health Care and Life Insurance Benefits

USS/KOBE provides certain health care and life insurance benefits for retirees. Substantially all employees may become eligible for these benefits upon retirement. USS/KOBE accrues for such benefits over the period in which active employees become eligible for such benefits. The transition obligation is being amortized over a 20 year period. Under the USS/KOBE Partnership agreement, USS/KOBE is responsible for all health care benefit payments after July 1, 1989, relating to former employees of the former Lorain Works of USX retired as of June 30, 1989, up to an aggregate of $7,400,000 annually. USX is responsible for all such health care benefit payments exceeding that

C. SIGNIFICANT ACCOUNTING POLICIES AND ALLOCATIONS--(CONTINUED)

amount. To the extent that such health care benefit payments are less than $7,400,000 in any one year, USS/KOBE is responsible for reimbursing USX for payments of cumulative prior year excess amounts such that the total amount paid is up to $7,400,000 for that year, through the year 2020. At December 31, 1998 no cumulative excess amount exists.

The portion of the postretirement health care and life insurance benefit liability and related expense of the Bar Products Line was determined based upon the production cost center to which each active employee was assigned. All expenses and related liabilities associated with former employees who retired between January 1, 1996 and December 31, 1998 were allocated to the respective Tubular or Bar Products Line from which they retired. All expenses and related liabilities associated with retirees prior to January 1, 1996 as well as all former Lorain Works (of USX) employees were allocated to the Bar Products Line.

Division Control

The division control account includes the allocation of partners' investment, accumulated deficit and intracompany balances due to/from the Tubular Products Line of USS/KOBE.

Insurance

Insurance is obtained for catastrophic casualty and certain property exposures, as well as those risks required to be insured by law or contract. Costs resulting from noninsured losses are charged to operations when probable and estimable. Insurance expense was allocated to the Bar Products Line based upon the allocation of fixed assets.

Income Taxes

As a partnership, USS/KOBE is not subject to federal or state income taxes. Federal and state income tax regulations provide that the items of income, gain, loss, deduction, credit and tax preference of USS/KOBE are reportable by the individual partners in their respective corporate income tax returns. Accordingly, no provision for federal or state income taxes has been recorded by USS/KOBE or the Bar Products Line.

Tubular Transfer Price

Related party revenues consist of the transfer of the Bar Products Line's

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operating costs related to the production of seamless rounds by USS/KOBE's tubular operations. Those costs include allocations of the materials, maintenance and utilities, and labor and benefit costs incurred by the Bar Products Line based upon the percentage of tubular product produced to total production. Transfers of tubular products were made at actual inventoriable and other costs incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. SIGNIFICANT ACCOUNTING POLICIES AND ALLOCATIONS--(CONTINUED)

Revenue Recognition

Sales are recognized when products are shipped or services are provided to customers.

Environmental Remediation

USS/KOBE provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Generally, the timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of known environmental exposure (see Note H).

D. RELATED PARTY TRANSACTIONS

Included in current assets and liabilities are amounts payable to affiliates of the Partners, as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1997		DECEMBER 31, 1998		MARCH 31, 1999	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
			(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
USX Corporation.............	$ 3,805	$ 33,982	$ --	$ 37,243	$ 2,071	$ 37,129
Kobe Steel, Ltd.............		710		211	--	793
TOTAL.......................	$ 3,805	$ 34,692	$ --	$ 37,454	$ 2,071	$ 37,922

</TABLE>

USS/KOBE has an agreement with USX to provide blooms to the Fairfield Works owned by USX. Bar Product Line sales recorded under this agreement were $151,606,000 in 1996, $107,182,000 in 1997, $42,710,000 in 1998, $24,355,000 in the first three months of 1998 and $4,892,000 in the first three months of 1999.

In addition, USS/KOBE has an arrangement to store certain Fairfield Works tubular products. Total income recorded under this arrangement was $50,000 in 1996, $45,000 in 1997, $52,000 in 1998, $18,000 in the first three months of 1998 and $10,000 in the first three months of 1999.

USS/KOBE has an agreement with USX, under which USX provides data processing and other administrative services to USS/KOBE. Amounts paid by the Bar Products Line under this agreement totaled, $4,846,000 in 1996 $4,786,000 in 1997, $4,168,000 in 1998, $1,882,000 in the first three months of 1998 and $1,426,000 in the first three months of 1999. In addition, under separate agreements, USX provides coke and iron ore pellets to the Bar Products Line at negotiated prices. Costs incurred by the Bar Products Line under these agreements totaled, $227,523,000 in 1996 $193,827,000 in 1997, $173,072,000 in 1998, $28,770,000 in the first three months of 1998 and $12,258,000 in the first three months of 1999.

USS/KOBE has an agreement with Kobe, under which Kobe provides technical

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assistance in 1) the improvement of daily operations and product quality, and 2) preparation of a modernization plan. Under the agreement, USS/KOBE is to pay Kobe an annual basic fee of $2,000,000 through August 31, 2001. Management has allocated 100% of this contract to the Bar Products Line.

USS/KOBE also incurs certain salary and absence fees for use of Kobe employees, training fees related to training programs attended by USS/KOBE employees, and patent license fees for any Kobe patents used by USS/KOBE. Management has allocated 100% of this contract to the Bar

D. RELATED PARTY TRANSACTIONS--(CONTINUED)

Products Line which totaled $126,000 in 1996, $99,000 in 1997, $240,000 in 1998, $32,000 in the three months ended March 31, 1998 and $10,000 in the three months ended March 31, 1999.

E. CREDIT FACILITIES

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	DECEMBER 31, 1998	MARCH 31, 1999
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Credit facilities:			
Five year, $75 million revolving credit facility, at variable rates (6.7% and 5.78% at December 31, 1997 and 1998, respectively, and 5.78% at March 31, 1999) due December 29, 2000..	$ 66,607	$ 66,607	$ 66,607
Senior notes:			
Fixed rate private placement notes:			
Tranche A: 6.85%; due November 21, 2002.....	44,404	44,404	44,404
Tranche B: 7.20%; due November 21, 2005.....	44,404	44,404	44,404
Tranche C: 7.47%; due November 21, 2010.....	13,321	13,321	13,321
Environmental bonds:			
1984 Series, interest due monthly at a variable rate based on the average of thirty-day yield evaluations at par of not less than twenty issuers of tax-exempt securities, principal due December 2001............................	6,757	6,757	6,757
1995 Series, variable rate tax-exempt securities, principal due November 2015..................	4,745	4,745	4,745
	$180,238	$180,238	$ 180,238

</TABLE>

USS/KOBE has a five year $75 million revolving credit facility ("credit facility"), established with a group of nine banks which is subject to immaterial commitment fees. The credit facility, including the financial covenants, was amended February 26, 1999. USS/KOBE was in violation of the net worth and interest coverage financial covenants related to the credit facility at December 31, 1998 and for the period through February 26, 1999, the date of the amendment. USS/KOBE has obtained waivers of the events of default from the banks as of December 31, 1998 and for such period through the date of the amended agreement. As a result of the amendment, the interest rates on the credit facility are set at a base rate based on the prime rate or LIBOR in effect at the time of the loan plus a base rate adjustment, ranging from 0.38 to 0.88%.

At December 31, 1998, USS/KOBE was in breach of certain financial covenants under its senior notes agreement dated as of November 1, 1995 ("Note Agreement") relating to its $115 million senior notes. As of February 19, 1999, USS/KOBE entered into an amendment to the Note Agreement to revise the financial covenants. That amendment, and the February 26 amendment to

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E. CREDIT FACILITIES--(CONTINUED)

the credit facility, required USS/KOBE to deliver a first perfected security interest in certain current assets ("Tier 1 Collateral") such as accounts receivable, inventory and cash by March 31, 1999. These amendments also require USS/KOBE to deliver a first perfected security interest in its remaining assets ("Tier 2 Collateral") no later than 90 days after its consolidated net worth is less than $300 million. On May 14, 1999, USS/KOBE advised its lenders that its consolidated net worth was less than $300 million.

On June 30, 1999 USS/KOBE executed documents providing for a collateral trust arrangement with Chase Manhattan Trust Company, N.A. ("Collateral Trustee") and its banks and noteholders and granting the Collateral Trustee a first perfected security interest in all the Tier 1 Collateral and a portion of the Tier 2 Collateral for the benefit of the banks and noteholders.

USS/KOBE expects to grant the Collateral Trustee a security interest in the remaining Tier 2 Collateral in a timely manner and for all practical purposes cure all outstanding events of default under the credit facility and the Note Agreement.

In addition, if the adjusted consolidated net worth, as defined, of USS/KOBE falls below $275 million, USX and Kobe are required to contribute up to $15 million each, to restore adjusted consolidated net worth to a minimum of $275 million.

The VEBA is entitled to a pari passu lien on most of the remaining assets until the VEBA trust's fund level reaches 75% of USS/KOBE's total retiree health care and life insurance obligation, but the proposed settlement agreement with the United Steelworkers union does not contain this requirement. USS/KOBE will pay an amendment fee equal to an additional 1.75% interest on the outstanding principal of the senior notes, commencing on February 1, 1999 and payable semi-annually on the scheduled interest payment dates of the senior notes.

Under the most restrictive debt covenant, USS/KOBE is not permitted to make distributions to its Partners until net worth, as defined, exceeds $350 million.

The amounts outstanding under the credit facility, senior notes and environmental bonds represent those amounts allocated to the Bar Products Line based upon fixed asset allocations and do not represent the total amounts outstanding under those facilities (except for the 1995 Series, variable rate tax-exempt securities).

Management expects to refinance the credit facility and the senior notes upon the contribution of the Bar Product Line to RTI (See Note B).

Based on consideration of current market rates and the amended senior note agreement, the fair value of the senior notes Tranche A, Tranche B and Tranche C at December 31, 1998 allocated to the Bar Products Line was $47.4 million, $48.8 million and $15 million, respectively.

In June 1996, USS/KOBE entered into an agreement with two banks for a discretionary credit line at a variable rate (approximately 5.75% at December 31, 1998). The aggregate borrowings under this agreement cannot exceed $10 million. $3.2 million of outstanding borrowings under this credit line were allocated to the Bar Products Line at December 31, 1998 and $2.2 million at March 31, 1999. There were no borrowings outstanding under this credit line at December 31, 1997. This credit line expired at the end of May 1999.

Interest incurred of $9,622,000 in 1996, $11,900,000 in 1997, $12,007,000 in 1998, $3,136,000 in the first three months of 1998 and $3,648,000 in the first three months of 1999 has been allocated to the Bar Products Line based on the related allocation of debt balances. Interest expense

E. CREDIT FACILITIES--(CONTINUED)

capitalized in construction-in-progress has been determined based upon the allocation of specific construction-in-progress projects and totaled $624,000 in 1996, $906,000 in 1997, $696,000 in 1998, $169,000 in the first three months of

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1998 and $54,000 in the first three months of 1999. Interest paid and allocated to the Bar Products Line based on the related allocation of debt balances was $9,412,000 in 1996, $11,600,000 in 1997, $11,720,000 in 1998, $1,106,000 in the first three months of 1998 and $1,226,000 in the first three months of 1999.

F. PENSION AND OTHER POSTRETIREMENT BENEFITS

USS/KOBE sponsors two noncontributory defined benefit plans covering substantially all employees. Benefits under these plans are based upon years of service and final average pensionable earnings, or a minimum benefit based upon years of service, whichever is greater. The funding policy for these defined benefit plans provides that payment to the pension trusts shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 plus such additional amounts as may be approved from time to time. Assets held by the plans are invested primarily in corporate equity and debt securities and interest bearing cash accounts. In addition, pension benefits from USS/KOBE's two defined contribution plans, which cover participating employees, are based upon years of service and career earnings.

The portion of the defined benefit plans' liabilities and related expenses of the Bar Products Line has been determined based upon the production cost center to which each active employee is assigned and from which non-active employees retired. Expenses of the defined contribution plans have been allocated based upon the headcount of the various production cost centers.

In addition to USS/KOBE's defined benefit pension plans and defined contribution plans, USS/KOBE has two defined benefit postretirement plans covering substantially all employees. Health care and life insurance benefits are generally provided on a noncontributory basis. Coverage is also provided for surviving spouses of retirees. The plans' postretirement benefit claims and premiums are paid as incurred. As required by the United Steelworkers of America (USWA) labor agreement, USS/KOBE has contributed funds to a Voluntary Employee Benefit Association (VEBA) to partially fund its obligation. Under the terms of the agreement, the VEBA may not be used to fund health care claims until certain minimum funding levels are attained. The assets are invested in various mutual funds.

F. PENSION AND OTHER POSTRETIREMENT BENEFITS--(CONTINUED)

The components of pension and other postretirement benefit (OPEB) obligations and assets related to the benefit plans sponsored by USS/KOBE as allocated to the Bar Products Line are as follows (in thousands):

<TABLE>
<CAPTION>

	PENSION BENEFITS		OPEB	
	1997	1998	1997	1998
<S>	<C>	<C>	<C>	<C>
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 92,098	$108,965	$118,988	$130,415
Service cost	5,113	6,507	1,624	1,778
Interest cost	7,613	8,183	8,854	9,276
Actuarial losses (gains)	10,898	15,014	8,754	(21,335)
Benefits paid	(6,757)	(9,578)	(7,805)	(6,872)
Benefit obligation at end of year	108,965	129,091	130,415	113,262
Change in plan assets:				
Fair value of plan assets at beginning of year	89,300	100,572	2,369	4,043
Actual return on plan assets	15,672	14,946	780	734
Contributions	2,357	7,937	8,699	8,200
Benefits paid	(6,757)	(9,578)	(7,805)	(6,872)
Fair value of plan assets at end of year	100,572	113,877	4,043	6,105
Funded status of the plans (underfunded)	(8,393)	(15,214)	(126,372)	(107,157)
Unrecognized net actuarial losses (gains)	(5,673)	3,894	(114)	(21,787)
Unrecognized prior service cost	16,124	14,244	95	63
Unrecognized transition obligation			88,383	82,491
PREPAID (ACCRUED) BENEFIT COST	$ 2,058	$ 2,924	$(38,008)	$(46,390)

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Amounts recognized in the balance sheet consist of:				
Accrued benefit liability	$ (5,263)	$(10,314)	$(38,008)	$(46,390)
Intangible asset	7,321	12,793		
Accumulated other comprehensive loss		445		
NET AMOUNT RECOGNIZED	$ 2,058	$ 2,924	$(38,008)	$(46,390)

</TABLE>

F. PENSION AND OTHER POSTRETIREMENT BENEFITS--(CONTINUED)

Amounts applicable to the USS/KOBE pension plan with accumulated benefit obligations in excess of plan assets have been allocated to the Bar Products Line as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1997 <C>	1998 <C>
Projected benefit obligation	$91,977	$ 112,711
Accumulated benefit obligation	89,058	110,056
Fair value of plan assets	84,147	100,008

</TABLE>

<TABLE>
<CAPTION>

	PENSION BENEFITS			OPEB		
<S>	1996 <C>	1997 <C>	1998 <C>	1996 <C>	1997 <C>	1998 <C>
Weighted-average assumptions as of December 31:						
Discount rate	7.60%	7.25%	6.75%	7.60%	7.25%	6.75%
Assumed compensation increase	2.50%	2.50%	2.50%			
Expected return on plan assets	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Projected health care cost trend rate				8.00%	8.00%	8.00%
Ultimate trend rate				5.00%	5.00%	5.00%
Year ultimate trend rate is achieved				2003	2004	2005
Components of net periodic benefit cost (income) (in thousands):						
Service cost	$5,237	$5,113	$6,507	$ 1,698	$ 1,624	$ 1,778
Interest cost	6,708	7,613	8,183	8,626	8,854	9,276
Expected return on plan assets	(6,556)	(7,873)	(9,498)	(147)	(255)	(396)
Amortization of unrecognized transition obligation				5,892	5,892	5,892
Recognized net actuarial gain				(182)	(39)	
Amortization of prior service cost	1,879	1,879	1,878	32	32	32
Benefit cost	7,268	6,732	7,070	15,919	16,108	16,582
Defined contribution plans	546	528	533			
TOTAL COST	$7,814	$7,260	$7,603	$15,919	$16,108	$16,582

</TABLE>

The following shows the 1998 effect of a 1% increase or decrease in the weighted average health care cost trend rate (in thousands):

<TABLE>
<CAPTION>

<S>	1-PERCENTAGE-POINT INCREASE <C>	1-PERCENTAGE-POINT DECREASE <C>
Effect on total of service and interest cost components	$ 1,481	$ (1,220)
Effect on postretirement benefit obligation	13,768	(11,433)

</TABLE>

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BAR PRODUCTS LINE OF USS/KOBE STEEL COMPANY
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998 (AUDITED) AND MARCH 31, 1999 (UNAUDITED)

G. COMMITMENTS AND CREDIT RISKS

At December 31, 1998, minimum annual rental commitments under non-cancelable operating leases allocated to the Bar Products Line are as follows (in thousands):

1999	$ 3,263
2000	2,452
2001	1,472
2002	376
2003	154
Thereafter	82
TOTAL MINIMUM LEASE PAYMENTS	$ 7,799

Rent expense allocated to the Bar Products Line based on production cost center was $1,953,000 in 1996, $2,290,000 in 1997 and $2,350,000 in 1998.

At December 31, 1998, the Partners had approved modernization plans for USS/KOBE approximating $19 million and USS/KOBE had contracts or other purchase commitments of approximately $540,000 for acquisition of machinery and equipment.

The Bar Products Line has a labor agreement that expires July 31, 1999 with the United Steelworkers union covering approximately 1,800 hourly workers. Tentative agreements, subject to ratification of local United Steelworkers union members, were reached in July 1999.

The Bar Products Line customers are primarily in the auto and related industries. Credit is extended based on an evaluation of the customer's financial condition and generally, collateral is not required. In 1996, one customer accounted for approximately 11% of the Bar Products Line's revenues.

H. CONTINGENCIES

USS/KOBE is the subject of, or party to, pending or threatened legal actions, as well as federal, state and local laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. USS/KOBE has accrued approximately $2,459,000 and $2,540,000 at December 31, 1997 and 1998, respectively, for litigation and environmental remediation, of which $1,037,000 and $ 940,000 has been allocated to the Bar Products Line. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed. If, in the future, Management were required to record such remediation costs which can not be estimated at this time, the effect on the Bar Products Line of USS/KOBE Steel Company's statements of financial position, results of operations and cash flows could be significant.

I. YEAR 2000 ISSUE--(UNAUDITED)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Bar Products Line or USS/KOBE's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. Failure by the Bar Products Line, USS/KOBE and/or significant third parties such as power utility providers and other critical suppliers

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I. YEAR 2000 ISSUE--(UNAUDITED)--(CONTINUED)

and major customers, to complete Year 2000 readiness activities in a timely manner could have an adverse effect on the Bar Products Line or USS/KOBE's business.

USS/KOBE has formed a multi-functional Year 2000 task force to execute a preparedness plan which addresses the readiness of USS/KOBE and their affiliates for business computer systems, technical infrastructure, end-user computing, third parties, manufacturing, environmental operations, systems products produced and sold and dedicated research and development facilities. Management has engaged qualified information technology consultants to assist in the Year 2000 impact assessment and readiness effort. USS/KOBE's progress on achieving Year 2000 readiness is currently on pace with management's objectives and management believes that adapting systems to reflect the year 2000 will not have a material adverse effect on the results of operations of USS/KOBE. Costs associated with this issue approximated $0.3 million for 1998. Estimated costs to complete the project in 1999 approximate $2.1 million.

USS/KOBE has completed an assessment and has modified or replaced portions of its software so that its computer financial and operating systems will function properly. The modification and the replacement costs of this project were fully funded from the operations of USS/KOBE.

In addition, Management is in the process of developing a strategy to address the additional potential consequences that may result from unresolved Year 2000 issues such as system failure or miscalculations caused by disruption of operations. Management is also developing one or more contingency plans to respond to such potential consequences. Management has begun a program of querying significant third parties, including suppliers, utility and other resource providers and customers to assess their Year 2000 readiness. Management is not presently aware of any significant third parties, which are not expected to be year 2000 compliant.

(B) PRO FORMA FINANCIAL INFORMATION.

The pro forma financial information required with respect to the businesses acquired as described in Item 2 is not included in this filing. The Company intends to file such information not later than October 12, 1999. Certain pro forma financial information for RTI, LLC and its subsidiaries after giving effect to the acquisition described in Item 2 for certain periods ended or ending prior to June 30, 1999 is included in the information filed as Exhibit 99.1 pursuant to (c) below.

(C) EXHIBITS.

2.1-- Master Restructuring Agreement, dated as of August 13, 1999, among Bar Technologies Inc., RES Holding Corporation, Republic Engineered Steels, Inc., Blackstone Capital Partners II Merchant Banking Fund L.P., Blackstone Offshore Capital Partners II L.P., Blackstone Family Investment Partnership II L.P., The Veritas Capital Fund, L.P., HVR Holdings, L.L.C., USX Corporation, Kobe Steel, Ltd., Kobe Delaware Inc., USS Lorain Holding Company, Inc., USX RTI Holdings, Inc., Kobe/Lorain Inc., Kobe RTI Holdings, Inc., Republic Technologies International Holdings, LLC, Republic Technologies International, LLC, Lorain Tubular Company, L.L.C., and USS/Kobe Steel Company.*

99.1-- Disclosures required to be made pursuant to an agreement with certain financial institutions, including Recent Developments, Risk Factors, Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LCC and its Subsidiaries, The Combined Business, The Consolidation Plan, Projections for Republic Technologies International, LCC and its subsidiaries and Annex A--Report of Beddows & Company, Hatch Management and Technology Consulting.

----

*The Company agrees to furnish supplementally to the Securities and Exchange Commission upon request a copy of any omitted schedule or exhibit to Exhibit 2.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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registrant has duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

REPUBLIC TECHNOLOGIES INTERNATIONAL, INC. (formerly Bar Technologies Inc.)
By: /s/ Thomas N. Tyrrell
Name: Thomas N. Tyrrell
Title: Chief Executive Officer

Dated: September 10, 1999

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION
2.1	--	Master Restructuring Agreement, dated as of August 13, 1999, among Bar Technologies Inc., RES Holding Corporation, Republic Engineered Steels, Inc., Blackstone Capital Partners II Merchant Banking Fund L.P., Blackstone Offshore Capital Partners II L.P., Blackstone Family Investment Partnership II L.P., The Veritas Capital Fund, L.P., HVR Holdings, L.L.C., USX Corporation, Kobe Steel, Ltd., Kobe Delaware Inc., USS Lorain Holding Company, Inc., USX RTI Holdings, Inc., Kobe/Lorain Inc., Kobe RTI Holdings, Inc., Republic Technologies International Holdings, LLC, Republic Technologies International, LLC, Lorain Tubular Company, L.L.C., and USS/Kobe Steel Company.
99.1	--	Disclosures required to be made pursuant to an agreement with certain financial institutions, including Recent Developments, Risk Factors, Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LCC and its Subsidiaries, The Combined Business, The Consolidation Plan, Projections for Republic Technologies International, LCC and its Subsidiaries and Annex A--Report of Beddows & Company, Hatch Management and Technology Consulting.

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MASTER RESTRUCTURING AGREEMENT

AMONG

BAR TECHNOLOGIES INC.,

RES HOLDING CORPORATION,

REPUBLIC ENGINEERED STEELS, INC.,

BLACKSTONE CAPITAL PARTNERS II MERCHANT BANKING FUND L.P.,

BLACKSTONE OFFSHORE CAPITAL PARTNERS II L.P.,

BLACKSTONE FAMILY INVESTMENT PARTNERSHIP II L.P.,

THE VERITAS CAPITAL FUND, L.P. ,

HVR HOLDINGS, L.L.C.,

USX CORPORATION,

KOBE STEEL, LTD.,

KOBE DELAWARE INC.,

USS LORAIN HOLDING COMPANY, INC.,

USX RTI HOLDINGS, INC.,

KOBE/LORAIN INC.,

KOBE RTI HOLDINGS, INC.,

REPUBLIC TECHNOLOGIES INTERNATIONAL HOLDINGS, LLC,

REPUBLIC TECHNOLOGIES INTERNATIONAL, LLC,

LORAIN TUBULAR COMPANY, LLC,

AND

USS/KOBE STEEL COMPANY

DATED AS OF

AUGUST 13, 1999

MASTER RESTRUCTURING AGREEMENT

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EXHIBITS

Exhibit A BarTech Assignment and Assumption Agreement
Exhibit B Bloom Caster Consent and Assumption Agreement
Exhibit C B&L Merger Agreement

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Exhibit D	Coke Supply Agreement
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Exhibit M	Round Supply Agreement
Exhibit N	RTI Holdings LLC Agreement
Exhibit O	RTI Opco LLC Agreement
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Exhibit Q	Safe-Harbor Lease Matters Agreement
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SCHEDULES

Schedule 3.1(d)	Preliminary/Final Closing Balance Sheets
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MASTER RESTRUCTURING AGREEMENT

This Master Restructuring Agreement is entered into as of August 13, 1999, by and among Bar Technologies Inc., a Delaware corporation being renamed "Republic Technologies International, Inc." in connection with the transactions contemplated hereby ("BarTech"), RES Holding Corporation, a Delaware corporation ("RES Holding"), Republic Engineered Steels, Inc., a Delaware corporation ("RESI" and, together with RES Holding, the "Republic Parties"), Blackstone Capital Partners II Merchant Banking Fund L.P., a Delaware limited partnership ("BCPII"), Blackstone Offshore Capital Partners II L.P., a Cayman Islands exempted limited partnership ("BOCPII"), Blackstone Family Investment Partnership II L.P., a Delaware limited partnership ("BFIPII"), The Veritas Capital Fund, L.P., a Delaware limited partnership ("VCP"), HVR Holdings, L.L.C., a Delaware limited liability company ("HVR" and, together with BCP II, BOCP II, BFIP II and Veritas, the "BV Parties"), USX Corporation, a Delaware corporation ("USX"), Kobe Steel, Ltd., a Japanese corporation ("Kobe"), Kobe Delaware Inc., a Delaware corporation ("Kobe Delaware"), USS Lorain Holding Company, Inc., an Ohio corporation ("USX Holdings"), USX RTI Holdings, Inc., a Delaware corporation ("USX RTI Holdings"), Kobe/Lorain Inc., an Ohio corporation ("Kobe Holdings"), Kobe RTI Holdings, Inc. ("Kobe RTI Holdings"), USS/Kobe Steel Company, an Ohio general partnership ("USS/Kobe" and, together with USX, Kobe, Kobe Delaware, USX Holdings, USX RTI Holdings, Kobe Holdings and Kobe RTI Holdings, the "USX/Kobe Parties"), Republic Technologies International Holdings, LLC, a Delaware limited liability company, Republic Technologies International, LLC, a Delaware limited liability company, and Lorain Tubular Company, LLC, a Delaware limited liability company.

BACKGROUND

BCPII, BOCPII and BFIPII (together, "Blackstone") and VCP, Veritas Capital, L.L.C., KDJ, L.L.C. and BRW Steel Holdings II, L.P. (together, "Veritas") collectively hold controlling interests in BarTech and RES Holding, each of which is engaged in the manufacturing, finishing, processing and distributing of special bar quality and other products classified as high-quality steel or alloy bars (the "Bar Business"). USX Holdings and Kobe Holdings equally hold all the partnership interests in USS/Kobe, which is also engaged in the Bar Business, as well as in the manufacturing, finishing, processing and distributing of products classified as high-quality steel or alloy tubes (the "Tubular Business").

Blackstone, Veritas, USX and Kobe have each determined that it would be beneficial to each of them respectively to combine all the operating assets of

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BarTech and RES Holding and the operating assets of the USS/Kobe Bar Business (as defined below) into RTI Opco (as defined below). Such combination will include the refinancing of certain existing indebtedness of

BarTech, the Republic Parties and USS/Kobe, the purchase of additional shares of capital stock of BarTech by Blackstone, VCP, FirstEnergy Services Corp., an Ohio corporation ("FirstEnergy"), Sumitomo Corporation of America, a New York corporation ("Sumitomo"), Triumph Capital Investors II, L.P. and TCI-II Investors, L.P., each a Delaware limited partnership (collectively, "Triumph"), First Dominion Capital, L.L.C., a Delaware limited liability company ("First Dominion"), TCW Leveraged Income Trust, L.P., TCW Leveraged Income Trust II, L.P., TCW Shared Opportunity Fund II, L.P., Shared Opportunity Fund III, L.P., each a Delaware limited partnership, and Shared Opportunity Capital Fund IIB, L.L.C. (collectively, "TCW"), the making of capital contributions to a subsidiary of BarTech by Subsidiaries of USX and Kobe, and the purchase of certain warrants from the Company by Chase Securities Inc., Donaldson Lufkin & Jenrette Securities Corporation and BancBoston Robertson Stephens Inc., all as described in this Agreement.

This Agreement sets forth the terms and conditions upon which the parties hereto agree that such combinations, refinancings and investments will occur.

SECTION 1

DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

1.1 Certain Definitions. As used in this Agreement:

"Affiliate" - with respect to a specified Person, any other Person who, directly or indirectly controls, is controlled by, or is under common control with such specified Person; provided, however, that neither USX nor Kobe will be deemed to control BarTech, RTI Holdings or RTI Opco following the Closing for purposes of this definition. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" - this Agreement together with the Disclosure Letter.

"BarTech and Republic Liabilities" - collectively, all of the liabilities and obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise) of BarTech and its Subsidiaries (including without limitation RTI Holdings and RTI Opco) and of RES Holding and its Subsidiaries, whether arising before or after the Closing.

"BarTech Assignment and Assumption Agreement" - the assignment and assumption agreement to be entered into between BarTech and RTI Opco at or prior to the Closing in accordance with Section 3.8, substantially in the form attached hereto as Exhibit A.

"BarTech Credit Facility" - the Credit Agreement, dated as of April 2, 1996, amended and restated as of April 25, 1996, and further amended and restated as of September 5, 1997, among BarTech, Bliss & Laughlin, the financial institutions from time to time party thereto, The Chase Manhattan Bank as Administrative Agent and Collateral Agent, and The Chase Manhattan Bank Delaware as Fronting Bank.

"BarTech Facilities" - any real property, leaseholds, or other interests in real property owned, leased or operated by BarTech or any of its Subsidiaries and any buildings, plants, structures, or fixtures owned, leased or operated by BarTech or any of its Subsidiaries.

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"BarTech Material Adverse Effect" - any material adverse effect on the business, prospects, properties, assets, financial condition, liabilities or results of operation of BarTech and its Subsidiaries, taken as a whole, other than any effects arising out of or resulting from changes affecting the economy generally or the steel industry generally.

"BarTech Public Filings" - BarTech's most recent Form 10-K filed under the Exchange Act prior to the date hereof and any BarTech reports filed under the Exchange Act subsequent thereto and prior to the date hereof.

"BarTech Senior Secured Notes" - BarTech's Senior Secured Notes due 2001, issued in an aggregate principal amount of $91,609,000.

"BarTech's Knowledge" - BarTech will be deemed to have "Knowledge" of a particular fact or other matter only if any individual named in Section 1.1(a) of the Disclosure Letter has actual knowledge of such fact or other matter.

"Bliss & Laughlin" - Bliss & Laughlin Steel Company, an Illinois corporation.

"B&L Merger Agreement" - the merger agreement to be entered into among BarTech, Bliss & Laughlin and B&L, LLC at or prior to the Closing in accordance with Section 3.7, substantially in the form attached hereto as Exhibit B.

"Bloom Caster Consent and Assumption Agreement" - the consent and assumption agreement to be entered into among Batus Retail Services, Inc., RTI Opco and USS/Kobe at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit C.

"Closing Date" - the date and time as of which the Closing takes place.

"Coke Supply Agreement" - the coke supply agreement to be entered into between RTI Opco and USX (with respect to its U.S. Steel Group unit) at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit D.

"Common Stock" - shares of Common Stock, par value $.001 per share, of BarTech.

"Consent" - any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"Contemplated Transactions" - all of the transactions contemplated by this Agreement, including without limitation the transactions occurring under the other Transaction Documents.

"Continuing BarTech State Debt" - (i) $5,750,000 principal amount of Section 108 Loans guaranteed by the Commonwealth of Pennsylvania (or subdivisions thereof), (ii) $10,006,772 principal amount of Economic Development Set-Aside Loans guaranteed by the Commonwealth of Pennsylvania (or subdivisions thereof), (iii) $690,000 principal amount of Community Development Block Grant Loans guaranteed by the Commonwealth of Pennsylvania (or subdivisions thereof), (iv) $2,500,000 principal amount of Business Infrastructure Development Loans guaranteed by the Commonwealth of Pennsylvania (or subdivisions thereof) and (v) $3,600,000 principal amount of Georgia Industrial Revenue Bonds guaranteed by the State of Georgia (or subdivisions thereof).

"Continuing RESI State Debt" - $73,900,000 principal amount of Solid Waste Revenue Bonds, 1994 Series and 1996 Series guaranteed by the State of Ohio (or subdivisions thereof).

"Continuing USS/Kobe State Debt" - (i) $9,000,000 aggregate principal amount of State of Ohio Variable Rate Demand Environmental Improvement Revenue Bonds, Series 1984 (United States Steel Corporation Project) issued by the Ohio Water Development Authority, and (ii) $4,745,000 principal amount of the $10,160,000 aggregate principal amount of Ohio Air Quality Development Authority, Variable Rate Environmental Improvement Revenue Bonds (USX Corporation Project) Refunding Series of 1995.

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"Continuing USS/Kobe State Debt Participation Agreement" - the participation agreement to be entered into among RTI Opco, USX and Kobe at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit E.

"Contract" - any written agreement, contract, collective bargaining agreement, obligation, promise, or undertaking that is legally binding, including property leases, if applicable.

"Controlled Group" - a controlled group of organizations within the meaning of IRC Sections 4.14(b), (c), (m) or (o).

"Disclosure Letter" - the disclosure letter executed by BarTech, RES Holding, USX RTI Holdings and Kobe RTI Holdings concurrently with the execution and delivery of this Agreement.

"Employee Benefit Plan" - as defined in Section 3(3) of ERISA.

"Encumbrance" - any lien, mortgage, easement, servitude, right of way, charge, pledge, security interest, covenant, condition, restriction, or other encumbrance.

"Environment" - soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, surface water sediments, ambient air, natural resources, plant and animal life, and any other environmental medium.

"Environmental Law" - the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, Federal and State underground storage tank laws and regulations, all as amended, and any other Legal Requirements relating to the Environment or applicable to the storage, handling, transportation, release, remediation, removal, or disposal of Hazardous Materials in each case as they may relate to or affect the subject facilities, properties or assets or any substances, materials or wastes generated from the subject facilities, properties or assets.

"Equity Contributions" - collectively, the transactions described in the first sentence of Section 3.9 and in Sections 4.1(b), 4.1(c) and 4.1(d).

"Equityholders Agreement" - the amended and restated agreement among the equityholders of BarTech and RTI Holdings to be entered into at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit F.

"ERISA" - the Employee Retirement Income Security Act of 1974, as amended, or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"Exchange Act" - the Securities Exchange Act of 1934, as amended, or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"54 Code" - the Internal Revenue Code of 1954, as amended and as in effect immediately after the enactment of the Tax Equity and Fiscal Responsibility Act of 1982.

"Governmental Authorization" - any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"Governmental Body" - any (a) nation, state, county, city, town,

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village, district, or other jurisdiction of any nature, (b) federal, state, local, provincial, municipal, foreign, or other government, (c) governmental or quasi-governmental authority of any nature or (d) other body exercising any statutory, administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power.

"Hazardous Materials" - material, substance or waste that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic, or a pollutant or a contaminant, under or pursuant to any Environmental Law or any other material that could result in liability under or pursuant to any Environmental Law, including without limitation, petroleum and petroleum products, polychlorinated biphenyls, and asbestos-containing materials.

"HSR Act" - Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulation promulgated thereunder.

"Indemnified Person" - each of BarTech, USX RTI Holdings and Kobe RTI Holdings, as applicable, to the extent such Person is or may be entitled to indemnification pursuant to Section 18.

"Intellectual Property" - all U.S. and foreign intellectual property, including without limitation (i)(a) patents, inventions, discoveries, processes, designs, techniques, developments, technology, and related improvements, whether or not patented or patentable; (b) copyrights and works of authorship in any media, including computer hardware, software, systems, databases, documentation and Internet site content; (c) trademarks, service marks, trade names, brand names, corporate names, domain names, logos and trade dress; (d) trade secrets, know-how and show-how, drawings, blueprints and all confidential or proprietary information; and (ii) all registrations, applications and recordings related thereto.

"Interim BarTech Balance Sheet" - the most recent balance sheet for BarTech included within the BarTech Financial Statements.

"Interim RESI Balance Sheet" - the most recent balance sheet for RESI included within the RESI Financial Statements.

"Interim USS/Kobe Balance Sheet" - the most recent balance sheet for the USS/Kobe Bar Business (giving effect to the Tubular Spinoff) included within the USS/Kobe Financial Statements.

"IRC" - the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued pursuant to the Internal Revenue Code or any successor law.

"IRS" - the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

"Kobe Technology Transfer Agreement" - the Second Kobe Technology Transfer Agreement, dated September 1, 1993 and amended as of September 1, 1997, between Kobe and USS/Kobe.

"Legal Requirement" - any administrative or arbitrator's award or order, constitution, law, ordinance, principle of common law, permit, authorization, variance, regulation, rule, statute or requirement of any Governmental Body, including without limitation all federal, foreign, state and local laws related to Taxes, ERISA, Hazardous Materials and the Environment, zoning and land use, occupational safety and health, product quality and safety, employment and labor matters.

"Lorain Works" - the Lorain works located in Lorain, Ohio.

"Material Consents" - collectively, the consents disclosed in Section 6.2, Section 7.2 and Section 8.2 of the Disclosure Letter, the NewTube Labor Agreement Ratification and the RTI Labor Agreement Ratification.

"Mergers" - the USX Holdings/Kobe Holdings-RTI Opco Merger, the RES

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Holding-BarTech Merger and the RESI-RTI Opco Merger, collectively.

"N&T Merger Agreement" - the merger agreement to be entered into among RESI, RTI Opco, Nimishillen & Tuscarawas Railway Company and N&T, LLC at or prior to the Closing in accordance with Section 3.4, substantially in the form attached hereto as Exhibit G.

"New Kobe-RTI Opco Agreements" - collectively, the New Technology Transfer Agreement, the New Technology License Agreement and the New Technology and Trademark License Agreement.

"New Technology License Agreement" - the tire cord license agreement to be entered into between Kobe and RTI Opco at the Closing pursuant to Section 5.2, substantially in the form attached hereto as part of Exhibit H.

"New Technology Transfer Agreement" - the technology transfer agreement to be entered into among Kobe Technologies Proprietary, Inc., Kobe and RTI Opco at the Closing pursuant to Section 5.2, substantially in the form attached hereto as part of Exhibit H.

"New Technology and Trademark License Agreement" - the UHS trademark license agreement to be entered into among Kobe and RTI Opco at the Closing pursuant to Section 5.2, substantially in the form attached hereto as part of Exhibit H.

"Order" - any award, decision, injunction, decree, stipulation, determination, writ, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

"Ordinary Course of Business" - an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if such action is consistent with the past practices of such Person and is taken in the ordinary course of the day-to-day operations of such Person.

"Organizational Documents" - the constituent and organizational documents of a Person, as amended to date, and any organizational minutes or resolutions, including (but not restricted to) (a) with respect to a limited liability company, its certificate of formation and operating agreement, (b) with respect to a corporation, its articles or certificate of incorporation and its bylaws or documents of similar effects and (c) with respect to a general or limited partnership, its partnership agreement.

"PBGC" - the Pension Benefit Guaranty Corporation.

"Pellet Supply Agreement" - the pellet supply agreement is to be entered between RTI Opco and USX (with respect to its U.S. Steel Group unit) at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit I.

"Permitted Encumbrances" - (a) liens for Taxes that are not yet due and payable, or that are being contested in good faith by appropriate proceedings and as to which adequate reserves have been established in accordance with generally accepted accounting principles, consistently applied, (b) mechanics', carriers', workers', repairmen's and similar Encumbrances imposed by Legal Requirements that have been incurred in the Ordinary Course of Business, (c) Encumbrances and other title defects, easements and encroachments including with respect to real property that do not materially impair the value, occupancy, or continued use of the asset to which they relate, (d) liens on bank deposits created in the Ordinary Course of Business and (e) zoning, entitlement, building and other land use Legal Requirements imposed by Governmental Bodies having jurisdiction over real property that are not violated by the current use and operation of such real property, except where such violation would not reasonably be expected to have a USS/Kobe Material Adverse Effect, BarTech Material Adverse Effect or RES Holding Material Adverse Effect, as applicable.

"Person" - any individual, firm, unincorporated organization, corporation (including any not-for-profit corporation), general or limited partnership, limited liability company, cooperative marketing association, joint

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venture, estate, trust, association or other entity as well as any syndicate or group that would be deemed to be a person under Section 13(a)(3) of the Exchange Act.

"Proceeding" - any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, any Governmental Body or arbitrator.

"Refinanced BarTech State and Bethlehem Debt" - (i) $3,442,959 principal amount of Pennsylvania Industrial Development Authority Loans guaranteed by the Commonwealth of Pennsylvania (or subdivisions thereof), (ii) $6,490,636 principal amount of Sunny Day Loans guaranteed by the Commonwealth of Pennsylvania (or subdivisions thereof), (iii) $6,929,529 principal amount of Marine Midland Loans guaranteed by the State of New York (or subdivisions thereof), (iv) $428,571 principal amount of Erie County Loans guaranteed by the State of New York (or subdivisions thereof) and (v) $5,500,000 principal amount of subordinated loans from Bethlehem Steel Corporation, together with any Continuing BarTech State Debt for which the requisite State Debt Consents have not been obtained prior to the Closing.

"Release" - any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment.

"Representative" - with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Republic Parties' Knowledge" - the Republic Parties will be deemed to have "Knowledge" of a particular fact or other matter only if any individual named in Section 1.1(b) of the Disclosure Letter has actual knowledge of such fact or other matter.

"RES Holding Assignment and Assumption Agreement" - the assignment and assumption agreement to be entered into among RES Holding, RTI Holdings and RTI Opco at or prior to the Closing in accordance with Section 3.6, substantially in the form attached hereto as Exhibit J.

"RES Holding Credit Facility" - the Credit Agreement, dated as of September 8, 1998, among RES Holding, the financial institutions listed therein, The Chase Manhattan Bank as Administrative Agent and Collateral Agent, and DLJ Capital Funding, Inc. as Documentation Agent.

"RES Holding Material Adverse Effect" - any material adverse effect on the business, prospects, properties, assets, financial condition, liabilities or results of operation of RES Holding and its Subsidiaries, taken as a whole, other than any effects arising out of or resulting from changes affecting the economy generally or the steel industry generally.

"RES Holding Merger Agreement" - the merger agreement to be entered into among BarTech, BarTech Merger Subsidiary and RES Holding at or prior to the Closing in accordance with Section 3.3, substantially in the form attached hereto as Exhibit K.

"RESI Bridge Facility" - the Credit Agreement, dated as of November 6, 1998, among RESI, the Guarantors named therein, the financial institutions listed therein, The Chase Manhattan Bank as Administrative Agent, Collateral Agent, Documentation Agent, Syndication Agent and as an Agent, and DLJ Bridge Finance, Inc. and BankBoston, N.A. as Agents.

"RESI Credit Facility" - the Second Amended and Restated Revolving Credit Agreement, dated as of April 25, 1997, among RESI, BankBoston, N.A., the other lending institutions listed on Schedule I thereto and Congress Financial Corporation (New England), and BankBoston, N.A. as agent for itself and such

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other lending institutions.

"RESI Facilities" - any real property, leaseholds, or other interests in real property owned, leased or operated by RES Holding or any of its Subsidiaries and any buildings, plants, structures, or fixtures owned, leased or operated by RES Holding or any of its Subsidiaries.

"RESI Merger Agreement" - the merger agreement to be entered into among RES Holding, RESI and RTI Opco at or prior to the Closing in accordance with Section 3.5, substantially in the form attached hereto as Exhibit L.

"RESI Public Filings" - RESI's most recent Form 10-K filed under the Exchange Act prior to the date hereof and any RESI reports filed under the Exchange Act subsequent thereto and prior to the date hereof.

"Round Supply Agreement" - the round supply agreement to be entered into among RTI Opco, NewTube and USX (with respect to its U.S. Steel Group unit) at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit M.

"RTI Holdings LLC Agreement" - the limited liability company agreement of RTI Holdings to be entered into among RTI Holdings, BarTech, RES Holding, USX RTI Holdings and Kobe RTI Holdings at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit N.

"RTI Holdings Series A Preferred Units" - Class A Units of RTI Holdings (as defined in the RTI Holdings LLC Agreement).

"RTI Holdings Series C Preferred Units" - Class C Units of RTI Holdings (as defined in the RTI Holdings LLC Agreement).

"RTI Holdings Common Units" - Class B Units of RTI Holdings (as defined in the RTI Holdings LLC Agreement).

"RTI Holdings Units" - collectively, the RTI Holdings Common Units, RTI Holdings Series A Preferred Units and RTI Holdings Series C Preferred Units.

"RTI Material Adverse Effect" - any material adverse effect on the business, prospects, properties, assets, financial condition, liabilities or results of operation of RTI Holdings and its Subsidiaries, taken as a whole after giving effect to the Contemplated Transactions, other than any effects arising out of or resulting from changes affecting the economy generally or the steel industry generally.

"RTI Opco LLC Agreement" - the limited liability company agreement of RTI Opco to be entered into between RTI Holdings and RTI Opco at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit O.

"RTI-USX Payables Agreement" - the agreement regarding certain USS/Kobe Bar Business Payables to be entered into between RTI Opco and USX at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit P.

"Safe-Harbor Lease Agreements" - collectively, (i) the Safe-Harbor Leases, (ii) the USS/Kobe Formation Agreement, (iii) the Consent and Assumption Agreement among Batus Holdings, Inc., Batus Retail Services, Inc., Monessen, Inc., Sharon Specialty Steel, Inc., Sharon Steel Corporation and USS/Kobe Steel Company, dated as of June 24, 1993, and (iv) any other documents or agreements relating to the Safe-Harbor Leases.

"Safe-Harbor Lease Matters Agreement" - the safe-harbor lease matters agreement to be entered into among RTI Holdings, USX, Kobe Newco, USS/Kobe and NewTube immediately prior to the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit Q.

"Safe-Harbor Leases" - collectively, (i) the Safe Harbor Lease between Anacomp, Inc. and United States Steel Corporation, dated as of May 26, 1983, (ii) the Safe Harbor Lease between Anacomp, Inc. and United States Steel

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Corporation, dated as of June 23, 1983, (iii) the Safe Harbor Lease between Beatrice Financial Services, Inc. and United States Steel Corporation, dated as of January 31, 1984, (iv) the Safe Harbor Lease between Stepan Chemical Company and United States Steel Corporation, dated as of November 21, 1983, (v) the Safe Harbor Lease between OMC Distributors, Inc. and United States Steel Corporation, dated as of September 15, 1983, (vi) the Safe Harbor Lease between Flightsafety International, Inc. and United States Steel Corporation, dated as of August 1, 1983, (vii) the Agreement between Marshall Field & Company and Wheeling-Pittsburgh Steel Corporation, dated as of September 8, 1983, and (viii) any other lease to which USS/Kobe was a party (whether by assumption or otherwise) at any time

at or prior to the Closing pursuant to which elections have been made under Section 168(f)(8) of the 54 Code.

"Subscription Agreement" - the subscription agreement, dated as of August 10, 1999, among BarTech, FirstEnergy, Sumitomo, Triumph, First Dominion and TCW.

"Subsidiaries" - with respect to any Person, any other Person (i) of which (or in which) such Person owns, directly or indirectly, 50% or more of the outstanding capital stock having ordinary voting power or voting interest to elect the Board of Directors or any equivalent body of such Person or (ii) otherwise controlled by such Person (irrespective of whether or not at the time capital stock of any other class or classes of such person will or might have voting power upon the occurrence of any contingency); provided that none of RES Holding or its Subsidiaries will be deemed to be Subsidiaries of BarTech for purposes of representations and warranties made hereunder.

"Suspension Spring License Agreement" - the License and Technical Assistance Agreement, dated September 21, 1998, between Kobe and USS/Kobe.

"Taxes" - all U.S. federal, state, local or foreign taxes, charges, fees, duties, levies or other assessments, including without limitation, net or gross income, gross receipts, net or gross proceeds, ad valorem, real and personal property (tangible and intangible), sales, use, franchise, user, transfer, value-added, fuel, excess profits, occupational, employees' income withholding, unemployment and Social Security, alternative or add-on minimum, environmental and franchise taxes, including interest, penalties or additions to tax attributable to or imposed on or with respect to such taxes, which are imposed by any Governmental Body whether disputed or not.

"Tax Return" - any return (including any information return), report, statement, schedule, notice, form, or other document or information, including any amendment thereof, filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax.

"Tire Cord License Agreement" - the License and Technical Assistance Agreement, dated as of November 10, 1994, between Kobe and USS/Kobe.

"Transactional and Monitoring Fee Agreement" - the transactional and monitoring fee agreement to be entered into among RTI Opco, Blackstone Management Partners II L.L.C., Veritas Capital Management, L.L.C., USX, Kobe Delaware and Kobe Steel USA Holdings, Inc. at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit R.

"Transaction Documents" - this Agreement and, unless otherwise expressly provided herein, each of the other documents, agreements and instruments to be entered into pursuant hereto.

"Transition, Administrative and Utilities Services Agreement" - the transition, administrative and utilities services agreement to be entered into between RTI Opco and NewTube at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit S.

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"Tubular Assignment and Assumption Agreement" - the assignment and assumption agreement to be entered into between USS/Kobe and NewTube at or prior to the Closing in accordance with Section 3.1, substantially in the form attached hereto as Exhibit T.

"UHS Trademark License Agreement" - the Trademark License Agreement, dated October 2, 1998, between Kobe and USS/Kobe.

"USS/Kobe Bar Assets" - all of the facilities, properties and assets of USS/Kobe (including without limitation the USS/Kobe Bar Business Current Assets), other than the USS/Kobe Tubular Assets and the USS/Kobe Formation Agreement.

"USS/Kobe Bar Business" - the Bar Business conducted by USS/Kobe as of the date hereof, together with any changes to such business prior to the Closing in compliance with the terms of this Agreement.

"USS/Kobe Bar Liabilities" - all of the liabilities and obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise), whether arising before or after the Closing (including without limitation the USS/Kobe Bar Business Payables), of USS/Kobe, USX Holdings or Kobe Holdings, other than the USS/Kobe Tubular Liabilities and the liabilities and obligations described in Section 18.6.

"USS/Kobe Credit Facility" - the Credit Agreement, dated as of December 29, 1995, amended and restated as of February 26, 1999, as amended, among USS/Kobe, the financial institutions listed therein, and The Industrial Bank of Japan, Limited, New York Branch, as agent.

"USS/Kobe Facilities" - any real property, leaseholds, or other interests in real property owned, leased or operated by USS/Kobe and any buildings, plants, structures, or fixtures owned, leased or operated by USS/Kobe.

"USS/Kobe Formation Agreement" - the Composite Conformed Asset Purchase and Contribution Agreement among Kobe, Kobe Holdings, USX, USX Holdings and USS/Kobe, dated as of May 31, 1989, as the same has been amended through the date of this Agreement.

"USS/Kobe Material Adverse Effect" - any material adverse effect on the business, prospects, properties, assets, financial condition, liabilities or results of operation of USX Holdings, Kobe Holdings and USS/Kobe (giving effect to the Tubular Spinoff), taken as a whole, other than any effects arising out of or resulting from changes affecting the economy generally or the steel industry generally.

"USS/Kobe Merger Agreement" - the merger agreement to be entered into among USX, USX Holdings, USX RTI Holdings, Kobe Newco, Kobe Holdings, Kobe RTI Holdings, RTI Holdings, RTI Opco and USS/Kobe at or prior to the Closing in accordance with Section 3.9, substantially in the form attached hereto as Exhibit U.

"USS/Kobe Senior Notes" - Senior Notes Series A due November 21, 2002, Series B due November 21, 2005 and Series C due November 21, 2010, issued in an aggregate principal amount of $115,000,000.

"USS/Kobe Tubular Assets" - collectively, (i) those facilities, properties and assets of USS/Kobe identified as such in Section 6.6 or 6.13 of the Disclosure Letter (including without limitation the water treatment plant relating to the D-2 landfill); provided, however, that the parties agree that any items of material tangible personal property identified in Section 6.6 of the Disclosure Letter as being a USS/Kobe Tubular Asset that is in fact primarily related to the USS/Kobe Bar Business (and was thus so identified as a USS/Kobe Tubular Asset in error) will be reallocated to become a USS/Kobe Bar Asset following the Closing if identified by RTI Opco in writing to NewTube within thirty Business Days following the Closing, subject to NewTube's written approval with respect to each such item (not to be unreasonably withheld), (ii) the USS/Kobe Tubular Business Current Assets, (iii) all non-material tangible

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personal property not identified in clauses (i) or (ii) of this sentence that is located on parcel 1, parcel 2, parcel 3 or parcel 4 (as identified in Section 6.6 of the Disclosure Letter) in the Ordinary Course of Business, (iv) all non-material tangible personal property not identified in clauses (i), (ii) or (iii) of this sentence that is primarily related to the USS/Kobe Tubular Business and is identified by NewTube in writing to RTI Opco within thirty Business Days days following the Closing, subject to RTI Opco's written approval with respect to each such item (not to be unreasonably withheld), and (v) the shares of capital stock of USS/Kobe International Sales Company.

"USS/Kobe Tubular Business" - the Tubular Business conducted by USS/Kobe as of the date hereof, together with any changes to such business after the date hereof in compliance with the terms of this Agreement.

"USS/Kobe Tubular Liabilities" - all liabilities and obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise) to the extent arising under or relating to the USS/Kobe Tubular Business or the operation thereof, the USS/Kobe Tubular Assets or the Tubular Employees (whether arising before or after the Closing, and including without limitation all such liabilities of USS/Kobe, USX Holdings, Kobe Holdings and

their Affiliates), including without limitation, all liabilities and obligations relating to (i) termination of any Tubular Employees on or prior to the Closing Date, (ii) any claim made by any Tubular Employee for severance pay arising prior to, upon, or following the Closing Date, (iii) any suit or claim of violation for failure of any USX/Kobe Party to satisfy any of its obligations under any collective bargaining agreement or other labor agreement with any labor organization (including without limitation the USWA) in connection with the Tubular Spinoff, (iv) any suit or claim of violation under WARN or any State law for any actions taken by the USX/Kobe Parties in connection with, on or prior to the Closing Date with regard to the Tubular Spinoff or any site of employment, facility, operating unit or employee of the USS/Kobe Tubular Business, (v) any violations of Environmental Laws with respect to, or release or existence of any Hazardous Materials at, any facility or property constituting a USS/Kobe Tubular Asset, or otherwise relating to the USS/Kobe Tubular Business (including without limitation those liabilities and obligations of NewTube described in section 8.6(d) of the Transition, Administrative and Utilities Services Agreement), (vi) those liabilities and obligations to be assumed by NewTube or retained by USX in accordance with Section 11.1 hereof, and (vii) the USS/Kobe Tubular Business Payables and all other obligations and liabilities of the USS/Kobe Tubular Business set forth on the USS/Kobe Tubular Business Closing Balance Sheet.

"USWA" - United Steelworkers of America, AFL-CIO.

"USX Environmental Indemnity Agreement" - the environmental indemnity agreement to be entered into among RTI Opco, NewTube and USX at the Closing in accordance with Section 5.2, substantially in the form attached hereto as Exhibit V.

"USX/Kobe Parties' Knowledge" - the USX/Kobe Parties will be deemed to have "Knowledge" of a particular fact or other matter only if any individual named in Section 1.1(c) of the Disclosure Letter has actual knowledge of such fact or other matter.

1.2 Other Definitions. The following terms are defined in the Sections indicated

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SECTION 2

ACTIONS PRIOR TO CLOSING

2.1 State Lender Consents. Each of BarTech and the Republic Parties will use commercially reasonable best efforts to obtain as promptly as practicable all necessary consents so that the Continuing BarTech State Debt and Continuing RESI State Debt, respectively, may remain outstanding following the

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Closing without resulting in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy

thereunder, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any of the foregoing (collectively, the "State Debt Consents").

2.2 Labor Agreements.

(a) The USX/Kobe Parties will use commercially reasonable best efforts to obtain as promptly as practicable USWA member ratification of the new labor agreement previously negotiated with the USWA covering those union employees of USS/Kobe who will be employees of NewTube following the Closing, such ratification to be in the manner determined to be appropriate by the USWA (the "NewTube Labor Agreement Ratification").

(b) BarTech and RES Holding will use commercially reasonable best efforts to obtain as promptly as practicable USWA member ratification of the new labor agreement previously negotiated with the USWA covering those union employees of USS/Kobe who will be employees of RTI Opco or its Subsidiaries following the Closing, such ratification to be in the manner determined to be appropriate by the USWA (the "RTI Labor Agreement Ratification").

2.3 [intentionally omitted]

2.4 RTI PBGC Agreement. BarTech and the Republic Parties, in consultation with the USX/Kobe Parties, will use commercially reasonable best efforts as promptly as practicable to reach agreement with the PBGC prior to the Closing Date with respect to any material objections of the PBGC regarding the Employee Benefit Plans of RTI Opco and its Subsidiaries and NewTube that will exist following the Closing pursuant to the terms of this Agreement, with as little financial detriment to RTI Opco, NewTube and their post-Closing Affiliates as practicable and with such agreement to be reasonably satisfactory to BarTech, the Republic Parties and the USX/Kobe Parties (the "RTI PBGC Agreement").

2.5 RTI Credit Facility. BarTech and the Republic Parties, in consultation with the USX/Kobe Parties, will use commercially reasonable best efforts as promptly as practicable to enter into a new revolving bank credit facility for RTI Opco that, upon the Closing, will be secured by the inventory and receivables of RTI Opco and its Subsidiaries, provide borrowing capacity in an amount at least consistent with the "sources and uses" listed on Exhibit W hereto (the "Sources and Uses"), and otherwise be on terms reasonably satisfactory in all material respects to BarTech, the Republic Parties and the USX/Kobe Parties (the "RTI Credit Facility").

2.6 RTI High Yield Offering. BarTech and the Republic Parties, in consultation with the USX/Kobe Parties, will use commercially reasonable best efforts to prepare as promptly as practicable an offering memorandum for an offering by RTI Opco of high yield debt securities (the "RTI High Yield Bonds") to be issued on the Closing Date in an amount at least consistent with the Sources and Uses, to be secured by RTI Opco's and its Subsidiaries' property, plant and

equipment and otherwise to be on terms reasonably satisfactory in all material respects to BarTech, the Republic Parties and the USX/Kobe Parties (the "RTI High Yield Offering") (provided that BarTech, the Republic Parties and the USX/Kobe Parties acknowledge that BarTech Financing Warrants will be issued in connection with the RTI High Yield Offering, as provided in Sections 4.1 and 4.6).

2.7 Termination of Marketing Joint Venture. BarTech and RESI hereby terminate the limited liability company agreement of Republic Technologies

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International Marketing, LLC effective as of the Closing.

2.8 Termination of Certain Agreements; Certain Payables.

(a) Effective as of the Closing, (i) USS/Kobe and USX hereby terminate each Contract of USS/Kobe or any of its Subsidiaries that is with or for the benefit of USX or any Affiliate of USX other than USS/Kobe (and USX will cause each of its Affiliates to effect such termination as of the Closing), and (ii) USS/Kobe, Kobe and Kobe Delaware hereby terminate each Contract of USS/Kobe or any of its Subsidiaries that is with or for the benefit of Kobe or any Affiliate of Kobe other than USS/Kobe (and Kobe and Kobe Delaware will cause each of their Affiliates to effect such termination as of the Closing), in each case other than any such Contract that is (A) a Transaction Document, (B) a USS/Kobe Tubular Asset or (C) set forth in Section 2.8(a) of the Disclosure Letter (collectively, the "Terminated USS/Kobe Contracts").

(b) Effective as of the Closing, each of USX, Kobe and Kobe Delaware hereby releases in full (and will cause each of its respective Subsidiaries other than USS/Kobe to release in full) USS/Kobe, RTI Opco and their post-closing Affiliates from any and all agreements, obligations and liabilities of any nature or kind (including without limitation those arising under the Terminated USS/Kobe Contracts and any Contracts of USS/Kobe that are USS/Kobe Tubular Assets), other than (i) accrued payables owed to USX, Kobe or any of their respective Affiliates by the USS/Kobe Bar Business to the extent reflected as such on the USS/Kobe Bar Business Closing Balance Sheet and (ii) agreements, obligations and liabilities of RTI Opco, RTI Holdings and BarTech arising under any of the Transaction Documents (including without limitation liability for USS/Kobe Bar Liabilities).

(c) Effective as of the Closing, (i) RTI Opco hereby agrees to pay to USX, Kobe and their respective post-closing Affiliates when due (subject to the terms of the RTI-USX Payables Agreement) those liabilities and other obligations of the USS/Kobe Bar Business reflected as such on the USS/Kobe Bar Business Closing Balance Sheet (collectively, the "USS/Kobe Bar Business Payables"), and (ii) NewTube hereby agrees to pay when due (i) to RTI Opco, those accounts receivable of the USS/Kobe Bar Business reflected on the USS/Kobe Bar Business Closing Balance Sheet as obligations of NewTube to the USS/Kobe Bar Business, and (ii) to whomever owed, all other

liabilities and other obligations of the USS/Kobe Tubular Business reflected as such on the USS/Kobe Tubular Business Closing Balance Sheet (collectively, the "USS/Kobe Tubular Business Payables").

SECTION 3

CORPORATE RESTRUCTURING AT CLOSING

3.1 Spinoff of USS/Kobe Tubular Assets and Liabilities.

(a) Prior to the date hereof (i) USX has formed USX RTI Holdings as a new direct wholly owned corporate Subsidiary of USX that will hold the RTI Holdings Common Units to be acquired by USX pursuant to the Contemplated Transactions, (ii) Kobe Delaware Inc., a Subsidiary of Kobe, has formed a new direct wholly owned corporate Subsidiary ("Kobe Newco"), and Kobe Newco has formed Kobe RTI Holdings as a new direct wholly owned corporate Subsidiary of Kobe Newco that will hold the RTI Holdings Common Units to be acquired by Kobe pursuant to the Contemplated Transactions, (iii) Kobe Delaware has contributed all of the outstanding capital stock of Kobe Holdings to Kobe Newco, and (iv) USX and Kobe Newco have formed a new joint venture limited liability company (owned equally directly by USX and Kobe Newco) to hold the USS/Kobe Tubular Business as of the Closing ("NewTube"). At or prior to the Closing and prior to completion of the transactions described in Section 3.9, USS/Kobe and NewTube will enter into the Tubular Assignment and Assumption Agreement.

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(b) Immediately prior to the Closing and in accordance with the Tubular Assignment and Assumption Agreement, (i) USS/Kobe will convey the USS/Kobe Tubular Assets to NewTube in exchange for a 99.99% equity interest in NewTube and NewTube's assumption from USS/Kobe of the USS/Kobe Tubular Liabilities and (ii) USS/Kobe immediately thereafter will distribute such 99.99% equity interest in NewTube (A) 49.995% to Kobe Holdings, and Kobe Holdings immediately thereafter will distribute such equity interests in NewTube to Kobe Newco (which, together with the .005% equity interest in NewTube received by Kobe Newco upon the formation of NewTube, will result in Kobe Newco owning 50% of the equity interests in NewTube), and (B) 49.995% percent to USX Holdings, and USX Holdings immediately thereafter will distribute such equity interests in NewTube to USX (which, together with the .005% equity interest in NewTube received by USX upon the formation of NewTube, will result in USX owning 50% of the equity interests in NewTube) (collectively, the "Tubular Spinoff").

(c) Pursuant to the Tubular Spinoff, (i) USS/Kobe will retain (A) all of the cash and cash-equivalents of USS/Kobe (including without limitation the $878,916 of cash contributed by USX and Kobe to USS/Kobe and described in Section 3.9(a)(ii)), which will be held as cash or cash-equivalents by USS/Kobe through the Closing), and

such cash and cash-equivalents will be reflected on the USS/Kobe Bar Business Closing Balance Sheet, and (B) all of the inventory, receivables and other current assets of USS/Kobe relating to the USS/Kobe Bar Business, including without limitation those identified as such on the USS/Kobe Bar Business Closing Balance Sheet (collectively, the "USS/Kobe Bar Business Current Assets"), and (ii) NewTube will receive all of the inventory, receivables and other current assets of USS/Kobe relating to the USS/Kobe Tubular Business to the extent reflected as such on the USS/Kobe Tubular Business Closing Balance Sheet.

(d) At the Closing, USS/Kobe will deliver to RTI Opco (i) an unaudited balance sheet of the USS/Kobe Bar Business as of August 1, 1999 (including the underlying workpapers that show the allocations of individual accounts receivable, accounts payable and items of inventory to the USS/Kobe Bar Business), and (ii) an unaudited balance sheet of the USS/Kobe Tubular Business as of August 1, 1999 (including the underlying workpapers that show the allocations of individual accounts receivable, accounts payable and items of inventory to the USS/Kobe Tubular Business), each giving effect to the Tubular Spinoff as though it had occurred on such date and prepared in good faith by USS/Kobe in consultation with RTI Opco in accordance with generally accepted accounting principles consistently applied (subject to the same exceptions stated in Section 6.4 with respect to the unaudited balance sheets included in the USS/Kobe Financial Statements, and provided that such balance sheets may be presented together as a single document that shows the allocation of each line item between the USS/Kobe Bar Business and USS/Kobe Tubular Business) (collectively, the "Preliminary Closing Balance Sheets"). The Preliminary Closing Balance Sheets are attached as Schedule 3.1(d) to this Agreement.

(d) Within thirty (30) Business Days following the Closing Date, NewTube will deliver to RTI Opco (i) an unaudited balance sheet of the USS/Kobe Bar Business as of immediately following the consummation of the Tubular Spinoff (including the underlying workpapers that show the allocations of individual accounts receivable, accounts payable and items of inventory to the USS/Kobe Bar Business) (subject to any adjustments as described below in this Section 3.1(d), the "USS/Kobe Bar Business Closing Balance Sheet"), and (ii) an unaudited balance sheet of the USS/Kobe Tubular Business as of immediately following consummation of the Tubular Spinoff (including the underlying workpapers that show the allocations of individual accounts receivable, accounts payable and items of inventory to the USS/Kobe Tubular Business) (subject to any adjustments as described below in this Section 3.1(d), the "USS/Kobe Tubular Business Closing

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Balance Sheet" and, collectively with the USS/Kobe Bar Business Closing Balance Sheet, the "Final Closing Balance Sheets"), each prepared in good faith by NewTube based solely upon (A) items appearing in the respective Preliminary Closing Balance Sheet delivered at the Closing, (B) any changes to the balances of

particular current assets and current liabilities set forth in such Preliminary Closing Balance Sheet occurring subsequent to the date of such Preliminary Closing Balance Sheet in the Ordinary Course of Business (but in no event will there be any reallocation between the USS/Kobe Bar Business and the USS/Kobe Tubular Business of current assets or current liabilities appearing in the Preliminary Closing Balance Sheets without the written agreement of RTI Opco and NewTube; provided, however, that the parties agree that (I) current liabilities consisting of accounts payable appearing in the Preliminary Closing Balance Sheet relating to the USS/Kobe Bar Business will be reallocated to the USS/Kobe Tubular Business Closing Balance Sheet to the extent that they relate to the USS/Kobe Tubular Business and were misallocated to the Preliminary Closing Balance Sheet relating to the USS/Kobe Bar Business in error and (II) current assets consisting of inventory appearing in the Preliminary Closing Balance Sheet relating to the USS/Kobe Tubular Business will be reallocated to the USS/Kobe Bar Business Closing Balance Sheet to the extent that they relate to the USS/Kobe Bar Business and were misallocated to the Preliminary Closing Balance Sheet relating to the USS/Kobe Tubular Business in error), and (C) the introduction of new current assets and/or current liabilities to the extent arising subsequent to the date of a particular Preliminary Balance Sheet in the Ordinary Course of Business (but in no event will any new current assets be included in the USS/Kobe Tubular Business Closing Balance Sheet that did not appear in the Preliminary Closing Balance Sheet relating to the USS/Kobe Tubular Business, in each case without the written agreement of RTI Opco; provided, however, that the parties agree that current assets consisting of inventory delivered by the USS/Kobe Bar Business to the USS/Kobe Tubular Business in the Ordinary Course of Business after August 1, 1999 will be included in the USS/Kobe Tubular Business Closing Balance Sheet to the extent that an offsetting payable owed by the USS/Kobe Tubular Business to the USS/Kobe Bar Business is reflected in both of the Final Closing Balance Sheets in an amount equal to the fair market value of such inventory), each prepared in accordance with generally accepted accounting principles consistently applied (subject to the same exceptions stated in Section 6.4 with respect to the unaudited balance sheets included in the USS/Kobe Financial Statements). Within thirty (30) Business Days following its receipt of the Final Closing Balance Sheets, RTI Opco will notify NewTube in writing if it disagrees with any component of such balance sheets (setting forth in reasonable detail each such disagreement and the basis therefore), and if RTI Opco does not deliver such a notice of disagreement, all parties hereto will be deemed to have accepted such balance sheets as the Final Closing Balance Sheets for all purposes hereunder, and such Final Closing Balance Sheets will be attached as Schedule 3.1(d) to this Agreement. If RTI Opco delivers to NewTube a notice of disagreement as described in the preceding sentence, senior executives of RTI Opco and NewTube promptly will meet in person and will negotiate in good faith to resolve each item set forth in such notice of disagreement, and if they are able to resolve such items to the reasonable satisfaction of both RTI Opco and NewTube, all parties hereto will be deemed to have accepted such balance sheets (with such written modifications as RTI Opco and NewTube have agreed in reaching

such resolution) as the Final Closing Balance Sheet for all purposes hereunder, and such Final Closing Balance Sheets will be attached as Schedule 3.1(d) to this Agreement. If RTI Opco and NewTube are unable to resolve each item set forth in RTI Opco's notice of disagreement

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within ten (10) Business Days following the delivery thereof, all remaining items of disagreement promptly shall be resolved by KPMG Peat Marwick in accordance with the principles set forth in this Section 3.1 (and RTI Opco and NewTube will bear 71.5% and 28.5% of the cost of such accountant, respectively), and such accountant's resolution of each such remaining item of disagreement will be final and all parties hereto will be deemed to have accepted such balance sheets (with such written resolutions to items of disagreement as such accountant shall have reached) as the Final Closing Balance Sheet for all purposes hereunder, and such Final Closing Balance Sheets will be attached as Schedule 3.1(d) to this Agreement.

3.2 Formation of RTI Opco, RTI Holdings and N&T, LLC. Prior to the date hereof, (i) RESI has formed a new wholly owned limited liability company subsidiary that will hold all the assets and liabilities (directly and through its Subsidiaries) of each of BarTech, RESI and the USS/Kobe Bar Business following the Closing (except as otherwise expressly provided in Section 3.8) ("RTI Opco"), (ii) RES Holding has formed a new wholly owned limited liability company subsidiary that will hold all of the outstanding membership interests in RTI Opco following the Closing ("RTI Holdings") and (iii) RTI Opco has formed a new wholly owned limited liability company subsidiary that will hold the assets and liabilities of Nimishillen & Tuscarawas Railway Company ("N&T, LLC") following the Closing.

3.3 Merger of BarTech Merger Subsidiary With and Into RES Holding. At or prior to the Closing, BarTech will form a new special purpose wholly owned corporate subsidiary that will be merged with and into RES Holding at the Closing ("BarTech Merger Subsidiary"), and BarTech, BarTech Merger Subsidiary and RES Holding will enter into the RES Holding Merger Agreement. At the Closing and in accordance with the RES Holding Merger Agreement, BarTech Merger Subsidiary will be merged with and into RES Holding, with RES Holding surviving and the outstanding shares of RES Holding being converted into such number of shares of Class D Common Stock, par value $.001 per share, of BarTech ("Class D Common Stock") as is agreed between BarTech and RES Holding (the "RES Holding-BarTech Merger").

3.4 Merger of Nimishillen & Tuscarawas Railway Company. At or prior to the Closing, RESI, RTI Opco, Nimishillen & Tuscarawas Railway Company and N&T, LLC will enter into the N&T Merger Agreement. At the Closing and in accordance with the N&T Merger Agreement, following completion of the transaction described in Section 3.3, RESI will cause Nimishillen & Tuscarawas Railway Company to be merged with and into N&T, LLC, with N&T, LLC surviving and the outstanding shares of Nimishillen & Tuscarawas Railway Company being converted into membership interests in RTI Opco.

3.5 Merger of RESI. At or prior to the Closing, RES Holding, RESI and RTI Opco will enter into the RESI

Merger Agreement. At the Closing and in accordance with the RESI Merger Agreement, following completion of the transaction described in Section 3.4, RESI will merge with and into RTI Opco, with RTI Opco surviving and the outstanding shares of RESI being converted into RTI Holdings Common Units (the "RESI-RTI Merger").

3.6 Conveyance of RTI Opco Interests to RTI Holdings. At or prior to the Closing, RES Holding, RTI Holdings and RTI Opco will enter into the RES Holding Assignment and Assumption Agreement. At the Closing and in accordance with the RES Holding Assignment and Assumption Agreement, following completion of the transaction described in Section 3.5, (i) RES Holding will contribute to RTI Holdings all of the outstanding membership interests in RTI Opco and (ii) RTI Opco will assume all of RES Holding liabilities (including without limitation any Taxes arising from the Contemplated Transactions) (together, the "RES Holding Asset Contribution").

3.7 Liquidation and Merger of Certain BarTech Subsidiaries. At or prior to the Closing, (i) BarTech will cause Bliss & Laughlin Industries Inc. to be liquidated (which will result in Bliss & Laughlin and Canadian Drawn Steel Company becoming directly held wholly owned Subsidiaries of BarTech), (ii)

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BarTech will form a new wholly owned limited liability company subsidiary that will hold the assets and liabilities of Bliss & Laughlin ("B&L, LLC") following the Closing and (iii) BarTech, Bliss & Laughlin and B&L, LLC will enter into the B&L Merger Agreement. At the Closing and in accordance with the B&L Merger Agreement, following completion of the transaction described in Section 3.6, BarTech will cause Bliss & Laughlin to be merged with and into B&L, LLC, with B&L, LLC surviving and the outstanding shares of Bliss & Laughlin being converted into membership interests in B&L, LLC.

3.8 Transfer of BarTech Assets and Liabilities to RTI Opco. At or prior to the Closing, BarTech, RTI Holdings and RTI Opco will enter into the BarTech Assignment and Assumption Agreement. At the Closing and in accordance with the BarTech Assignment and Assumption Agreement, following completion of the transactions described in Section 3.7, BarTech will convey all of its assets (other than the shares of RES Holding, BarTech's rights arising under any of the Transaction Documents to which it is a party, and any tax benefit accruing or arising at or prior to the Closing Date of BarTech, including without limitation any net operating loss, alternative minimum tax credit and general business credit carryforward existing as of the Closing Date) to RTI Opco, in consideration of which (i) BarTech will receive (A) RTI Holdings Common Units representing, in the aggregate with those RTI Holdings Common Units held by RES Holding, 70.233151% of the RTI Holdings Common Units to be outstanding upon completion of the Closing, (B) 1,100 RTI Holdings Series A Preferred Units (having an aggregate liquidation preference of $5,500,000) and (C) 30,000 RTI Holdings Series C Preferred Units (having an aggregate liquidation preference of $30,000,000), and (ii) RTI Opco will assume all of BarTech's liabilities (including without limitation any Taxes arising from the Contemplated Transactions) (together, the "BarTech Asset Contribution").

3.9 Contributions to Capital of USS/Kobe; Merger of USS/Kobe Bar Business into RTI Opco.

(a) Prior to the date hereof, (i) USX and Kobe have contributed equally to the capital of USS/Kobe an aggregate of $10 million of cash, thereby causing the USS/Kobe Credit Facility not to exceed $75 million principal amount outstanding (and resulting in RTI Opco being required to expend $10 million less of RTI Debt and Equity Proceeds pursuant to Section 4.5 below in connection with the repayment in full of amounts outstanding under the USS/Kobe Credit Facility at the Closing), and (ii) USX and Kobe have contributed to the capital of USS/Kobe an additional aggregate of $878,916 of cash, thereby causing the cash received by RTI Opco as a result of the USX Holdings/Kobe Holdings-RTI Opco Merger to be increased by that amount (and resulting in RTI Opco being required to obtain $878,916 less of Equity Contributions pursuant to Section 4.1(b) below).

(b) At or prior to the Closing, USX, USX Holdings, USX RTI Holdings, Kobe Newco, Kobe Holdings, Kobe RTI Holdings, RTI Holdings, RTI Opco and USS/Kobe will enter into the USS/Kobe Merger Agreement. At the Closing and in accordance with the USS/Kobe Merger Agreement, following completion of the transactions described in Sections 3.1 and 3.8, (i) USX Holdings will merge with and into RTI Opco, with RTI Opco surviving and the outstanding stock of USX Holdings being converted into RTI Holdings Common Units representing 15.568073% of the RTI Holdings Common Units to be outstanding upon completion of the Closing, and (ii) Kobe Holdings will merge with and into RTI Opco, with RTI Opco surviving and the outstanding stock of Kobe Holdings being converted into RTI Holdings Common Units representing 14.198775% of the RTI Holdings Common Units to be outstanding upon completion of the Closing (which under Ohio law will result in (A) the automatic termination of the USS/Kobe general partnership, and (B) RTI Opco becoming the successor of Kobe Holdings and USX Holdings, with all of the assets and liabilities of USS/Kobe, Kobe Holdings and USX Holdings thereby becoming assets and liabilities of RTI Opco) (the foregoing steps (i)-(ii), collectively, the "USX Holdings/Kobe Holdings-RTI Opco Merger").

(c) Immediately following consummation of the USX Holdings/Kobe Holdings-RTI Opco Merger, (i) USX will contribute to USX RTI Holdings all of the RTI Holdings Common Units held directly or

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indirectly by USX (and none of its other assets or liabilities) and (ii) Kobe Newco will contribute to Kobe RTI Holdings all of the RTI Holdings Common Units held directly or indirectly by Kobe Newco (and none of its other assets or liabilities). Upon completion of the transactions contemplated by this Section 3 and Section 4, the sole holders of RTI Holdings Units will be (i) BarTech and RES Holding (collectively owning 70.233151% of the outstanding RTI Holdings Common Units, and with BarTech owning all of the outstanding RTI Holdings Series A Preferred Units and RTI Holdings Series C Preferred Units), (ii) USX RTI Holdings (owning 15.568073% of the outstanding RTI Holdings Common Units) and (iii) Kobe RTI Holdings (owning 14.198775% of the outstanding RTI Holdings Common Units).

SECTION 4

REFINANCING TRANSACTIONS AT CLOSING

4.1 Closing of RTI High Yield Offering; Borrowing Under RTI Credit Facility; Equity Contributions.

(a) Concurrently with the Closing, RTI Opco will (i) obtain the net proceeds of the RTI High Yield Offering and (ii) close the RTI Credit Facility and borrow an amount under the RTI Credit Facility such that, when combined with the proceeds of the RTI High Yield Offering and the Equity Contributions, such combined amount (the "RTI Debt and Equity Proceeds") will be sufficient to effect the repayments of existing indebtedness contemplated hereby and the payment or reimbursement of all fees, transfer taxes or related fees and out-of-pocket expenses incurred by each of the parties hereto and their Affiliates in connection with the Contemplated Transactions.

(b) At the Closing and immediately prior to the BarTech Asset Contribution, (i) BCPII, BOCPII and BFIPII will purchase from BarTech an aggregate of 894,745 of Class D Common Stock, respectively, for an aggregate cash purchase price of $50,000,000 (collectively, the "Blackstone Equity Contribution") and (ii) VCP will purchase from BarTech 322,108 shares of Class D Common Stock for an aggregate cash purchase price of $18,000,000 (the "Veritas Equity Contribution"). At the Closing and immediately following the USX Holdings/Kobe Holdings-RTI Opco Merger, (i) USX RTI Holdings will make a cash capital contribution to RTI Holdings in the amount of $14,560,542 (which contribution will not increase the 15.568073% of the outstanding RTI Holdings Common Units to be held by USX RTI Holdings upon completion of the Closing) (the "USX Equity Contribution"), and RTI Holdings will in turn immediately contribute such cash to the capital of RTI Opco, and (ii) Kobe RTI Holdings will make a cash capital contribution to RTI Holdings in the amount of $9,560,542 (which contribution will not increase the 14.198775% of the outstanding RTI Holdings Common Units to be held by Kobe RTI Holdings upon completion of the Closing) (the "Kobe Equity Contribution"), and RTI Holdings will in turn immediately contribute such cash to the capital of RTI Opco.

(c) At the Closing and immediately prior to the BarTech Asset Contribution, pursuant to the Subscription Agreement (i) First Energy will purchase from BarTech 30,000 shares of Class C Convertible Preferred Stock for an aggregate cash purchase price of $30,000,000 (the "FirstEnergy Equity Contribution"), (ii) Sumitomo will purchase from BarTech 53,684.7 shares of Class D Common Stock for an aggregate cash purchase price of $3,000,000 (the "Sumitomo Equity Contribution"), (iii) Triumph will purchase from BarTech an aggregate of 87,685 shares of Class D Common Stock for an aggregate cash purchase price of $4,900,000 (the "Triumph Equity Contribution"), (iv) First Dominion will purchase from BarTech 35,789.8 shares of Class D Common

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Stock for an aggregate cash purchase price of $2,000,000 (the "First Dominion Equity Contribution") and (v) TCW will purchase from BarTech an aggregate of 89,474.5 shares of Class D Common Stock for an aggregate cash purchase price of $5,000,000 (the "TCW Equity Contribution").

(d) At the Closing and immediately prior to the BarTech Asset Contribution, pursuant to a subscription agreement, dated as of August 13, 1999, among BarTech, Chase Securities Inc., Donaldson Lufkin & Jenrette Securities Corporation and BancBoston Robertson Stephens Inc., Chase Securities Inc., Donaldson Lufkin & Jenrette Securities Corporation and BancBoston Robertson Stephens Inc. will purchase from BarTech an aggregate of 65,892 warrants (the "Purchased Warrants") to purchase an aggregate of 127,501 shares of Class D Common Stock (with each such warrant being exercisable for 1.935 shares of Class D Common Stock at an exercise price of $.01 per warrant) for a purchase price of $108.13137 per warrant and an aggregate purchase price of $7,125,000 (the "Warrant Equity Contribution").

4.2 Repayment of RES Holding Credit Facility. At the Closing, concurrent with the consummation of the RES Holding Asset Contribution (and prior to the BarTech Asset Contribution), BarTech will utilize sufficient proceeds of the Equity Contributions to repay in full all amounts outstanding under the RES Holding Credit Facility, and RTI Opco will keep available sufficient liquidity to pay or reimburse all the fees and expenses of the Republic Parties that are to be borne by RTI Opco in accordance with Section 19.1(a).

4.3 Repayment of BarTech Senior Secured Notes, BarTech Credit Facility and Refinanced BarTech State and Bethlehem Debt. At the Closing, concurrent with the consummation of the BarTech Asset Contribution, (i) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to effect a covenant defeasance (or otherwise cash-collateralize to the extent necessary to permit consummation of the Contemplated Transactions) as of the Closing with respect to all outstanding BarTech Senior Secured Notes, including without limitation any penalties, interest and make-whole premiums, RTI Opco will keep available sufficient liquidity to pay or reimburse all the fees and expenses of BarTech and the BV Parties that are to be borne by RTI Opco in accordance with Section 19.1(a), and BarTech will call for redemption all outstanding BarTech Senior Secured Notes pursuant to the terms of the indenture and other documents relating thereto and thereafter redeem such BarTech Senior Secured Notes at the earliest permissible date following the Closing, (ii) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to repay in full all amounts outstanding under the BarTech Credit Facility, including without limitation any penalties, interest and make-whole premiums, and (iii) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to repay all outstanding Refinanced BarTech State and Bethlehem Debt, including without limitation any penalties, interest and make-whole premiums.

4.4 Repayment of RESI Credit Facility and RESI Bridge Facility. At the Closing, concurrent with the consummation of the RESI-RTI Merger, (i) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to repay in full all amounts outstanding under the RESI Credit Facility, including without limitation any penalties, interest and make-whole premiums, and (ii) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to repay in full all amounts outstanding under the RESI Bridge Facility, including without limitation any penalties, interest and make-whole premiums.

4.5 Repayment of USS/Kobe Senior Notes and USS/Kobe Credit Facility. At the Closing, concurrent with the consummation of the USX Holdings/Kobe Holdings-RTI Opco Merger, (i) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to redeem in full all outstanding USS/Kobe Senior Notes, including without limitation any penalties, interest and make-whole premiums, and RTI Opco will keep available sufficient liquidity to pay or reimburse all the fees and expenses of USX, Kobe and USS/Kobe that are to be borne by RTI Opco in accordance with Section 19.1(a), and (ii) RTI Opco will utilize sufficient RTI Debt and Equity Proceeds to repay in full all amounts outstanding under the USS/Kobe Credit Facility, including without limitation any penalties, interest and make-whole premiums.

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4.6 Issuance of BarTech RTI High Yield Warrants in Connection with RTI High Yield Offering. At the Closing, BarTech will contribute to RTI Holdings for delivery to the purchasers of RTI High Yield Bonds 425,000 warrants to purchase an aggregate of 822,386 shares of Class D Common Stock (with each such warrant being exercisable for 1.935 shares of Class D Common Stock at an exercise price of $.01 per warrant (collectively with the Purchased Warrants, the "BarTech Financing Warrants").

4.7 No Priority in Debt Payment. The order of listing for the repayment of outstanding debt set forth in Sections 4.2, 4.3, 4.4 and 4.5 is not a statement of priority of payment, and the retirement of such outstanding debt is a condition precedent as set forth in Section 12.4.

SECTION 5

THE CLOSING

5.1 Closing. Subject to the satisfaction or waiver of all conditions precedent set forth in Sections 12, 13, 14, 15 and 16, the closing of the Contemplated Transactions (the "Closing") will take place at the offices of Simpson Thacher & Bartlett, New York, New York, at 10:00 a.m. (local time) on the earliest practicable date on which the debt component of the RTI Debt and Equity Proceeds become available, or at such other time and place as BarTech, USX RTI Holdings and Kobe RTI Holdings may agree. Subject to the provisions of Section 17, failure to consummate the Contemplated Transactions on the date and time and at the place determined pursuant to this Section 5.1 will not result in the termination of this Agreement nor relieve any

party of any obligation under this Agreement. Prior to or concurrently with the Closing, the parties hereto will cause the Contemplated Transactions to be consummated, including without limitation by filing certificates of merger with respect to the Mergers with the Secretary of State of each state of formation of Persons party to the Mergers, as appropriate.

5.2 Closing Obligations. At the Closing:

(a) BarTech, RES Holding, USX RTI Holdings, Kobe RTI Holdings and RTI Holdings will execute and deliver the RTI Holdings LLC Agreement;

(b) RTI Holdings and RTI Opco will execute and deliver the RTI Opco LLC Agreement;

(c) RTI Opco and USX (with respect to its U.S. Steel Group unit) will execute and deliver the Coke Supply Agreement;

(d) RTI Opco and USX (with respect to its U.S. Steel Group unit) will execute and deliver the Pellet Supply Agreement;

(e) RTI Opco, NewTube and USX (with respect to its U.S. Steel Group unit) will execute and deliver the Round Supply Agreement;

(f) The parties named therein will execute and deliver the Equityholders Agreement;

(g) RTI Opco, Blackstone Management Partners II L.L.C., Veritas Capital Management, L.L.C., USX, Kobe Delaware and Kobe Steel USA, Inc. will execute and deliver the Transactional and Monitoring Fee Agreement;

(h) RTI Opco and NewTube will execute and deliver the Transition, Administrative and Utilities Services Agreement;

(k) USX, Kobe Newco, RTI Opco and NewTube will execute and deliver the Safe-Harbor Lease Matters Agreement;

(l) RTI Opco, USX and Kobe will execute and deliver the Continuing USS/Kobe State Debt Participation Agreement;

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(m) RTI Opco, NewTube and USX will execute and deliver the USX Environmental Indemnity Agreement;

(o) Each of the parties thereto will execute and deliver each of the New Kobe-RTI Opco Agreements;

(p) RTI Opco, USS/Kobe and Batus Retail Services, Inc. will enter into the Bloom Caster Consent and Assumption Agreement; and

(q) RTI Opco and USX will enter into the RTI-USX Payables Agreement.

SECTION 6

REPRESENTATIONS AND WARRANTIES REGARDING USS/KOBE

USX RTI Holdings and Kobe RTI Holdings (i) individually and severally with respect to the representations and warranties in Section 6.2 regarding USX/Kobe Parties which are themselves and their respective Affiliates (other than USS/Kobe and its Subsidiaries), and (ii) severally with respect to all other representations and warranties contained in this Agreement regarding USS/Kobe and its Affiliates, represent and warrant to BarTech and RES Holding as follows (provided, however, that the Disclosure Letter sets forth certain exceptions to such representations and warranties or discloses certain matters in response to such representations and warranties, in each case identified by the applicable Section numbers below, and provided, further, that, for the avoidance of doubt, the parties hereto acknowledge and agree that neither USX nor Kobe is itself making any of the representations and warranties contained in this Section 6):

6.1 Organization and Good Standing.

(a) USS/Kobe is a general partnership duly organized, validly existing, and in good standing under the laws of Ohio, with full partnership power and authority to conduct its business as it is now being conducted. USX Holdings is a corporation duly organized, validly existing, and in good standing under the laws of Ohio, with full corporate power and authority to conduct its business as it is now being conducted. Kobe Holdings is a corporation duly organized, validly existing, and in good standing under the laws of Ohio, with full corporate power and authority to conduct its business as it is now being conducted. Each of USS/Kobe, USX Holdings and Kobe Holdings is duly qualified to do business as a foreign partnership or corporation, as applicable, and is in good standing under the laws of each state or other jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a USS/Kobe Material Adverse Effect.

(b) Each of USX RTI Holdings and Kobe RTI Holdings is a corporation duly organized, validly existing, and in good standing under the laws of Delaware, with full corporate power and authority to conduct its business as it is now being conducted. Each of USX RTI Holdings and Kobe RTI Holdings is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a USS/Kobe Material Adverse Effect.

(c) Each of USS/Kobe, USX Holdings, USX RTI Holdings, Kobe Holdings and Kobe RTI Holdings has made available to BarTech and RES Holding complete and correct copies of its Organizational Documents, as currently in effect. Except for the incurrence of indebtedness set

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forth in Section 6.1(d) of the Disclosure Letter, as of the Closing, each of USX RTI Holdings and Kobe RTI Holdings will have engaged in no activities and incurred no liabilities prior to the Closing except those activities and liabilities incidental to its formation or expressly contemplated by this Agreement.

(d) Except as set forth in Section 6.1(d) of the Disclosure Letter, USS/Kobe does not own any direct or indirect equity or debt interest in any other Person and USS/Kobe is not obligated or committed to acquire any such interest. USS/Kobe International Sales Company is primarily related to tubular sales. As of the Closing, each of USX RTI Holdings and Kobe RTI Holdings will own no direct or indirect equity or debt interest in any other Person, or be obligated or committed to acquire any such interest (other than pursuant to this Agreement), other than their respective membership interests in RTI Holdings acquired in the Contemplated Transactions. As of the Closing, each of USX Holdings and Kobe Holdings will own no direct or indirect equity or debt interest in any other Person or other assets, or be obligated or committed to acquire any such interest (other than pursuant to this Agreement), other than their respective partnership interests in USS/Kobe, and, except as set forth in Section 6.1(d) of the Disclosure Letter, will have engaged in no activities, owned no assets and incurred no liabilities prior to the Closing except for activities, assets and liabilities incidental to acting as a general partner of USS/Kobe which would not, individually or in the aggregate, reasonably be expected to have a USS/Kobe Material Adverse Effect. As of the Closing, all of the indebtedness of each of USX Holdings and Kobe Holdings will have been repaid in full or otherwise eliminated, and each of USX Holdings and Kobe Holdings will have no liabilities or obligations with respect thereto.

6.2 Authority; No Conflict; Consents.

(a) This Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by, and constitutes the legal, valid and binding obligation of, each USX/Kobe Party, enforceable against such entity in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles.

(b) Each of the USX/Kobe Parties has the requisite corporate, partnership or other applicable right, power, authority and capacity to execute and deliver this Agreement and each other Transaction Document to which it is a party and to perform its obligations under this Agreement and each other Transaction Document to which it is a party. The execution, delivery and performance of this Agreement and each other

Transaction Document to which it is a party by each USX/Kobe Party have been duly authorized by all necessary corporate, partnership or other applicable action, as the case may be, on the part of such entity and its owners.

(c) Except as disclosed in Section 6.2(c) of the Disclosure Letter, neither the execution and delivery of this Agreement and each other Transaction Document to which it is a party nor the consummation of any of the Contemplated Transactions or other performance of its obligations hereunder or thereunder will, directly or indirectly:

(i) violate any provision of the Organizational Documents of any USX/Kobe Party or any of its Subsidiaries, as applicable;

(ii) result in a violation of, or give any Governmental Body or other Person the right to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which any USX/Kobe Party or any of its

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Subsidiaries, as applicable, is subject;

(iii) result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by any USX/Kobe Party or any of its Subsidiaries;

(iv) result in a violation or breach of any provision of, or give any Person the right to declare a default, exercise any remedy under or demand a mandatory prepayment of, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any material Contract of any USX/Kobe Party or any of its Subsidiaries, as applicable; or

(v) result in the imposition or creation of any Encumbrance upon any of the assets owned or used by any USX/Kobe Party or any of its Subsidiaries.

(d) No USX/Kobe Party or any of its Affiliates is or will be required to obtain any Consent from any Person or Governmental Body in connection with the execution and delivery of this Agreement or any other Transaction Document to which it is a party or the consummation of any of the Contemplated Transactions or their performance hereunder or thereunder, except (i) the Material Consents disclosed in Section 6.2(d) of the Disclosure Letter, which will be obtained by Closing and (ii) such other Consents as to which the failure to obtain them by Closing would not, individually or in the aggregate, reasonably be expected to have a USS/Kobe Material Adverse Effect or a RTI Material Adverse Effect.

6.3 Capitalization. The authorized and outstanding equity interests of each of USS/Kobe, USX Holdings and Kobe Holdings (without giving effect to the Contemplated Transactions) are listed in Section 6.3 of the Disclosure Letter. All of the outstanding equity interests in USX Holdings are owned of record and beneficially directly by USX, free and clear of all Encumbrances. As of the Closing, all of the outstanding equity

interests in Kobe Holdings are owned of record and beneficially directly by Kobe Newco, free and clear of all Encumbrances. Except as set forth in Section 6.3 of the Disclosure Letter, all of the outstanding equity interests in Kobe Delaware Inc. are owned of record and beneficially directly by Kobe, free and clear of all Encumbrances. Except as set forth in Section 6.3 of the Disclosure Letter with respect to certain minority stockholder consent rights, no Person other than Kobe has the right (contractual or otherwise) to designate any of the directors of Kobe Delaware Inc. or to participate in the control or management of Kobe Delaware Inc. Each of USX Holdings and Kobe Holdings is the direct record and beneficial owner of fifty percent of the outstanding equity interests in USS/Kobe, free and clear of all Encumbrances. USX is the direct record and beneficial owner of all of the outstanding equity interests in USX RTI Holdings and fifty percent of the outstanding equity interests in NewTube, in each case free and clear of all Encumbrances. Kobe Delaware Inc. is the direct record and beneficial owner of all of the outstanding equity interests in Kobe Newco, and Kobe Newco is the direct record and beneficial owner of all of the outstanding equity interests in Kobe RTI Holdings and fifty percent of the outstanding equity interests in NewTube, in each case free and clear of all Encumbrances. All of the foregoing equity interests have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in Section 6.3 of the Disclosure Letter, there are no outstanding options, warrants, convertible securities or other rights of any kind relating to the issuance, sale, or transfer of any equity interests in any of the foregoing entities (other than this Agreement and the other Transaction Documents).

6.4 Financial Statements. Section 6.4(a) of the Disclosure Letter includes financial statements of the USS/Kobe Bar Business, USX Holdings and Kobe Holdings (collectively, the "USS/Kobe Financial Statements"). The USS/Kobe Financial Statements fairly present (i) the assets and liabilities, financial condition and the results of operations, changes in stockholders' equity or partners' interest and cash flow of USS/Kobe, USX Holdings and Kobe Holdings, as

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applicable, as at the respective dates of and for the periods referred to in such USS/Kobe Financial Statements, and (ii) the assets and liabilities, financial condition and the results of operations, changes in stockholders' equity or partners' interest and cash flow of USS/Kobe, USX Holdings and Kobe Holdings, as applicable, (A) as at March 31, 1999 and (B) as at December 31, 1998 and for the twelve month period then ended, in the case of USS/Kobe in each case giving effect to the Tubular Spinoff as of January 1, 1998. The USS/Kobe Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied, subject in the case of the unaudited statements to the absence of footnote disclosure and other presentation items, to changes resulting from normal period-end adjustments for recurring accruals which are not in the aggregate material, and to the fact that indebtedness of USS/Kobe has been allocated on a "straight allocation" basis between the USS/Kobe Bar Business and the USS/Kobe Tubular Business without regard as to whether such allocation is in accordance with generally accepted accounting principles. Subject to the limitations provided in the immediately preceding sentence, the USS/Kobe Financial Statements have been prepared

from the books and records of USS/Kobe, USX Holdings and Kobe Holdings, as applicable, which accurately and fairly reflect in all material respects the transactions of, acquisitions and dispositions of assets by, and incurrence of liabilities by USS/Kobe, USX Holdings and Kobe Holdings, as applicable. After giving effect to the Tubular Spinoff, none of USS/Kobe, USX Holdings or Kobe Holdings will have liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise) which would be required under generally accepted accounting principles to be reflected on a balance sheet, except for (a) liabilities or obligations reflected or reserved against in the December 31, 1998 balance sheet of the USS/Kobe Bar Business (giving effect to the Tubular Spinoff) included in the USS/Kobe Financial Statements, (b) liabilities incurred by USS/Kobe in the Ordinary Course of Business since December 31, 1998 which in the aggregate do not have a USS/Kobe Material Adverse Effect and (c) matters disclosed in Section 6.4 of the Disclosure Letter.

6.5 [intentionally omitted]

6.6 Title to Properties; Encumbrances.

(a) Section 6.6(a) of the Disclosure Letter includes a complete list (including the street address, where applicable) of each USS/Kobe Facility (and in each case any such facility included in "parcel 1", "parcel 2", "parcel 3" or "parcel 4" is a USS/Kobe Tubular Asset, and all other such facilities are USS/Kobe Bar Assets). Except as described in Section 6.6(a) of the Disclosure Letter, immediately following consummation of the Tubular Spinoff, the assets, properties and rights of USS/Kobe will include all of the material assets, properties and rights used in connection with the USS/Kobe Bar Business as of the date hereof (except for any such assets, properties or rights sold after the date hereof in compliance with the terms of this Agreement). Section 6.6(a) of the Disclosure Letter includes a complete list of each item of material tangible personal property of USS/Kobe (and in each case identifies any such item that is a USS/Kobe Tubular Asset).

(b) Except as disclosed in Section 6.6(b) of the Disclosure Letter, USS/Kobe has fee or other good title, as applicable, to all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) that it purports to own or reflected as owned in the books and records of USS/Kobe, including all of the properties and assets reflected in the Interim USS/Kobe Balance Sheet (except for personal property sold since the date of the Interim USS/Kobe Balance Sheet in the Ordinary Course of Business of USS/Kobe), and all of the properties and assets purchased or otherwise acquired by USS/Kobe since the date of the Interim USS/Kobe Balance Sheet (except for personal property acquired and sold since the date of the Interim USS/Kobe Balance Sheet in the Ordinary Course of Business of USS/Kobe). Except as described in Section 6.6(b) of the Disclosure Letter and subject to the Safe-Harbor Leases, all material properties and assets constituting USS/Kobe Facilities and reflected in the Interim USS/Kobe Balance Sheet

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are free and clear of all Encumbrances, except for Permitted Encumbrances.

6.7 [intentionally omitted]

6.8 Taxes. Except as set forth in Section 6.8 of the Disclosure Letter:

(a) Each of USS/Kobe, USX Holdings and Kobe Holdings has filed or caused to be filed on a timely basis all Tax Returns that are or were required to be filed by it pursuant to applicable Legal Requirements. Each of USS/Kobe, USX Holdings and Kobe Holdings has paid, or made provision for the payment of, all Taxes that have become due and payable as Taxes imposed on USS/Kobe pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by USS/Kobe, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in the applicable Interim USS/Kobe Balance Sheet.

(b) All Taxes that USS/Kobe, USX Holdings and Kobe Holdings are or were required by Legal Requirements to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Body.

(c) USS/Kobe has been a partnership for tax purposes since its formation and all Tax Returns of USS/Kobe have been filed as partnership Tax Returns.

(d) None of USS/Kobe, USX Holdings or Kobe Holdings is liable for any Taxes of another Person by reason of Treasury Regulation 1.1502-6(a) (or any comparable provision under state, local or foreign law), as a successor in interest, as a transferee, by contract or otherwise.

(e) No Proceeding is pending or, to the USX/Kobe Parties' Knowledge, threatened in regard to any Taxes due from or with respect to USS/Kobe, USX Holdings or Kobe Holdings or any Tax Return filed by or with respect to USS/Kobe, USX Holdings or Kobe Holdings.

(f) None of USS/Kobe, USX Holdings or Kobe Holdings is a party to or bound by (nor will USS/Kobe, prior to the Closing Date, become a party to or bound by) any tax indemnity, tax sharing or tax allocation agreement or similar contractual arrangement.

(g) To the USX/Kobe Parties' Knowledge, there are no pending, threatened or proposed audits in writing, assessments or claims from any Tax Authority for material Taxes against USS/Kobe, USX Holdings or Kobe Holdings or any of their assets, operations or activities as of the date hereof or as of the Closing Date. Except as disclosed in Section 6.8(g) of the Disclosure Letter, there are no pending claims for refund of any Taxes for USS/Kobe, USX Holdings or Kobe Holdings (including refunds of Taxes allocable to USS/Kobe, USX Holdings or Kobe Holdings or with respect to consolidated, combined, unitary, fiscal unitary or similar Tax Returns).

(h) There are no outstanding rulings of, or requests for rulings with, any Tax Authority expressly addressed to USS/Kobe, USX Holdings or Kobe Holdings (or to an Affiliate of USS/Kobe, USX Holdings or Kobe Holdings) that are, or if issued would be binding for any post-Closing period.

(i) The assets listed in Section 6.8(i) of the Disclosure Letter are subject to the Safe-Harbor Leases, and none of the other USS/Kobe Bar Assets are subject to leases pursuant to which elections have been made under Section 168(f)(8) of the 54 Code.

6.9 No Material Adverse Change. Except as set forth in Section 6.9 of

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the Disclosure Letter, since December 31, 1998, (i) each of USS/Kobe, USX Holdings and Kobe Holdings has operated its business only in the Ordinary Course of Business (other than as expressly provided for in the Transaction Documents), (ii) to the USX/Kobe Parties' Knowledge, no event or occurrence has occurred which has had or would reasonably be expected to have, individually or in the aggregate, a USS/Kobe Material Adverse Effect, and (iii) none of USS/Kobe, USX Holdings or Kobe Holdings has taken any action nor suffered any event that if taken or suffered after the date hereof would require BarTech's or RES Holding's consent under Section 10.2 of this Agreement.

6.10 Employee Benefits.

(a) Except as set forth in Section 6.10(a) of the Disclosure Letter (the plans disclosed in Section 6.10(a) of the Disclosure Letter being the "USS/Kobe Plans"), none of USS/Kobe, USX Holdings or Kobe Holdings sponsors or contributes to any Employee Benefit Plan, severance, change-in-control or employment plan, program or agreement or stock option, bonus, or incentive plan or program. Copies of the written USS/Kobe Plans have been made available to BarTech and RES Holding.

(b) Except as set forth in Section 6.10(b) of the Disclosure Letter, each USS/Kobe Plan has been administered and is in compliance with the terms of such USS/Kobe Plan and all applicable laws, rules and regulations where the failure to so comply would result in liability that would have a USS/Kobe Material Adverse Effect.

(c) Except as set forth in Section 6.10(c) of the Disclosure Letter: (i) each USS/Kobe Plan intended to be qualified within the meaning of IRC Section 401(a) has received a favorable determination as to such qualification from the IRS and (ii) to the USX/Kobe Parties' Knowledge, nothing has occurred since that would adversely affect such qualification.

(d) Except as would not have a USS/Kobe Material Adverse Effect or, in the case of the following clause (i), in connection with the Contemplated Transactions: (i) no "reportable event" (as such term is used in Section 4043 of ERISA) (other than those events for which the 30-day notice has been waived pursuant to the regulations) is pending with respect to any USS/Kobe Plan, and (ii) no "accumulated funding

deficiency" (as such term is used in Section 412 or 4971 of the IRC) has occurred during the last five years with respect to any USS/Kobe Plan.

(e) No litigation or administrative or other proceeding involving any USS/Kobe Plan has occurred or, to the USX/Kobe Parties' Knowledge, is threatened where an adverse determination would result in liability that would have a USS/Kobe Material Adverse Effect, other than any such litigation or administrative or other proceeding that may be commenced by the PBGC in connection with the Contemplated Transactions.

(f) Except as set forth in Section 6.10(f) of the Disclosure Letter, none of USS/Kobe, USX Holdings or Kobe Holdings has contributed to any "multiemployer plan" (within the meaning of Section 3(37) of ERISA), and none of USS/Kobe, USX Holdings or Kobe Holdings, nor any member of their respective Controlled Groups, has incurred any withdrawal liability which remains unsatisfied in an amount which would result in liability that would have a USS/Kobe Material Adverse Effect.

(g) No USS/Kobe Plan or multiemployer plan to which USS/Kobe, USX Holdings or Kobe Holdings contributed has been terminated, where such termination has resulted in liability under Title IV of ERISA that would have a USS/Kobe Material Adverse Effect.

(h) Except as would not have a USS/Kobe Material Adverse Effect, none of USS/Kobe, USX Holdings or Kobe Holdings has incurred

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any liability, direct or indirect, as a result of any breach of fiduciary duty or non-exempt prohibited transaction (within the meaning of IRC Section 4975 or Section 406 of ERISA) involving any USS/Kobe Plan or the assets thereof. None of USS/Kobe, USX Holdings or Kobe Holdings has engaged in any transaction that has resulted or could result in any material liability of USS/Kobe, USX Holdings or Kobe Holdings pursuant to Section 4069 or 4212 or ERISA.

6.11 Compliance with Legal Requirements; Governmental Authorizations. Except as set forth in Section 6.11 of the Disclosure Letter, to the USX/Kobe Parties' Knowledge, each of USS/Kobe, USX Holdings and Kobe Holdings has complied and is in compliance with each Legal Requirement that is applicable to it or to the conduct or operation of its business, except for any failures to comply which would not, individually or in the aggregate, have a USS/Kobe Material Adverse Effect. To the USX/Kobe Parties' Knowledge, each of USS/Kobe, USX Holdings and Kobe Holdings holds all Governmental Authorizations that are required in connection with the business of USS/Kobe, USX Holdings or Kobe Holdings, as applicable, and is in compliance with all of the terms and requirements of each Governmental Authorization applicable to it, except where the failure to be in compliance would not have a USS/Kobe Material Adverse Effect.

6.12 Legal Proceedings; Orders. Except as set forth in Section 6.12 of the Disclosure Letter, to the USX/Kobe Parties' Knowledge there is no Proceeding (i) pending or threatened against USS/Kobe, USX Holdings, Kobe Holdings or any of their Affiliates that, individually or in the aggregate, has had or, would reasonably be expected to have, a USS/Kobe Material Adverse Effect, or (ii) as of the date of this Agreement, that challenges, or that may have the effect of preventing or making illegal, any of the Contemplated Transactions. Except as set forth in Section 6.12 of the Disclosure Letter, to the USX/Kobe Parties' Knowledge (i) there is no material Order to which USS/Kobe, USX Holdings, Kobe Holdings or any of their Affiliates is subject that materially prohibits or restricts USS/Kobe, USX Holdings or Kobe Holdings, and (ii) no agent or employee of the USS/Kobe Bar Business is subject to any Order that materially prohibits or restricts such agent or employee, from engaging in or continuing any conduct, activity, or practice relating to the USS/Kobe Bar Business.

6.13 Contracts; No Defaults.

(a) Except for Permitted Encumbrances, Section 6.13(a) of the Disclosure Letter contains a complete and accurate list of (and in each case identifies any such Contract that is a USS/Kobe Tubular Asset): (i) each material Contract of USS/Kobe and each Contract of USX Holdings or Kobe Holdings, (ii) any other Contracts of USS/Kobe containing covenants not to compete, employee non-solicitation or no-hire covenants, or otherwise materially limiting the freedom of USS/Kobe to engage in any line of business or to compete with any Person, (iii) any other Contract of USS/Kobe constituting a material employment agreement or a collective bargaining or other agreement with a labor organization or other representative of USS/Kobe's employees, (iv) any other Contract of USS/Kobe with or for the benefit of any Affiliate of USS/Kobe (including without limitation USX or Kobe) or, to the USX/Kobe Parties' Knowledge, any immediate family member of any officer, director, employee or equityholder of USS/Kobe or any of its Affiliates or any Affiliate thereof, (v) any other Contract of USS/Kobe relating to material indebtedness, financing arrangements or guarantees of indebtedness and (vi) each lease which USS/Kobe has assumed or to which USS/Kobe was a party at any time at or prior to the Closing pursuant to which elections have been made under Section 168(f)(8) of the 54 Code, together with each of the Safe-Harbor Lease Agreements.

(b) With respect to the Contracts identified in Section 6.13(a) of the Disclosure Letter and except as set forth in Section 6.13(b) of the Disclosure Letter, to the USX/Kobe Parties' Knowledge: (i) each Contract is in full force and effect and is valid and enforceable in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles, (ii) USS/Kobe, USX Holdings or Kobe Holdings, as

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applicable, has made available to BarTech and RES Holding a copy of each such Contract, (iii) USS/Kobe, USX Holdings or Kobe Holdings, as applicable, is in compliance with all

material terms and requirements of such Contracts, and (iv) USS/Kobe, USX Holdings or Kobe Holdings, as applicable, has not given to or received from any other Person any written notice regarding any actual or alleged material violation or default of any such Contract.

6.14 Environmental Matters. Except as set forth in Section 6.14 of the Disclosure Letter and except as would not, individually or in the aggregate, reasonably be expected to have a USS/Kobe Material Adverse Effect:

(a) None of USS/Kobe, USX Holdings or Kobe Holdings has violated or is in violation of any Environmental Law.

(b) To the USX/Kobe Parties' Knowledge, none of the USS/Kobe Facilities or any facility formerly owned, leased or operated by USS/Kobe, USX Holdings or Kobe Holdings contains any Hazardous Materials in amounts exceeding the levels permitted by applicable Environmental Law or under circumstances that would reasonably be expected to result in liability under or relating to Environmental Law.

(c) To the USX/Kobe Parties' Knowledge, none of USS/Kobe, USX Holdings or Kobe Holdings has disposed of, arranged to be disposed of, Released, threatened to Release or transported in violation of any applicable Environmental Law or in a manner that would reasonably be expected to result in liability under or relating to Environmental Laws, any Hazardous Materials at, to or from any of the USS/Kobe Facilities or any facility formerly owned, leased or operated by USS/Kobe, USX Holdings or Kobe Holdings.

(d) There have been no material environmental investigations, studies, audits, tests, reviews or other analyses regarding compliance or noncompliance with, or potential liability under or relating to, any Environmental Law conducted by or on behalf of USS/Kobe, USX Holdings or Kobe Holdings, or which are in the custody or control of USS/Kobe, USX Holdings or Kobe Holdings, relating to the facilities, business or activities of USS/Kobe, USX Holdings or Kobe Holdings or any of the USS/Kobe Facilities that have not been made available to BarTech and RES Holding.

(e) None of USS/Kobe, USX Holdings or Kobe Holdings has been subject to any Proceedings, is subject to any Order or has received any written notice or other written communication from any Governmental Body or the current or prior owner or operator of any USS/Kobe Facilities or any other Person, in each case of or with respect to any actual or potential violation or failure to comply with any Environmental Law or of any actual or threatened obligation to undertake or bear any cost, damage, expense, liability, or obligation arising from or under any Environmental Law.

(f) None of USS/Kobe, USX Holdings or Kobe Holdings has contractually assumed any liability or obligation under or relating to Environmental Laws.

(g) None of USS/Kobe, USX Holdings or Kobe Holdings has entered into, and is not subject to, any Order or agreement relating to compliance with Environmental Laws or the investigation or remediation of Hazardous Materials.

6.15 Labor Relations; Compliance. Neither USX Holdings nor Kobe Holdings has at any time had any employees. Except as set forth in Section 6.15 of the Disclosure Letter: (i) there is no labor strike, slowdown, work stoppage, dispute, lockout or other labor controversy in effect or, to the USX/Kobe

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Parties' Knowledge, threatened involving the employees of USS/Kobe, and USS/Kobe has not experienced any such labor controversy within the past three years, (ii) no grievance is pending or, to the USX/Kobe Parties' Knowledge, threatened which, if adversely decided, would have a USS/Kobe Material Adverse Effect, (iii) USS/Kobe has paid in full to all employees of USS/Kobe all currently accrued and payable wages, salaries, commissions, bonuses and other material compensation due to such employees in accordance with the payroll practices of USS/Kobe currently in effect and applicable, (iv) USS/Kobe will not have any material liability for severance benefits payable to a USS/Kobe employee whose employment continues after the Closing with RTI Opco or any of its Subsidiaries or NewTube immediately following the Closing under any USS/Kobe Plan as a result of or in connection with the Contemplated Transactions and (v) USS/Kobe is not presently negotiating a collective bargaining agreement or other Contract with any labor organization or other representative of any of USS/Kobe's employees (other than as expressly contemplated by this Agreement). Neither USS/Kobe nor any of its Affiliates is subject to any bargaining obligations with any labor organization (including without limitation the USWA) under any Legal Requirement, collective bargaining agreement or otherwise in connection with the Contemplated Transactions, or is required to obtain any agreements of any labor organizations to the changes in corporate structure involved in the Contemplated Transactions, in each case other than any such obligations or requirements which will have been satisfied upon receipt of the NewTube Labor Agreement Ratification and the RTI Labor Agreement Ratification.

6.16 Intellectual Property.

(a) To the USX/Kobe Parties' Knowledge, Section 6.16(a) of the Disclosure Letter contains a complete and accurate list and summary description of, with respect to all material Intellectual Property owned, held or used by USS/Kobe ("USS/Kobe IP"), all patents, registered copyrights, registered trademarks and service marks, and all pending registrations or applications for the foregoing and all material unregistered USS/Kobe IP.

(b) Except as disclosed in Section 6.16(b) of the Disclosure Letter, to the USX/Kobe Parties' Knowledge: (i) USS/Kobe owns or has the enforceable, legal right to use all the Intellectual Property necessary to conduct its business in all material respects as currently conducted and consistent with past practice, free of all Encumbrances, and (ii) to the USX/Kobe Parties' Knowledge, all of the USS/Kobe IP is valid, enforceable and unexpired, has not been abandoned, does not infringe, impair or make unauthorized use of ("Infringe") the Intellectual Property of any other party (including Affiliates of

USS/Kobe) and is not being Infringed by any other party (including Affiliates of USS/Kobe).

(c) Except as expressly set forth otherwise in Section 6.16(c) of the Disclosure Letter or as would not, individually or in the aggregate, reasonably be expected to have a USS/Kobe Material Adverse Effect, (i) to the USX/Kobe Parties' Knowledge, there is no actual or threatened adverse Proceeding of any Person pertaining to, or any challenge to the scope, validity or enforceability of, any of the USS/Kobe IP, and (ii) USS/Kobe (A) is not a party to any Proceeding which involves a claim of infringement or misappropriation by USS/Kobe of any Intellectual Property of any third party and (B) has not brought any Proceeding against any third party for infringement or misappropriation of, or breach of any license or agreement involving, any of the USS/Kobe IP.

(d) Except as would not, individually or in the aggregate, reasonably be expected to have a USS/Kobe Material Adverse Effect, to the USX/Kobe Parties' Knowledge, USS/Kobe is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in breach of any Intellectual Property license to which it is a party, either as licensor or licensee, or other agreement relating to any of the USS/Kobe IP.

6.17 Brokers or Finders. Except as provided in the Transactional and Monitoring Fee Agreement, none of the USX/Kobe Parties, their Affiliates or their respective agents have incurred any obligation or liability, contingent or

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otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement or the Contemplated Transactions.

SECTION 7

REPRESENTATIONS AND WARRANTIES OF BARTECH AND REGARDING THE BV PARTIES

BarTech represents and warrants with respect to itself and its Affiliates to each of the USX/Kobe Parties and RES Holding as follows (provided, however, that the Disclosure Letter sets forth certain exceptions to such representations and warranties or discloses certain matters in response to such representations and warranties, in each case identified by the applicable Section numbers below, and provided, further, that, for the avoidance of doubt, the parties hereto acknowledge and agree that none of the BV Parties is itself making any of the representations and warranties contained in this Section 7):

7.1 Organization and Good Standing.

(a) BarTech is a corporation duly organized, validly existing, and in good standing under the laws of Delaware, with full corporate power and authority to conduct

its business as it is now being conducted. BarTech is duly qualified to do business as a foreign corporation in each jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a BarTech Material Adverse Effect. Each of the BV Parties is a limited partnership or limited liability company, as applicable, duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation, with full partnership or company, as applicable, power and authority to conduct its business as it is now being conducted. BarTech is duly qualified to do business as a foreign corporation in each jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a BarTech Material Adverse Effect. Each of the BV Parties is duly qualified to do business as a foreign limited partnership or limited liability company in each jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a BarTech Material Adverse Effect.

(b) Each of BarTech's Subsidiaries is a United States or foreign corporation or limited liability company duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization, with full corporate or limited liability company power and authority to conduct its business as it is being conducted. Each of BarTech's Subsidiaries is duly qualified to do business as a foreign corporation or limited liability company and is in good standing under the laws of each state or other jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a BarTech Material Adverse Effect.

(c) BarTech has made available to USX, Kobe and RES Holding complete and correct copies of its Organizational Documents and those of each of its Subsidiaries, as currently in effect.

(d) Section 7.1(d) of the Disclosure Letter contains a complete and accurate list of all the Subsidiaries of BarTech (without giving effect to the Contemplated Transactions). Except as listed in Section 7.1(d) of the Disclosure Letter, BarTech and its Subsidiaries do not own any material direct or indirect equity or debt interest in any other Person, and none of them is obligated or committed to acquire

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any such interest (other than pursuant to this Agreement).

7.2 Authority; No Conflict; Consents.

(a) This Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by, and constitutes the legal, valid and binding obligation of, BarTech and each of the BV Parties, enforceable against it in

accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles.

(b) BarTech and each of the BV Parties has the requisite corporate, partnership, company or other applicable right, power, authority and capacity to execute and deliver this Agreement and each other Transaction Document to which it is a party and to perform its obligations under this Agreement and each other Transaction Document to which it is a party. The execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party by BarTech and each of the BV Parties have been duly authorized by all necessary corporate, partnership, company or other applicable action, as the case may be, on the part of such entity and its owners.

(c) Except as disclosed in Section 7.2(c) of the Disclosure Letter, neither the execution and delivery of this Agreement and each other Transaction Document to which it is a party nor the consummation of any of the Contemplated Transactions or other performance of its obligations hereunder or thereunder will, directly or indirectly:

(i) violate any provision of the Organizational Documents of BarTech or any of its Subsidiaries or of any of the BV Parties;

(ii) result in a violation of, or give any Governmental Body or other Person the right to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which BarTech or any of its Subsidiaries or any of the BV Parties is subject;

(iii) result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by BarTech or any of its Subsidiaries or any of the BV Parties;

(iv) result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any material Contract of BarTech or any of its Subsidiaries or any of the BV Parties; or

(v) result in the imposition or creation of any Encumbrance upon any of the assets owned or used by BarTech or any of its Subsidiaries or any of the BV Parties (other than pursuant to the Transaction Documents).

(d) None of BarTech or its Affiliates or the BV Parties is or will be required to obtain any Consent from any Person or Governmental Body in connection with the

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execution and delivery of this Agreement or any other Transaction Document to which it is a party or the consummation of any of the Contemplated Transactions or their performance hereunder or thereunder, except (i) the Material Consents disclosed in Section 7.2(d) of the Disclosure Letter, which will be obtained by Closing, and (ii) such other Consents as to which the failure to obtain them by Closing would not, individually or in the aggregate, reasonably be expected to have a BarTech Material Adverse Effect or a RTI Material Adverse Effect.

7.3 Capitalization. The authorized and outstanding equity interests of each of BarTech (without giving effect to the Contemplated Transactions) and BarTech's Subsidiaries are listed in Section 7.3 of the Disclosure Letter. At the time of consummation of the USX Holdings/Kobe Holdings-RTI Opco Merger, BarTech will be the record and beneficial owner of all the outstanding equity interest in RES Holding, free and clear of all Encumbrances. All of the outstanding equity interests in each of BarTech's Subsidiaries are owned of record and beneficially directly or indirectly by BarTech. All of the foregoing equity interests have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in Section 7.3 of the Disclosure Letter, there are no outstanding options, warrants, convertible securities or other rights of any kind relating to the issuance, sale, or transfer of any equity interests in any of the foregoing entities (other than this Agreement and the other Transaction Documents).

7.4 Financial Statements. Included within the BarTech Public Filings are certain financial statements of BarTech (collectively, the "BarTech Financial Statements"). The BarTech Financial Statements fairly present the assets and liabilities, financial condition and the results of operations, changes in stockholders' equity and cash flow of BarTech as at the respective dates of and for the periods referred to in such BarTech Financial Statements. The BarTech Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied, subject in the case of the unaudited statements to the absence of footnote disclosure and other presentation items and to changes resulting from normal period-end adjustments for recurring accruals which are not in the aggregate material. Subject to the limitations provided in the immediately preceding sentence, the BarTech Financial Statements have been prepared from the books and records of BarTech which accurately and fairly reflect in all material respects the transactions of, acquisitions and dispositions of assets by, and incurrence of liabilities by BarTech. BarTech and its Subsidiaries have no liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise) which would be required under generally accepted accounting principles to be reflected on a balance sheet, except for (a) liabilities or obligations reflected or reserved against in the January 2, 1999 balance sheet included in the BarTech Financial Statements, (b) liabilities incurred by BarTech and its Subsidiaries in the Ordinary Course of Business since January 2, 1999 which in the aggregate do not have a BarTech Material Adverse Effect and (c) matters disclosed in Section 7.4 of the Disclosure Letter or as identified in the BarTech Public Filings.

7.5 [intentionally omitted]

7.6 Title to Properties; Encumbrances.

(a) Section 7.6(a) of the Disclosure Letter includes a complete list (including the street address, where applicable) of the BarTech Facilities.

(b) Except as described in Section 7.6(b) of the Disclosure Letter or as identified in the BarTech Public Filings, BarTech or one of its Subsidiaries has fee or other good title, as applicable, to all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) that it purports to own or reflected as owned in the books and records of BarTech including all the properties and assets reflected in the Interim BarTech Balance Sheet (except for personal property acquired or sold since the date of the Interim BarTech Balance Sheet in the Ordinary Course of Business of BarTech) and all of the properties and assets purchased or otherwise acquired by BarTech since the date of the Interim BarTech Balance Sheet (except for personal property acquired and sold since the date of the Interim

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BarTech Balance Sheet in the Ordinary Course of Business of BarTech). Except as described in Section 7.6(b) of the Disclosure Letter, all material properties and assets constituting BarTech Facilities and reflected in the Interim BarTech Balance Sheet are free and clear of all Encumbrances, except for Permitted Encumbrances.

7.7 [intentionally omitted]

7.8 Taxes. Except as set forth in Section 7.8 of the Disclosure Letter or as identified in the BarTech Public Filings:

(a) BarTech and each of its Subsidiaries has filed or caused to be filed on a timely basis all Tax Returns that are or were required to be filed by it pursuant to applicable Legal Requirements. BarTech and its Subsidiaries have paid, or made provision for the payment of, all Taxes that have become due and payable as Taxes imposed on them pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by BarTech or its Subsidiaries, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in the applicable Interim BarTech Balance Sheet.

(b) All Taxes that BarTech and its Subsidiaries are or were required by Legal Requirements to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Body.

(c) Neither BarTech nor any of its Subsidiaries is liable for any Taxes of another Person by reason of Treasury Regulation 1.1502-6(a) (or any comparable provision under state, local or foreign law), as a successor in interest, as a transferee, by contract or otherwise.

(d) No Proceeding is pending or, to BarTech's Knowledge, threatened in regard to any Taxes due from or with respect to BarTech or any of its Subsidiaries or any Tax Return filed by or with respect to BarTech or any of its Subsidiaries.

(e) BarTech and each of its Subsidiaries is not a party to or bound by (nor will BarTech and each of its Subsidiaries, prior to the Closing Date, become a party to or bound by) any tax indemnity, tax sharing or tax allocation agreement or similar contractual arrangement.

(f) To BarTech's Knowledge, there are no pending, threatened or proposed audits, assessments or claims from any Tax Authority for material Taxes against BarTech or any of its Subsidiaries or any of their assets, operations or activities as of the date hereof or as of the Closing Date. There are no pending claims for refund of any Taxes for BarTech or any of its Subsidiaries (including refunds of Taxes allocable to BarTech or any of its Subsidiaries or with respect to consolidated, combined, unitary, fiscal unitary or similar Tax Returns).

(g) There are no outstanding rulings of, or requests for rulings with, any Tax Authority expressly addressed to BarTech or any of its Subsidiaries that are, or if issued would be binding for any post-Closing period.

7.9 No Material Adverse Change. Except as set forth in Section 7.9 of the Disclosure Letter or as identified in the BarTech Public Filings, since January 2, 1999, (i) BarTech and each of its Subsidiaries has operated its business only in the Ordinary Course of Business (other than as expressly provided for in the Transaction Documents), (ii) to BarTech's Knowledge, no event or occurrence has occurred which has had or would reasonably be expected to have, individually or in the aggregate, a BarTech Material Adverse Effect, and (iii) neither BarTech nor any of its Subsidiaries has taken any action nor suffered any event that if taken or suffered after the date hereof would require USX's, Kobe's or RES Holding's consent under Section 10.2 of this Agreement.

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7.10 Employee Benefits.

(a) Except as set forth in Section 7.10(a) of the Disclosure Letter (the plans disclosed in Section 7.10(a) of the Disclosure Letter being the "BarTech Plans"), BarTech and its Subsidiaries do not sponsor or contribute to any Employee Benefit Plan, severance, change-in-control or employment plan, program or agreement or stock option, bonus, or incentive plan or program. Copies of the written BarTech Plans have been made available to USS/Kobe and RES Holding.

(b) Each BarTech Plan has been administered and is in compliance with the terms of such BarTech Plan and all applicable laws, rules and regulations where the failure to so comply would result in liability that would have a BarTech Material Adverse Effect.

(c) Except as set forth in Section 7.10(c) of the Disclosure Letter: (i) each BarTech Plan intended to be qualified within the meaning of IRC Section 401(a) has received a favorable determination as to such qualification from the IRS and (ii) to BarTech's Knowledge, nothing has occurred since that would adversely affect such qualification.

(d) Except as would not have a BarTech Material Adverse Effect or, in the case of the following clause (i), in connection with the Contemplated Transactions: (i) no "reportable event" (as such term is used in Section 4043 of ERISA) (other than those events for which the 30-day notice has been waived pursuant to the regulations) is pending with respect to any BarTech Plan, and (ii) no "accumulated funding deficiency" (as such term is used in Section 412 or 4971 of the IRC) has occurred during the last five years with respect to any BarTech Plan.

(e) No litigation or administrative or other proceeding involving any BarTech Plan has occurred or, to BarTech's Knowledge, is threatened where an adverse determination would result in liability that would have a BarTech Material Adverse Effect, other than any such litigation or administrative or other proceeding that may be commenced by the PBGC in connection with the Contemplated Transactions.

(f) Except as set forth in Section 7.10(f) of the Disclosure Letter, neither BarTech nor any of its Subsidiaries have contributed to any "multiemployer plan" (within the meaning of Section 3(37) of ERISA), and neither BarTech nor any member of its Controlled Group has incurred any withdrawal liability which remains unsatisfied in an amount which would result in liability that would have a BarTech Material Adverse Effect.

(g) No BarTech Plan or multiemployer plan to which BarTech or any of its Subsidiaries contributed has been terminated, where such termination has resulted in liability under Title IV of ERISA that would have a BarTech Material Adverse Effect.

(h) Except as would not have a BarTech Material Adverse Effect, none of BarTech or any of its Subsidiaries has incurred any liability, direct or indirect, as a result of any breach of fiduciary duty or non-exempt prohibited transaction (within the meaning of IRC Section 4975 or Section 406 of ERISA) involving any BarTech Plan or the assets thereof. None of BarTech or any of its Subsidiaries has engaged in any transaction that has resulted or could result in any material liability of any of them pursuant to Section 4069 or 4212 of ERISA.

7.11 Compliance with Legal Requirements; Governmental Authorizations. Except as set forth in Section 7.11 of the Disclosure Letter or as identified in the BarTech Public Filings, to BarTech's Knowledge, BarTech and each of its Subsidiaries has complied and is in compliance with each Legal Requirement that is applicable to it or to the conduct or operation of its business, except for any failures to comply which would not, individually or in the aggregate,

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have a BarTech Material Adverse Effect. To BarTech's Knowledge, BarTech and its Subsidiaries hold all Governmental Authorizations that are required in connection with their businesses, and are in compliance with all of the terms and requirements of each Governmental Authorization applicable to them, except where the failure to be in compliance would not have a BarTech Material Adverse Effect.

7.12 Legal Proceedings; Orders. Except as set forth in Section 7.12 of the Disclosure Letter or as identified in the BarTech Public Filings, to BarTech's Knowledge there is no Proceeding (i) pending or threatened against BarTech or any of its Affiliates or any of the BV Parties that, individually or in the aggregate, has had, or would reasonably be expected to have, a BarTech Material Adverse Effect, or (ii) as of the date of this Agreement, that challenges, or that may have the effect of preventing or making illegal, any of the Contemplated Transactions. Except as set forth in Section 7.12 of the Disclosure Letter, to BarTech's Knowledge (i) there is no material Order to which BarTech or any of its Affiliates or any of the BV Parties is subject that materially prohibits or restricts BarTech or any of its Subsidiaries, and (ii) no agent or employee of BarTech's and its Subsidiaries' business is subject to any Order that materially prohibits or restricts such agent or employee, from engaging in or continuing any conduct, activity, or practice relating to BarTech's business.

7.13 Contracts; No Defaults.

(a) Except for Permitted Encumbrances, Section 7.13(a) of the Disclosure Letter contains a complete and accurate list of, or the BarTech Public Filings include as exhibits thereto: (i) each Contract of BarTech and its Subsidiaries that is required to be filed as an exhibit to any of the BarTech Public Filings, (ii) any other Contract of BarTech or any of its Subsidiaries containing covenants not to compete, employee non-solicitation or no-hire covenants, or otherwise materially limiting the freedom of BarTech and its Subsidiaries to engage in any line of business or to compete with any Person, (iii) any other Contract of BarTech or any of its Subsidiaries constituting a material employment agreement or a collective bargaining or other agreement with a labor organization or other representative of BarTech's and its Subsidiaries' employees, (iv) any other Contract of BarTech or any of its Subsidiaries with or for the benefit of any Affiliate of BarTech (other than with or among its Subsidiaries) or, to BarTech's Knowledge, any immediate family member of any officer, director, employee or equityholder of BarTech or any of its Affiliates or any Affiliate thereof and (v) any other Contract of BarTech or any of its Subsidiaries relating to material indebtedness, financing arrangements or guarantees of indebtedness.

(b) With respect to the Contracts identified in Section 7.13(a) of the Disclosure Letter, to BarTech's Knowledge: (i) each Contract is in full force and effect and is valid and enforceable in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other laws relating to or affecting creditors' rights generally and

by general equity principles, (ii) BarTech has made available to USS/Kobe and RES Holding a copy of each such Contract, (iii) BarTech and its Subsidiaries are in compliance with all material terms and requirements of such Contracts, and (iv) BarTech and its Subsidiaries have not given to or received from any other Person any written notice regarding any actual or alleged material violation or default of any such Contract.

7.14 Environmental Matters. Except as set forth in Section 7.14 of the Disclosure Letter or as identified in the BarTech Public Filings and except as would not, individually or in the aggregate, reasonably be expected to have a BarTech Material Adverse Effect:

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(a) Neither BarTech nor any of its Subsidiaries has violated or is in violation of any Environmental Law.

(b) To BarTech's Knowledge, none of the BarTech Facilities or any facility formerly owned, leased or operated by BarTech or any of its Subsidiaries contains any Hazardous Materials in amounts exceeding the levels permitted by applicable Environmental Law or under circumstances that would reasonably be expected to result in liability under or relating to Environmental Law.

(c) To BarTech's Knowledge, BarTech and its Subsidiaries have not disposed of, arranged to be disposed of, Released, threatened to Release or transported in violation of any applicable Environmental Law or in a manner that would reasonably be expected to result in liability under or relating to Environmental Laws, any Hazardous Materials at, to or from any of the BarTech Facilities or any facility formerly owned, leased or operated by BarTech or any of its Subsidiaries.

(d) There have been no material environmental investigations, studies, audits, tests, reviews or other analyses regarding compliance or noncompliance with, or potential liability under or relating to, any Environmental Law conducted by or on behalf of BarTech, or which are in the custody or control of BarTech, relating to the facilities, business or activities of BarTech or any of its Subsidiaries or any of the BarTech Facilities that have not been made available to USS/Kobe and RES Holding.

(e) Neither BarTech nor any of its Subsidiaries has been subject to any Proceedings, is subject to any Order or has received any written notice or other written communication from any Governmental Body or the current or prior owner or operator of any BarTech Facilities or any other Person, in each case of or with respect to any actual or potential violation or failure to comply with any Environmental Law or of any actual or threatened obligation to undertake or bear any cost, damage, expense, liability, or obligation arising from or under any Environmental Law.

(f) Neither BarTech nor any of its Subsidiaries has contractually assumed any liability or obligation under or relating to Environmental Laws.

(g) Neither BarTech nor any of its Subsidiaries has entered into, or is subject to, any Order or agreement relating to compliance with Environmental Laws or the investigation or remediation of Hazardous Materials.

7.15 Labor Relations; Compliance. Except as set forth in Section 7.15 of the Disclosure Letter or as identified in the BarTech Public Filings: (i) there is no labor strike, slowdown, work stoppage, dispute, lockout or other labor controversy in effect or, to BarTech's Knowledge, threatened involving the employees of BarTech or any of its Subsidiaries, and BarTech and its Subsidiaries have not experienced any such labor controversy within the past three years, (ii) no grievance is pending or, to BarTech's Knowledge, threatened which, if adversely decided, would have a BarTech Material Adverse Effect, (iii) BarTech and each of its Subsidiaries have paid in full to all employees of BarTech all currently accrued and payable wages, salaries, commissions, bonuses, and other material compensation due to such employees in accordance with the payroll practices of BarTech and its Subsidiaries currently in effect and applicable, (iv) BarTech and its Subsidiaries will not have any material liability for severance benefits payable immediately following the Closing under any BarTech Plan as a result of or in connection with the Contemplated Transactions and (v) BarTech and its Subsidiaries are not presently negotiating a collective bargaining agreement or other Contract with any labor organization or other representative of any of their employees (other than as expressly contemplated by this Agreement). Neither BarTech nor any of its Affiliates is subject to any bargaining obligations with any labor organization (including without limitation the USWA) under any Legal Requirement, collective bargaining agreement or otherwise in connection with the Contemplated Transactions, or is required to obtain any agreements of any labor organizations to the changes in corporate structure involved in the Contemplated Transactions, in each case

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other than any such obligations or requirements which will have been satisfied upon receipt of the NewTube Labor Agreement Ratification and the RTI Labor Agreement Ratification.

7.16 Intellectual Property.

(a) To BarTech's Knowledge, Section 7.16(a) of the Disclosure Letter contains a complete and accurate list and summary description of, with respect to all material Intellectual Property owned, held or used by BarTech and its Subsidiaries ("BarTech IP"), all patents, registered copyrights, registered trademarks and service marks, and all pending registrations or applications for the foregoing and all material unregistered BarTech IP.

(b) Except as disclosed in Section 7.16(b) of the Disclosure Letter or as identified in the BarTech Public Filings, to BarTech's Knowledge (i) BarTech or one of its Subsidiaries owns or has the enforceable, legal right to use all the Intellectual Property necessary to conduct BarTech's business in all material respects as currently conducted and consistent with past practice, free of all Encumbrances, and (ii) to BarTech's Knowledge, all of the BarTech IP is valid, enforceable and unexpired, has not been

abandoned, does not Infringe the Intellectual Property of any third party and is not being Infringed by any third party.

(c) Except as expressly set forth otherwise in Section 7.16(c) of the Disclosure Letter, as identified in the BarTech Public Filings, or as would not, individually or in the aggregate, reasonably be expected to have a BarTech Material Adverse Effect, (i) to BarTech's Knowledge, there is no actual or threatened adverse Proceeding of any Person pertaining to, or any challenge to the scope, validity or enforceability of, any of the BarTech IP; and (ii) neither BarTech nor any of its Subsidiaries (A) is a party to any Proceeding which involves a claim of infringement or misappropriation by BarTech or any of its Subsidiaries of any Intellectual Property of any third party; or (B) has brought any Proceeding against any third party for infringement or misappropriation of, or breach of any license or agreement involving, any of the BarTech IP.

(d) Except as would not, individually or in the aggregate, reasonably be expected to have a BarTech Material Adverse Effect, to BarTech's Knowledge, neither BarTech nor any of its Subsidiaries is, or will be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in breach of any Intellectual Property license to which it or any of its Subsidiaries is a party, either as licensor or licensee, or other agreement relating to any of the BarTech IP.

7.17 Brokers or Finders. Except as provided in the Transactional and Monitoring Fee Agreement and in the Sources and Uses, none of BarTech, its Affiliates or their respective agents have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement or the Contemplated Transactions.

7.18 BarTech Public Filings. To BarTech's Knowledge, as of their respective dates, BarTech's Public Filings complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to such Commission Documents, except for any failures to so comply which would not, individually or in the aggregate, reasonably be expected to have a BarTech Material Adverse Effect.

7.19 Other Matters. As of the Closing Date, neither Blackstone nor any of its Affiliates (other than the Company and its Subsidiaries) has any agreement or arrangement to acquire any Class A Preferred Stock or Class C Convertible Preferred Stock of BarTech.

SECTION 8

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REPRESENTATIONS AND WARRANTIES OF RES HOLDING

RES Holding represents and warrants to the USX/Kobe Parties and BarTech as follows (provided, however, that the Disclosure Letter sets forth certain exceptions to such

representations and warranties or discloses certain matters in response to such representations and warranties, in each case identified by the applicable Section numbers below).

8.1 Organization and Good Standing.

(a) RES Holding is a corporation duly organized, validly existing, and in good standing under the laws of Delaware, with full corporate power and authority to conduct its business as it is now being conducted. RES Holding is duly qualified to do business as a foreign corporation in each jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a RES Holding Material Adverse Effect.

(b) Each of RES Holding Subsidiaries is a United States corporation or limited liability company duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization, with full corporate or limited liability company power and authority to conduct its business as it is being conducted. Each of RES Holding Subsidiaries is duly qualified to do business as a foreign corporation or limited liability company and is in good standing under the laws of each state or other jurisdiction in which the nature of the activities conducted by it or the ownership or leasing of its properties requires such qualification, except where such failure to so qualify or to be in good standing does not have a RES Holding Material Adverse Effect.

(c) RES Holding has made available to USS/Kobe and BarTech complete and correct copies of its Organizational Documents and those of each of its Subsidiaries, as currently in effect.

(d) Section 8.1(d) of the Disclosure Letter contains a complete and accurate list of all the Subsidiaries of RES Holding (without giving effect to the Contemplated Transactions). Except as listed in Section 8.1(d) of the Disclosure Letter, RES Holding and its Subsidiaries do not own any material direct or indirect equity or debt interest in any other Person, and none of them is obligated or committed to acquire any such interest (other than pursuant to this Agreement).

8.2 Authority; No Conflict; Consents.

(a) This Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by, and constitutes the legal, valid and binding obligation of each of the Republic Parties, enforceable against each of them in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles.

(b) Each of the Republic Parties has the requisite corporate, partnership or other applicable right, power, authority and capacity to execute and deliver this Agreement and each other Transaction Document to which it is a party and to perform their respective obligations

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under this Agreement and each other such Transaction Document. The execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party by each of the Republic Parties has been duly authorized by all necessary corporate, partnership or other applicable action, as the case may be, on the part of such entity and its owners.

(c) Except as disclosed in Section 8.2 of the Disclosure Letter, neither the execution and delivery of this Agreement and each other Transaction Document to which it is a party nor the consummation of any of the Contemplated Transactions or other performance of its obligations hereunder or thereunder will, directly or indirectly:

(i) violate any provision of the Organizational Documents of the Republic Parties or any of their Subsidiaries, as applicable;

(ii) result in a violation of, or give any Governmental Body or other Person the right to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which any of the Republic Parties or any of their Subsidiaries, as applicable, is subject;

(iii) result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by any of the Republic Parties or any of their Subsidiaries;

(iv) result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any material Contract of any of the Republic Parties or any of their Subsidiaries, as applicable; or

(v) result in the imposition or creation of any Encumbrance upon any of the assets owned or used by any of the Republic Parties or any of their Subsidiaries (other than pursuant to the Transaction Documents).

(d) None of the Republic Parties or their Affiliates is or will be required to obtain any Consent from any Person or Governmental Body in connection with the execution and delivery of this Agreement or any other Transaction Document to which it is a party or the consummation of any of the Contemplated Transactions or their performance hereunder or thereunder, except (i) the Material Consents disclosed in Section 8.2 of the Disclosure Letter, which will be obtained by Closing, and (ii) such other Consents as to which the failure to obtain them by Closing would not, individually

or in the aggregate, reasonably be expected to have a RES Holding Material Adverse Effect or a RTI Material Adverse Effect.

8.3 Capitalization. The authorized and outstanding equity interests of each of the Republic Parties (without giving effect to the Contemplated Transactions) and their Subsidiaries are listed in Section 8.3 of the Disclosure Letter. At the time of consummation of the USX Holdings/Kobe Holdings-RTI Opco Merger, BarTech will be the record and beneficial owner of all the outstanding equity interests in RES Holding, free and clear of all Encumbrances. All of the outstanding equity interests in each of RES Holding Subsidiaries are owned of record and beneficially directly or indirectly by RES Holding. All of the foregoing equity interests have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in Section 8.3 of the Disclosure Letter, there are no outstanding options, warrants, convertible securities or other rights of any kind relating to the issuance, sale, or transfer of any equity interests in any of the foregoing entities (other than this Agreement and the other Transaction Documents).

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8.4 Financial Statements. Included within the RESI Public Filings are certain financial statements of RESI (collectively, the "RESI Financial Statements"). The RESI Financial Statements fairly present the assets and liabilities, financial condition and the results of operations, changes in stockholders' equity and cash flow of RESI as at the respective dates of and for the periods referred to in such RESI Financial Statements. The RESI Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied, subject in the case of the unaudited statements to the absence of footnote disclosure and other presentation items and to changes resulting from normal period-end adjustments for recurring accruals which are not in the aggregate material. Subject to the limitations provided in the immediately preceding sentence, the RESI Financial Statements have been prepared from the books and records of RESI which accurately and fairly reflect in all material respects the transactions of, acquisitions and dispositions of assets by, and incurrence of liabilities by RESI. RES Holding and its Subsidiaries have no liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise) which would be required under generally accepted accounting principles to be reflected on a balance sheet, except for (a) liabilities or obligations reflected or reserved against in the June 30, 1998 balance sheet included in the RESI Financial Statements, (b) liabilities incurred by RES Holding and its Subsidiaries in the Ordinary Course of Business since June 30, 1998 which in the aggregate do not have a RES Holding Material Adverse Effect and (c) matters disclosed in Section 8.4 of the Disclosure Letter or as identified in the RESI Public Filings.

8.5 [intentionally omitted]

8.6 Title to Properties; Encumbrances.

(a) Section 8.6(a) of the Disclosure Letter includes a complete list (including the street address, where applicable) of the RESI Facilities.

(b) Except as disclosed in Section 8.6(b) of the Disclosure Letter or as identified in the RESI Public Filings, RESI or one of its Subsidiaries has fee or other good title, as applicable, to all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) that it purports to own or reflected as owned in the books and records of RESI including all the properties and assets reflected in the Interim RESI Balance Sheet (except for personal property acquired or sold in the Ordinary Course of Business of RESI) and all of the properties and assets purchased or otherwise acquired by RESI since the date of the Interim RESI Balance Sheet (except for personal property acquired and sold since the date of the Interim RESI Balance Sheet in the Ordinary Course of Business of RESI). Except as described in Section 8.6(b) of the Disclosure Letter, all material properties and assets constituting RESI Facilities and reflected in the Interim RESI Balance Sheet are free and clear of all Encumbrances, except for Permitted Encumbrances.

8.7 [intentionally omitted]

8.8 Taxes. Except as set forth in Section 8.8 of the Disclosure Letter or as identified in the RESI Public Filings:

(a) RES Holding and each of its Subsidiaries has filed or caused to be filed on a timely basis all Tax Returns that are or were required to be filed by it pursuant to applicable Legal Requirements. RES Holding and its Subsidiaries have paid, or made provision for the payment of, all Taxes that have become due and payable as Taxes imposed on them pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by RES Holding or its Subsidiaries, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in the applicable Interim RESI Balance Sheet.

(b) All Taxes that RES Holding and its Subsidiaries are or were required by Legal Requirements to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Body.

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(c) Neither RES Holding nor any of its Subsidiaries is liable for any Taxes of another Person by reason of Treasury Regulation 1.1502-6(a) (or any comparable provision under state, local or foreign law), as a successor in interest, as a transferee, by contract or otherwise.

(d) No Proceeding is pending or, to RES Holding Knowledge, threatened in regard to any Taxes due from or with respect to RES Holding or any of its Subsidiaries or any Tax Return filed by or with respect to RES Holding or any of its Subsidiaries.

(e) RES Holding and each of its Subsidiaries is not a party to or bound by (nor will RES Holding and each of its Subsidiaries, prior to the Closing Date, become a party

to or bound by) any tax indemnity, tax sharing or tax allocation agreement or similar contractual arrangement.

(f) To the Republic Parties' Knowledge, there are no pending, threatened or proposed audits, assessments or claims from any Tax Authority for material Taxes against RES Holding or any of its Subsidiaries or any of their assets, operations or activities as of the date hereof or as of the Closing Date. There are no pending claims for refund of any Taxes for RES Holding or any of its Subsidiaries (including refunds of Taxes allocable to RES Holding or any of its Subsidiaries or with respect to consolidated, combined, unitary, fiscal unitary or similar Tax Returns).

(g) There are no outstanding rulings of, or requests for rulings with, any Tax Authority expressly addressed to RES Holding or any of its Subsidiaries that are, or if issued would be, binding for any post-Closing period.

8.9 No Material Adverse Change. Except as set forth in Section 8.9 of the Disclosure Letter or as set forth in the RESI Public Filings, since December 31, 1998, (i) RES Holding and each of its Subsidiaries has operated its business only in the Ordinary Course of Business (other than as expressly provided for in the Transaction Documents), (ii) to the Republic Parties' Knowledge, no event or occurrence has occurred which has had or would reasonably be expected to have, individually or in the aggregate, a RES Holding Material Adverse Effect, and (iii) neither RES Holding nor any of its Subsidiaries has taken any action nor suffered any event that if taken or suffered after the date hereof would require USX's, Kobe's or BarTech's consent under Section 10.2 of this Agreement.

8.10 Employee Benefits.

(a) Except as set forth in Section 8.10(a) of the Disclosure Letter (the plans disclosed in Section 8.10(a) of the Disclosure Letter being the "RESI Plans"), RES Holding and its Subsidiaries do not sponsor or contribute to any Employee Benefit Plan, severance, change-in-control or employment plan, program or agreement or stock option, bonus, or incentive plan or program. Copies of the written RESI Plans have been made available to USS/Kobe and BarTech.

(b) Each RESI Plan has been administered and is in compliance with the terms of such RESI Plan and all applicable laws, rules and regulations where the failure to so comply would result in liability that would have a RES Holding Material Adverse Effect.

(c) Except as set forth in Section 8.10(c) of the Disclosure Letter: (i) each RESI Plan intended to be qualified within the meaning of IRC Section 401(a) has received a favorable determination as to such qualification from the IRS and (ii) to the Republic Parties' Knowledge, nothing has occurred since that would adversely affect such qualification.

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(d) Except as would not have a RES Holding Material Adverse Effect or, in the case of the following clause (i), in connection with the Contemplated Transactions: (i) no "reportable event" (as such term is used in Section 4043 of ERISA) (other than those events for which the 30-day notice has been waived pursuant to the regulations) is pending with respect to any RESI Plan, and (ii) no "accumulated funding deficiency" (as such term is used in Section 412 or 4971 of the IRC) has occurred during the last five years with respect to any RESI Plan.

(e) No litigation or administrative or other proceeding involving any RESI Plan has occurred or, to the Republic Parties' Knowledge, is threatened where an adverse determination would result in liability that would have a RES Holding Material Adverse Effect, other than any such litigation or administrative or other proceeding that may be commenced by the PBGC in connection with the Contemplated Transactions.

(f) Except as set forth in Section 8.10(f) of the Disclosure Letter, neither RES Holding nor any of its Subsidiaries have contributed to any "multiemployer plan" (within the meaning of Section 3(37) of ERISA), and neither RES Holding nor any member of its Controlled Group has incurred any withdrawal liability which remains unsatisfied in an amount which would result in liability that would have a RES Holding Material Adverse Effect.

(g) No RESI Plan or multiemployer plan to which RES Holding or any of its Subsidiaries contributed has been terminated, where such termination has resulted in liability under Title IV of ERISA that would have a RES Holding Material Adverse Effect.

(h) Except as would not have a RES Holding Material Adverse Effect, none of RES Holding or any of its Subsidiaries has incurred any liability, direct or indirect, as a result of any breach of fiduciary duty or non-exempt prohibited transaction (within the meaning of IRC Section 4975 or Section 406 of ERISA) involving any RESI Plan or the assets thereof. None of RES Holding or any of its Subsidiaries has engaged in any transaction that has resulted or could result in any material liability of any of them pursuant to Section 4069 or 4212 of ERISA.

8.11 Compliance with Legal Requirements; Governmental Authorizations. Except as set forth in Section 8.11 of the Disclosure Letter or as identified in the RESI Public Filings, to the Republic Parties' Knowledge, RES Holding and each of its Subsidiaries has complied and is in compliance with each Legal Requirement that is applicable to it or to the conduct or operation of its business, except for any failures to comply which would not, individually or in the aggregate, have a RES Holding Material Adverse Effect. To the Republic Parties' Knowledge, RES Holding and its Subsidiaries hold all Governmental Authorizations that are required in connection with their businesses, and are in compliance with all of the terms and

requirements of each Governmental Authorization applicable to them, except where the failure to be in compliance would not have a RES Holding Material Adverse Effect.

8.12 Legal Proceedings; Orders. Except as set forth in Section 8.12 of the Disclosure Letter or as identified in the RESI Public Filings, to the Republic Parties' Knowledge there is no Proceeding (i) pending or threatened against RES Holding or any of its Subsidiaries that, individually or in the aggregate, has had, or would reasonably be expected to have, a RES Holding Material Adverse Effect, or (ii) as of the date of this Agreement, that challenges, or that may have the effect of preventing or making illegal, any of the Contemplated Transactions. Except as set forth in Section 8.12 of the Disclosure Letter, to the Republic Parties' Knowledge (i) there is no material Order to which RES Holding or any of its Affiliates is subject that materially prohibits or restricts RES Holding or any of its Subsidiaries, and (ii) no agent or employee of RES Holding and its Subsidiaries' business is subject to any Order that materially prohibits or restricts such agent or employee, from

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engaging in or continuing any conduct, activity, or practice relating to RES Holding business.

8.13 Contracts; No Defaults.

(a) Except for Permitted Encumbrances, Section 8.13(a) of the Disclosure Letter contains a complete and accurate list of, or the RESI Public Filings include as exhibits thereto: (i) each Contract of RES Holding and its Subsidiaries that is required to be filed as an exhibit to any of the RESI Public Filings, (ii) any other Contract of RES Holding or any of its Subsidiaries containing covenants not to compete, employee non-solicitation or no-hire covenants, or otherwise materially limiting the freedom of RES Holding and its Subsidiaries to engage in any line of business or to compete with any Person, (iii) any other Contract of RES Holding or any of its Subsidiaries constituting a material employment agreement or a collective bargaining or other agreement with a labor organization or other representative of RES Holding and its Subsidiaries employees, (iv) any other Contract of RES Holding or any of its Subsidiaries with or for the benefit of any Affiliate of RES Holding (other than with or among its Subsidiaries) or, to the Republic Parties' Knowledge, any immediate family member of any officer, director, employee or equityholder of RES Holding or any of its Affiliates or any Affiliate thereof and (v) any other Contract of RES Holding or any of its Subsidiaries relating to material indebtedness, financing arrangements or guarantees of indebtedness;

(b) With respect to the Contracts identified in Section 8.13(a) of the Disclosure Letter, to the Republic Parties' Knowledge: (i) each Contract is in full force and effect and is valid and enforceable in accordance with its terms, except to the extent that its enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles, (ii) RES Holding has made available to USS/Kobe and BarTech a copy of each such Contract, (iii) RES Holding and its Subsidiaries are in compliance with all material terms and requirements of such

Contracts, and (iv) RES Holding and its Subsidiaries have not given to or received from any other Person any written notice regarding any actual or alleged material violation or default of any such Contract.

8.14 Environmental Matters. Except as set forth in Section 8.14 of the Disclosure Letter or as identified in the RESI Public Filings and except as would not, individually or in the aggregate, reasonably be expected to have a RES Holding Material Adverse Effect:

(a) Neither RES Holding nor any of its Subsidiaries has violated or is in violation of any Environmental Law.

(b) To the Republic Parties' Knowledge, none of the RESI Facilities or any facility formerly owned, leased or operated by RES Holding or any of its Subsidiaries contains any Hazardous Materials in amounts exceeding the levels permitted by applicable Environmental Law or under circumstances that would reasonably be expected to result in liability under or relating to Environmental Law.

(c) To the Republic Parties' Knowledge, RES Holding and its Subsidiaries have not disposed of, arranged to be disposed of, Released, threatened to Release or transported in violation of any applicable Environmental Law or in a manner that would reasonably be expected to result in liability under or relating to Environmental Laws, any Hazardous Materials at, to or from any of the RESI Facilities or any facility formerly owned, leased or operated by RES Holding or any of its Subsidiaries.

(d) There have been no material environmental investigations, studies, audits, tests, reviews or other analyses regarding compliance or noncompliance with, or potential liability under or relating to, any Environmental Law conducted by or on behalf of RES Holding and its Subsidiaries, or which are in the custody or control of RES Holding and

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its Subsidiaries, relating to the facilities, business or activities of RES Holding and its Subsidiaries or any of the RESI Facilities that have not been made available to USS/Kobe and BarTech.

(e) Neither RES Holding nor any of its Subsidiaries has been subject to any Proceedings, is subject to any Order or has received any written notice or other written communication from any Governmental Body or the current or prior owner or operator of any RESI Facilities or any other Person, in each case of or with respect to any actual or potential violation or failure to comply with any Environmental Law or of any actual or threatened obligation to undertake or bear any cost, damage, expense, liability, or obligation arising from or under any Environmental Law.

(f) RES Holding and its Subsidiaries have not contractually assumed any liability or obligation under or relating to Environmental Laws.

(g) Neither RES Holding nor any of its Subsidiaries has entered into, or is subject to, any Order or agreement relating to compliance with Environmental Laws or the investigation or remediation of Hazardous Materials.

8.15 Labor Relations; Compliance. Except as set forth in Section 8.15 of the Disclosure Letter or as identified in the RESI Public Filings: (i) there is no labor strike, slowdown, work stoppage, dispute, lockout or other labor controversy in effect or, to the Republic Parties' Knowledge, threatened involving the employees of RES Holding or any of its Subsidiaries, and RES Holding and its Subsidiaries have not experienced any such labor controversy within the past three years, (ii) no grievance is pending or, to the Republic Parties' Knowledge, threatened which, if adversely decided, would have a RES Holding Material Adverse Effect, (iii) RES Holding and its Subsidiaries have paid in full to all of their employees all currently accrued and payable wages, salaries, commissions, bonuses and other material compensation due to such employees in accordance with the payroll practices of RES Holding and its Subsidiaries currently in effect and applicable law, (iv) RES Holding and its Subsidiaries will not have any material liability for severance benefits payable under any RESI Plan as a result of or in connection with the Contemplated Transactions and (v) RES Holding and its Subsidiaries are not presently negotiating a collective bargaining agreement or other Contract with any labor organization or other representative of any of their employees (other than as expressly contemplated by this Agreement). Neither RES Holding nor any of its Affiliates is subject to any bargaining obligations with any labor organization (including without limitation the USWA) under any Legal Requirement, collective bargaining agreement or otherwise in connection with the Contemplated Transactions, or is required to obtain any agreements of any labor organizations to the changes in corporate structure involved in the Contemplated Transactions, in each case other than any such obligations or requirements which will have been satisfied upon receipt of the NewTube Labor Agreement Ratification and the RTI Labor Agreement Ratification.

8.16 Intellectual Property.

(a) To the Republic Parties' Knowledge, Section 8.16(a) of the Disclosure Letter contains a complete and accurate list and summary description of, with respect to all material Intellectual Property owned, held or used by RES Holding and Subsidiaries and, to the extent applicable to RES Holding, its Affiliates ("RESI IP"), all patents, registered copyrights, registered trademarks and service marks, and all pending registrations or applications for the foregoing and all material unregistered RESI IP.

(b) Except as disclosed in Section 8.16(b) of the Disclosure Letter or as identified in the RESI Public Filings, to the Republic Parties' Knowledge (i) RES Holding or one of its Subsidiaries owns or has the enforceable, legal right to use all the Intellectual Property necessary to conduct RES Holding business in all material respects as currently conducted and consistent with past practice, free of all Encumbrances, and (ii) to the Republic Parties' Knowledge, all of the RESI IP is valid, enforceable and

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unexpired, has not been abandoned, does not Infringe the Intellectual Property of any third party and is not being Infringed by any third party.

(c) Except as expressly set forth otherwise in Section 8.16(c) of the Disclosure Letter, as identified in the RESI Public Filings, or as would not, individually or in the aggregate, reasonably be expected to have a RES Holding Material Adverse Effect, (i) to the Republic Parties's Knowledge, there is no actual or threatened adverse Proceeding of any Person pertaining to, or any challenge to the scope, validity or enforceability of, any of the RESI IP, and (ii) neither RES Holding nor any of its Subsidiaries (A) is a party to any Proceeding which involves a claim of infringement or misappropriation by RES Holding or any of its Subsidiaries of any Intellectual Property of any third party or (B) has brought any Proceeding against any third party for infringement or misappropriation of, or breach of any license or agreement involving, any of the RESI IP.

(d) Except as would not, individually or in the aggregate, reasonably be expected to have a RES Holding Material Adverse Effect, to the Republic Parties' Knowledge, neither RES Holding nor any of its Subsidiaries is, or will be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in breach of any Intellectual Property license to which it or any of its Subsidiaries is a party either as licensor or licensee, or other agreement relating to any of the RESI IP.

8.17 Brokers or Finders. Except as provided in the Transactional and Monitoring Fee Agreement and in the Sources and Uses, none of the Republic Parties, their Affiliates or their respective agents have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement or the Contemplated Transactions.

8.18 RESI Public Filings. To the Republic Parties' Knowledge, as of their respective dates, RESI's Public Filing, complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to such Commission Documents, except for failures to so comply which would not, individually or in the aggregate, reasonably be expected to have a RES Holding Material Adverse Effect.

SECTION 9

[intentionally omitted]

SECTION 10

COVENANTS

10.1 Access and Investigation. From the date of this Agreement until the Closing, upon reasonable advance notice, each of BarTech, RES Holding and USS/Kobe (only with respect to its Bar Business) will, and will cause each of their Subsidiaries and relevant Affiliates to:

(a) Afford the other parties hereto and their Representatives and their lenders and their Representatives reasonable access during normal business hours to the personnel, properties, contracts, books and records, and other documents and data of such Person and its Subsidiaries and relevant Affiliates;

(b) Furnish the other parties hereto and their Representatives

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with copies of all such contracts, books and records, and other existing documents and data as they may reasonably request in connection with the Transaction Documents and the transactions contemplated hereby and thereby;

(c) Furnish the other parties hereto and their Representatives with such additional financial, operating, and other data and information with respect to such Person and its Subsidiaries and relevant Affiliates as they may reasonably request; provided, however, that such investigation shall not unreasonably interfere with any of the businesses or operations of such Person or any of its Subsidiaries or relevant Affiliates and will be at the cost of the Person making such investigation;

(d) Notwithstanding the foregoing, neither BarTech, RES Holding nor USS/Kobe will be required prior to the Closing Date to disclose or cause the disclosure to the Representatives of any such Person (or provide access to any of their or their Subsidiaries' or relevant Affiliates' properties, contracts, books or records) of any confidential information relating to pricing and marketing plans, to the extent that such Person receives the written advice of outside legal counsel which counsel will be reasonably satisfactory to the other Persons that disclosure of such information would be inconsistent with any applicable antitrust or competition law, nor will such Person be required to permit or cause others to permit the Representatives of such Person to photocopy or remove from the offices or properties of any such Person or any of its Subsidiaries or relevant Affiliates any original or photocopied documents, drawings or other materials that might reveal any such confidential information;

(e) From the date hereof and following the Closing, each of the parties hereto agrees to, and will cause its Subsidiaries, Affiliates and Representatives to treat and hold as confidential (and not disclose or provide access to any Person) all information provided to pursuant to this Agreement or other Transaction Documents as provided in Section 10.6; and

(f) Each of BarTech, the Republic Parties, the BV Parties and the USX/Kobe Parties acknowledges and agrees that it (i) has made its own inquiry and investigation into, and based thereon, has formed an independent judgment concerning the business, the assets and liabilities of the other parties, (ii) has been furnished with or given adequate access to such information about the business, the assets and liabilities of the other parties as it has requested, (iii) has had independent legal, financial and technical advice relating to the business and the assets of the other parties and the terms of this Agreement and the Transaction Documents and (iv) will not assert any claim against any of the other parties or their Affiliates or any of their or their Affiliates' respective directors, officers, employees, agents, stockholders, consultants, investment bankers, accountants or representatives, or hold any such persons liable, for any inaccuracies, misstatements or omissions with respect to information (other than the representations and warranties of the other parties contained in this Agreement) furnished by the other parties or such persons concerning the other parties, provided, however, that nothing contained in this Agreement will preclude the assertion by any party or its Affiliates of any causes of action that may exist, not based upon breach of contract, for fraud. Any implied warranty or other rights applicable to any of the transactions contemplated hereby under the law of any jurisdiction is hereby expressly and irrevocably waived by each party to the fullest extent permitted by such legal requirements, and each party agrees that it will not seek to enforce any such implied warranties or other rights.

10.2 Operation of the Business of BarTech, RES Holding and USS/Kobe. Between the date of this Agreement and the Closing Date, each of BarTech, RES Holding, USS/Kobe, USX Holdings and Kobe Holdings will (except (i) for the USS/Kobe Tubular Business, USS/Kobe Tubular Assets and the Tubular Spinoff, in respect of which USS/Kobe, USX Holdings and Kobe Holdings will not

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be subject to any of the provisions of this Section 10.2, (ii) to the extent that the others have otherwise consented in advance in writing, which consent will not be unreasonably withheld or delayed, or (iii) as expressly provided for elsewhere in the Transaction Documents or in the Disclosure Letter), and will cause its Subsidiaries to:

(a) Conduct its business only in the Ordinary Course of Business and use its commercially reasonable efforts to: preserve intact its current business, keep available the services of its current officers, employees, and agents, and maintain good relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with it;

(b) Not (i) amend any of its Organizational Documents, (ii) otherwise alter or modify its authorized or outstanding capital stock, partnership or other equity interests, or grant of any option or right to purchase equity interests, (iii) issue any debt or equity security, or incur any indebtedness other than (A) gross debt for borrowed money to the extent it replaces existing outstanding indebtedness or indebtedness incurred pursuant to clause (B) below, is incurred in the

Ordinary Course of Business and is prepayable at the Closing without premium or penalty or (B) net debt for borrowed money incurred in the Ordinary Course of Business pursuant to bank credit facilities existing on the date hereof, (iv) grant any registration rights, (v) declare, set aside, make or pay any dividends of cash or other property or make any cash or other distributions on debt or equity securities, or redeem, repurchase, retire or otherwise acquire any of its debt or equity securities, except to the extent otherwise required to do so by the terms of any debt securities or preferred stock currently outstanding, (vi) liquidate, dissolve, merge, consolidate, recapitalize or otherwise reorganize its business, other than liquidations of non-operating Subsidiaries and mergers with other wholly owned Subsidiaries of such Person, (vii) create any new Subsidiaries or joint ventures, (viii) incur or accrue any obligations to any of its direct or indirect equityholders, partners or Affiliates, other than obligations arising under Contracts existing on the date hereof, or (ix) repay any advances from, or make any other payments to, any of its direct or indirect equityholders, partners or Affiliates, except for (A) payments which reduce dollar-for-dollar amounts owed to such stockholder, partner or Affiliate that are reflected on its respective Interim Balance Sheet or have been incurred in the Ordinary Course of Business pursuant to obligations arising under Contracts existing on the date hereof and (B) payments set forth in the Disclosure Letter;

(c) Except to the extent required by an agreement in effect on the date hereof and disclosed in the applicable section of the Disclosure Letter or any of the RTI PBGC Agreement, labor agreement subject to the NewTube Labor Agreement Ratification or labor agreement subject to the RTI Labor Agreement Ratification, not (i) materially increase any bonuses, salaries or other compensation of any of its employees, officers or directors, (ii) enter into any employment, severance or similar Contract with any of its employees, officers or directors; adopt, modify or terminate any Employee Benefit Plan or other benefit or severance policy, plan, agreement, arrangement or program; or hire any employees other than in the Ordinary Course of Business or, in the case of USS/Kobe, transfer any employees between the USS/Kobe Bar Business and USS/Kobe Tubular Business other than in the Ordinary Course of Business, or (iii) effect a "plant closing" or "mass layoff", as those terms are defined in the Worker Adjustment and Retraining Notification Act, affecting in whole or in part any USS/Kobe Facilities or other site of employment of USS/Kobe, BarTech Facilities or other site of employment of BarTech or any of its Subsidiaries or RESI Facilities or other site of employment of RES Holding or any of its Subsidiaries;

(d) Not (i) enter into, terminate or materially amend any Contract identified (in the case of existing Contracts), or of the type identified (in the case of new Contracts), in Section 6.13(a), 7.13(a) or 8.13(a), as applicable, other than Contracts entered into with

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customers and suppliers in the Ordinary Course of Business and, in the case of USS/Kobe, Contracts which are USS/Kobe Tubular Assets, (ii) sell (other than sales of inventory in the Ordinary Course of Business), lease, mortgage, pledge, license or otherwise dispose of any of its material assets or properties, or create or suffer to exist any new Encumbrance on any of its material assets or properties, other than, in the case of USS/Kobe, (A) assets or properties which are USS/Kobe Tubular Assets and (B)

mortgages, security interests and liens granted to secure USS/Kobe's obligations under the USS/Kobe Credit Facility and/or USS/Kobe Senior Notes (provided that such mortgages, security interests and liens will be released upon consummation of the refinancing transactions described in Section 4), (iii) make any loans, advances or capital contributions to any Person, other than to its Subsidiaries and other than loans or advances to employees in the Ordinary Course of Business, or (iv) assume, guarantee, endorse or otherwise become liable for any material obligations of any Person other than its Subsidiaries;

(e) Not make any material capital expenditures (in the case of USS/Kobe, solely with respect to the USS/Kobe Bar Assets) other than as provided in the capital expenditures budgets previously provided to the other parties hereto, or fail to make any material capital expenditures so budgeted; and

(f) Not enter into any agreement, arrangement or understanding to do any of the foregoing.

10.3 Notification. Between the date of this Agreement and the Closing Date, each of BarTech, the Republic Parties and USS/Kobe (only in respect of the USS/Kobe Bar Business) promptly will notify the others in writing if it becomes aware of any fact or condition that would reasonably be expected to cause or constitute a breach of any of its representations, warranties or covenants so as to cause the failure of any of the conditions contained herein (or that would reasonably be expected to cause such a breach if any such representation or warranty had been made as of the time of discovery of such fact or condition).

10.4 No Negotiation. Until such time, if any, as this Agreement is terminated pursuant to Section 17, each of BarTech, the Republic Parties (other than as to any discontinued operations of the Republic Parties), the BV Parties and the USX/Kobe Parties (other than as to the USS/Kobe Tubular Assets, USS/Kobe Tubular Business and USS/Kobe Tubular Liabilities) will not, and will cause its Subsidiaries, Affiliates and Representatives not to, directly or indirectly (a) solicit, initiate, encourage (including by way of furnishing information) or take any action knowingly to facilitate the submission of any inquiries, proposals or offers (whether or not in writing) from any Person relating to, other than the Contemplated Transactions, (i) any acquisition or purchase of 5% or more of the assets of BarTech and its Subsidiaries, RES Holding and its Subsidiaries or USS/Kobe, as applicable, (ii) any direct or indirect acquisition or purchase of any equity securities of BarTech or any of its Subsidiaries, RES Holding or any of its Subsidiaries or USS/Kobe, as applicable, (iii) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving BarTech or any of its Subsidiaries, RES Holding or any of its Subsidiaries or USS/Kobe, as applicable, or (iv) any other transaction the consummation of which would or would reasonably be expected to impede, interfere with, prevent or materially delay the Contemplated Transactions or that would or would reasonably be expected to dilute the benefits to the other parties hereto of the Contemplated Transactions, or agree to or endorse any such proposal, or (b) enter into or participate in any

discussions or negotiations regarding any of the foregoing, or furnish to any other Person any information with respect to its business, properties or assets in connection with the foregoing, or otherwise cooperate in any way with, or knowingly assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing.

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10.5 Commercially Reasonable Best Efforts. Between the date of this Agreement and the Closing Date, each of BarTech, the Republic Parties and USS/Kobe will use commercially reasonable best efforts to cause the conditions hereunder to the others' obligations to be satisfied. Each of BarTech, the Republic Parties and USS/Kobe will furnish the others, at the cost and expense of the party being furnished with such information, with all information that is required for inclusion in any application or filing to be made by any such Person or its Subsidiaries or Affiliates to any Governmental Body in connection with the Contemplated Transactions, and each party hereto will use commercially reasonable best efforts to assist the others in obtaining any Governmental Authorizations, or any Consents related thereto, required in connection with the Contemplated Transactions. USS/Kobe will provide reasonable assistance to BarTech and the Republic Parties in connection with their efforts to obtain the RTI Credit Facility and to consummate the RTI High Yield Offering, including facilitating customary due diligence and arranging for senior officers of USS/Kobe, as reasonably selected by BarTech and the Republic Parties, to meet with prospective lenders and investors in customary "road show" presentations or otherwise, and use commercially reasonable best efforts to cause USS/Kobe's accountants and attorneys to provide reasonable assistance in such financing, including providing financial statements, reasonable access to work papers and other information regarding USS/Kobe and its relevant Affiliates suitable for inclusion in a registration statement on Form S-1 or Rule 144A offering memorandum, customary "comfort letters" and legal opinions. Notwithstanding the foregoing or anything else contained in this Agreement, none of the parties hereto will have any obligation to comply with any request or requirement imposed by any Governmental Body in connection with the Contemplated Transactions if such party, in the exercise of its reasonable discretion, determines that to do so would be materially adverse to its business or the business of its Affiliates (including without limitation any request by, or any requirement of, any Governmental Body to dispose of any assets or operations or to comply with any restriction on the manner in which it conducts its operations).

10.6 Confidentiality. Each party hereto will maintain in confidence, and will cause its Subsidiaries, Affiliates and Representatives to maintain in confidence, any information furnished to them by or on behalf of any other party hereto or its Representatives in connection with this Agreement or the Contemplated Transactions to the extent contemplated by the terms of the confidentiality agreement, dated as of March 8, 1999, between Blackstone Management Partners III, L.L.C. and USS/Kobe as if such party hereto were a party thereto.

10.7 Tubular Business Excluded. For the avoidance of doubt, none of the covenants of USS/Kobe in subsections 10.1 to 10.6 will be applicable to the Tubular Business or the Tubular Assets.

10.8 Use of Names.

(a) Notwithstanding any other provision of this Agreement to the contrary, no right, title or interest in, nor any right to use, the names "Kobe," "USS," "USS/Kobe" and "USX," any corporate name of Kobe, USX or their respective Affiliates, or any logo, trademark, service mark, trade dress or trade name or any derivation thereof of Kobe, USX or their respective Affiliates with respect to, or associated with, the foregoing (collectively, the "Retained Names and Marks") is being transferred to RTI Opco pursuant to the transactions contemplated hereunder, and the use of any Retained Names and Marks (except to the extent any rights thereto were owned by RTI Opco or any of its Affiliates prior to the date of this Agreement), whether in connection with the Bar Business or otherwise, by RTI Opco and its Affiliates will cease as soon as practicable following the Closing Date, but in no event later than 180 days after the Closing Date. RTI Opco, as soon as practicable following the Closing Date, will, and will cause its Affiliates to: (i) remove or obliterate all of the Retained Names and Marks from all of its signs, purchase orders, invoices, sales orders, labels, letterheads, shipping documents, and other items and materials, whether relating to the Bar Business or otherwise, and not to put into use after the Closing Date any such items and materials not in

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existence on the Closing Date that bear any of the Retained Names and Marks or any name, mark or logo confusingly similar thereto; and (ii) change the corporate name of each Subsidiary whose corporate name includes any of the Retained Names and Marks or any name, mark or logo confusingly similar thereto, to another corporate name that does not include any of the Retained Names and Marks or any name, mark or logo confusingly similar thereto.

(b) Notwithstanding the foregoing, RTI Opco and its Subsidiaries may, until the earlier of 180 days after the Closing Date and the date on which all of the Marked Inventory is sold, use any purchase orders, invoices, sales orders, labels, letterheads, or shipping documents existing on the Closing Date that bear any of the Retained Names and Marks or any name, mark or logo confusingly similar thereto, where the removal of any of the Retained Names and Marks or any such similar name, mark or logo would be impractical, and will not in any event be prohibited from selling inventories existing as of the Closing Date which are pre-labeled in a manner such that the removal of any of the Retained Names and Marks or any name, mark or logo confusingly similar thereto would be impractical (the "Marked Inventory"), provided that RTI Opco and its Affiliates will use commercially reasonable efforts to sell all such inventories as promptly as practicable, and to cease using any of the Retained Names and Marks as promptly as practicable. RTI Opco agrees that none of Kobe, USX and their respective Affiliates will have any responsibility or liability to RTI Opco or its Affiliates with respect to claims by third parties to the extent arising out of, or relating to, any use by RTI Opco or any of its Affiliates of any Retained Name or Mark after the Closing Date.

(c) RTI Opco acknowledges Kobe's and USX's respective ownership of the appropriate Retained Names and Marks and the goodwill associated therewith and agrees

that all goodwill associated with or arising from the use of the Retained Names and Marks by RTI Opco and its Affiliates will inure solely to the benefit of Kobe or USX, as applicable, RTI Opco will knowingly do nothing inconsistent with Kobe's and USX's respective ownership of the appropriate Retained Names and Marks nor knowingly take any action that would reasonably be expected to be detrimental to the goodwill associated with the Retained Names and Marks. RTI Opco agrees that nothing in this Section 10.8 vests in it, or will be construed to vest in it, any right, title, claim or interest in any of the Retained Names and Marks or the goodwill associated therewith other than the limited right to use granted herein. RTI Opco will not directly or indirectly knowingly undertake any action anywhere that would reasonably be expected to infringe or impair the validity of Kobe's or USX's respective title in the appropriate Retained Names and Marks. RTI Opco will notify Kobe and USX promptly if RTI Opco or any of its Affiliates learns of any pending or threatened litigation involving any of the Retained Names and Marks as used in connection with this Agreement.

(d) RTI Opco agrees that it and its Affiliates will use the Retained Names and Marks only as authorized in this Section 10.8 and will not affix any of the Retained Names and Marks to any products produced after the Closing Date or use any of the Retained Names and Marks in connection with any service (other than services reasonably related to the sale of the Marked Inventory as provided herein). In using the Retained Names and Marks in connection with the sale of the Marked Inventory, RTI Opco will use commercially reasonable efforts to include and cause its Affiliates to include all notices and legends with respect to the Retained Names and Marks as are required by applicable federal, state or local trademark laws and as have been reasonably requested by Kobe or USX.

10.9 Non-Competition and Non-Solicitation.

(a) Until the earlier of (i) the fifth anniversary of the

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Closing Date and (ii) such time that USX and its Subsidiaries (in the case of the covenants of USX in this Section 10.9) or Kobe and its Subsidiaries (in the case of the covenants of Kobe in this Section 10.9), as applicable, owns less than 5% of the Common Stock on a fully diluted basis (as calculated for purposes of the Equityholders Agreement), (A) USX agrees that neither it nor any of its Affiliates will engage in the United States in the manufacturing, finishing, processing or distributing of special bar quality or other products classified as high quality steel or alloy bars and (B) Kobe agrees that neither it nor any of its Affiliates will engage in the United States in the manufacturing, finishing or processing of special bar quality or other products classified as high quality steel or alloy bars; provided, however, that the restrictions contained in this Section 10.9(a) will not prevent any Person that becomes an Affiliate of USX or Kobe after the Closing Date (a "New Affiliate") from engaging in such activities, provided that such New Affiliate (i) had been actively engaged in the conduct of such high quality bar activities prior to the date on which it became a New Affiliate, (ii) was acquired as a going concern, (iii) did not

commence the conduct of such high quality bar activities in contemplation of becoming a New Affiliate and (iv) on average derived less than 40% of its annual revenues from the conduct of such high quality steel or alloy bar activities during the five year period preceding the date on which it became a New Affiliate (based upon an average of such five years of operation (or such shorter period as it had been in operation if less than five years)); and provided, further, that neither any New Affiliate nor its Affiliates will solicit customers of BarTech or its Subsidiaries, RESI or its Subsidiaries or the USS/Kobe Bar Business existing as of the Closing Date in connection with the conduct of such high quality bar activities (except to the extent that such customers were also high quality bar customers of such New Affiliate or its Affiliates as of the time it became a New Affiliate).

(b) Until the second anniversary of the Closing Date, each of USX, Kobe and BarTech agrees that neither it nor any of its respective Affiliates will, without the prior written consent of the party that is the employer or former employer of such employee, directly or indirectly solicit to hire or employ (or seek to cause to leave the employ of) any non-union employee (limited, however, to the plant manager level and above) employed by BarTech or its Subsidiaries, USX or its Subsidiaries or Kobe or its Subsidiaries at the time of such solicitation or during the immediately preceding six-month period (provided that this Section 10.9(b) will not be deemed to apply to (i) any person who contacts any of the parties on his or her own initiative and without any direct or indirect solicitation by any of the parties or their Representatives or (ii) a general solicitation to the public).

10.10 Assignment of Rights to RTI Opco. Effective as of the Closing, except to the extent otherwise provided in the Transaction Documents or the Sources and Uses, (i) the BV Parties will be deemed to have assigned or otherwise transferred to RTI Opco any rights to indemnification, reimbursement of expenses or other similar rights owned by any of the BV Parties on the date hereof relating to the acquisition of their respective interests in BarTech, RES Holding and their Subsidiaries, and (ii) except with respect to the USS/Kobe Tubular Business, USX and Kobe will be deemed to have assigned or otherwise transferred to RTI Opco any rights to indemnification, reimbursement of expenses or other similar rights owned by USX or Kobe on the date hereof relating to the acquisition of their respective interests in USX Holdings, Kobe Holdings, USS/Kobe and its Subsidiaries.

SECTION 11

EMPLOYMENT COVENANTS

11.1 USS/Kobe Employee Benefits and Pension Plans.

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(a) Offer of Employment. The parties hereto intend that there will be continuity of employment for all employees of the USS/Kobe Tubular Business following the Closing. In connection with the Tubular Spinoff and with such employment commencing on the Closing Date, the USX/Kobe Parties will cause to be transferred to NewTube the employment of (i) all nonunion employees, including those on vacation, leave of absence, disability or layoff, who were employed by the USS/Kobe Tubular Business immediately prior to the Tubular Spinoff (the "Tubular Non-Union Employees"), and (ii) all employees covered by collective bargaining agreements, including those on vacation, leave of absence, disability or layoff, who were employed by the USS/Kobe Tubular Business immediately prior to the Tubular Spinoff (the "Tubular Union Employees" and, together with the Tubular Non-Union Employees, the "Tubular Employees"), and will cause NewTube to assume and be bound by the terms of the labor agreement subject to the NewTube Labor Agreement Ratification with respect to such Tubular Union Employees. Schedule 11.1(a) sets forth the name of (i) each Tubular Employee as of the Closing (and identifies each such person as a Tubular Employee) and (ii) each of the other employees of USS/Kobe as of the Closing (and identifies each such person as a RTI employee or a "Kobe Tech" employee). NewTube will be liable for any amounts to which any employee of the USS/Kobe Tubular Business becomes entitled under any benefit or severance policy, plan, agreement, arrangement or program which exists or arises, or may be deemed to exist or arise, under any applicable law or otherwise, as a result of, or in connection with, the Contemplated Transactions. Except to the extent otherwise provided in this Agreement, the parties hereto will use commercially reasonable efforts to reduce or eliminate any payments or benefits with respect to employees of USS/Kobe which may exist or arise as a result of, or in connection with, the Contemplated Transactions.

(b) Tubular Assumed Employee Benefit Liabilities. USX and Kobe will cause NewTube to assume all of USS/Kobe's medical, dental and life insurance and other employee benefit liabilities for the Tubular Employees, including without limitation any workers' compensation, severance, incentive, employment, change in control or any other payroll or employee benefit liability for which such employees are eligible through USS/Kobe's plans or pursuant to a collective bargaining agreement with USS/Kobe or its Affiliates, whether or not such amounts are accrued as of the consummation of the Tubular Spinoff, provided that the assumption of liabilities in respect of the USS/Kobe Pension Plans is subject to the transfer of assets to the NewTube Spinoff Plans in accordance with in Section 11.1(d) hereof. On or prior to the consummation of the Tubular Spinoff, NewTube will establish employee welfare benefit plans which provide substantially similar benefits as the USS/Kobe welfare benefit plans covering insurance programs for the benefit of the Tubular Employees participating in the USS/Kobe insurance plans. NewTube will be responsible to the Tubular Employees for (i) any required continuation of coverage notification under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and Sections 601 through 608 of ERISA

("COBRA"), and (ii) issuing any required Certificates of Creditable Coverage under the Health Insurance Portability and Accountability Act of 1996, as amended.

(c) Retained Employee Benefit Liabilities. RTI Opco will, as a matter of law in connection with the USX Holdings/Kobe Holdings-RTI Opco Merger, become responsible for all of USS/Kobe's medical, dental and life insurance and other employee benefit liabilities for all active employees who are not Tubular Employees and for all former or retired participants eligible under its current plans including without limitation any workers' compensation, severance, incentive, employment or any other payroll or employee benefit liability for which such employees and participants are eligible through USS/Kobe plans or pursuant to a collective bargaining agreement with USS/Kobe. RTI Opco

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will also be responsible for the reimbursement of retiree medical payments to USX for pre-1989 Lorain Works' retirees and their dependents and, regardless of the provisions of any pension plans maintained by RTI Opco or its Affiliates, RTI Opco shall assume the liability for, and shall perform the obligations of, USS/Kobe described under Section 10.10 of the USS/Kobe Formation Agreement (as if Section 10.10 of such USS/Kobe Formation Agreement was incorporated herein in its entirety) with respect to, the pensions payable to any Affected Employee (as defined below) prior to such employee's 62nd birthday; provided, that the parties recognize and agree that the election by any employee to retire under the 30-Year Sole Option at such employee's own discretion and without any inducements offered by RTI Opco or any of its Affiliates will not be subject to such Section 10.10; provided, further, that NewTube will be solely responsible for such obligations and liabilities with respect to, and in no event will RTI Opco or any of its Affiliates have any such obligations or liabilities with respect to, any Tubular Employee following the Tubular Spinoff. Any disputes between the parties with regard to whether a person has received any inducements to retire will be subject to arbitration on terms mutually acceptable to the parties. For purposes of this 11.1(c), the term "Affected Employee" shall mean an employee of RTI Opco or its Affiliates who formerly was a USS/Kobe employee and who (i) retires under Rule-of-65 or 70/80 Pensions, or (ii) agrees to accept an early retirement buyout package, or (iii) otherwise receives enhanced retirement benefits including, but not limited to, pensions, medical benefits, life insurance or severance payments, as an inducement to retire early. USX will continue to administer claims and make payments under the USX program of insurance benefits for pre-1989 Lorain Works' retirees and their beneficiaries, as required under the USS/Kobe Formation Agreement and Section 11.1(h).

(d) Plan Asset Transfers. (i) Employees of the USS/Kobe Tubular Business currently participate solely in the following defined benefit pension plans: The USS/Kobe Steel Company Union Eligible Pension Plan and The USS/Kobe Steel Company Salaried Employees Pension Plan (together, the "USS/Kobe Pension Plans"). As of the Tubular Spinoff, Tubular Employees will cease to accrue service credit or

benefits under the USS/Kobe Pension Plans. As soon as practicable following the date that the Tubular Spinoff occurs, NewTube will (A) establish a defined benefit plan or plans, or (B) with USX's consent, utilize an existing USX pension plan or plans (the "NewTube Spinoff Plans") for the benefit of the Tubular Employees participating in the USS/Kobe Pension Plans. As soon as practicable following the Closing, RTI Opco will cause Watson Wyatt & Company (the "Current Actuary") to calculate the Accrued Liability (as defined in clause (iii) below) as of the Closing Date (the "Valuation Date") of all participants in each of the USS/Kobe Pension Plans and then to compare, on a plan by plan basis, the Accrued Liability of all the participants in each USS/Kobe Pension Plan to the fair market value of the assets in the respective USS/Kobe Pension Plans as of the Valuation Date. If the Accrued Liability as of the Valuation Date of all participants in a USS/Kobe Pension Plan is less than the fair market value of the assets as of the Valuation Date in such USS/Kobe Pension Plan, then RTI Opco will cause assets (determined as of the Valuation Date) to be transferred from such USS/Kobe Pension Plan to a trust or trusts established by NewTube or USX to hold assets of the corresponding NewTube Spinoff Plan equal to the product of (x) such fair market value of the assets in such USS/Kobe Pension Plan multiplied by (y) a fraction the numerator of which is the Accrued Liability of Tubular Employees under such USS/Kobe Pension Plan as of the Valuation Date and the denominator of which is the Accrued Liability of all participants in such USS/Kobe Pension Plan as of the Valuation Date (such product, the "Proportionate Accrued Liability Amount"). If the Accrued Liability as of the Valuation Date of all participants in a USS/Kobe Pension Plan is equal to or greater than the fair market value as of the Valuation Date of the assets in such USS/Kobe Pension Plan, then the Current Actuary will determine the amount of assets allocable to the Accrued Liabilities attributable to Tubular Employees participating in that plan based on Section 4044 of ERISA (the "Section 4044 Amount"), and RTI Opco will cause assets equal

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in value to the Section 4044 Amount applicable to Tubular Employees under such USS/Kobe Pension Plan to be transferred from such USS/Kobe Pension Plan to a trust or trusts established by NewTube or USX to hold assets of the corresponding NewTube Spinoff Plan. Contingent upon the transfer of the Transfer Amount (as defined below) to each NewTube Spinoff Plan, (X) NewTube will assume all liabilities and obligations of USS/Kobe, RTI Opco and their Affiliates and (Y) such NewTube Spinoff Plan will assume all liabilities and obligations of the corresponding USS/Kobe Pension Plan, solely with respect to Tubular Employees under such USS/Kobe Pension Plan from which that transfer was made and will become with respect to such Tubular Employees responsible for all acts, omissions and transactions under or in connection with such USS/Kobe Pension Plan, whether arising before or after the Closing, other than to the extent resulting from acts or omissions of RTI Opco or its Affiliates after the Closing. With respect to each New Tube Spinoff Plan, RTI Opco will continue to administer benefit claims for such Tubular Employees commencing on the Closing Date until the first of the month following the Transfer Date.

(ii) All transfers to the NewTube Spinoff Plans pursuant to paragraph (d)(i) above will be made as soon as practicable after the Closing Date and in accordance with the provisions of this paragraph (d)(ii), and no such transfer will be made with respect to a USS/Kobe Pension Plan until such date as (A) the amount to be transferred has been finally determined in accordance with Section 11.1(d)(iii), (B) RTI Opco has been provided evidence reasonably satisfactory to it that NewTube or USX has established a trust (or trusts) to hold the assets of the corresponding NewTube Spinoff Plan and (C) RTI Opco has been provided with (X) an opinion of counsel, which opinion and counsel are reasonably satisfactory to RTI Opco, to the effect that the terms of the corresponding NewTube Spinoff Plan satisfy the requirements for qualification under Sections 401(a) and 411(d)(6) of the IRC or (Y) other evidence reasonably satisfactory to RTI Opco that the NewTube Spinoff Plans are qualified under Section 401(a) of the IRC, and that the trusts holding assets of the NewTube Spinoff Plans satisfy the requirements of Section 501(a) of the IRC (the actual date of transfer, the "Transfer Date"). All such transfers will be made in cash and kind, to the extent practicable in the same proportion as exists under the corresponding USS/Kobe Pension Plan. On the Transfer Date, RTI Opco will cause each trust relating to a USS/Kobe Pension Plan to make a transfer of assets (the "DB Transfer Amount"), equal to the following amount with respect to the corresponding NewTube Spinoff Plan:

The Proportionate Accrued Liability Amount or the 4044 Amount, whichever is applicable, minus benefit payments to Tubular Employees during the period from the Valuation Date to the Transfer Date, adjusted for Earnings. Earnings will be calculated from the Valuation Date until the Transfer Date on the amount equal to the DB Transfer Amount (minus benefit payments to Tubular Employees) using the rate paid on a 90-day Treasury Bill on the auction date coincident with or immediately preceding the Closing. Unless the parties agree otherwise, all transfers will occur on the last business day of a month by 11 A.M. Eastern Standard Time. Notwithstanding anything contained herein to the contrary, the transfers contemplated by this paragraph (d)(ii) will be determined in accordance with Section 414(1) of the IRC and Treasury Regulation 1.414(1)-1. The amounts to be transferred pursuant to this paragraph (d)(ii) will be reduced to the extent necessary to satisfy Section 414(1) of the IRC, and any regulations promulgated thereunder, ERISA Section 4044, and any regulations promulgated thereunder.

(iii) For purposes of this Section 11.1, the term "Accrued Liability" will mean the present value of the accrued benefit of the applicable plan participant, determined on a termination basis using the interest factors specified by the PBGC for an immediate or deferred annuity as appropriate for such plan participant and the other methods and assumptions specified in the regulations of the PBGC for the valuation of accrued benefits upon plan termination, including, but not limited to, expected retirement ages and expense load assumptions published by the PBGC, and the 1983 Group Annuity

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Mortality Table. The interest factors will be those in effect on the Valuation Date. The Accrued Liability and Section 4044 Amount will be initially determined by the Current Actuary, subject to review by the actuary selected by RTI Opco. If the actuary selected by RTI Opco does not agree with the determinations of the Current Actuary, the dispute resolution provisions in this paragraph will govern. The Current Actuary, NewTube and RTI Opco will each cause to be provided to any actuary designated by NewTube or RTI Opco (with copies provided to USX's actuary) all information in its possession or under its control that is reasonably necessary to review the determination and calculation of the Accrued Liability, the Section 4044 Amount and any other determination or calculation, in all respects, and to verify that such determinations and calculations have been performed in a manner consistent with the terms of this Agreement. If there are one or more good faith disputes between the Current Actuary and RTI Opco's actuary as to any actuarial or other determination or calculation which gives rise to a disputed amount or amounts not in excess of $50,000 in the aggregate, such dispute(s) will be resolved by dividing the disputed amount(s) equally. If such disputed amount or amounts in the aggregate exceed $50,000 and the Current Actuary and RTI Opco's actuary are not able to resolve a sufficient number of such dispute(s) to bring the remaining disputed items to below $50,000 in the aggregate after using their reasonable best efforts to do so within 30 days, they will select and appoint a third actuary, who has no professional relationship with either of the parties hereto or either the Current Actuary or RTI Opco's actuary, to resolve such dispute(s). The decision of such third party actuary will be rendered within 30 days and will be conclusive as to any dispute for which it was appointed. The cost of such third party actuary will be divided equally between RTI Opco and NewTube. Each party will be responsible for the cost of its own actuary.

(iv) As soon as practicable after the Tubular Spinoff, NewTube will take all action necessary to qualify each NewTube Spinoff Plan under the applicable provisions of the IRC. As soon as practicable after the Closing Date, to the extent not filed prior thereto, RTI Opco and NewTube will file Form 5310-A with the IRS with respect to the proposed transfer of assets described in this Section 11.1(d) and will make all plan amendments necessary to effectuate such provision.

(e) VEBA. As soon as practicable following the Closing Date, NewTube will establish a VEBA or, with USX's consent, utilize an existing USX VEBA for the benefit of Tubular Employees (the "NewTube VEBA"). As soon as practicable following formation of the NewTube VEBA, RTI Opco will cause the trustee of USS/Kobe Steel Company Union Retiree Trust (the "USS/Kobe VEBA") to transfer to the NewTube VEBA assets, in cash and kind, to the extent practicable in the same proportion as exists under the Plan, equal in value to the product of (i) the value of the assets of the USS/Kobe VEBA on the Closing Date and (ii) a fraction, calculated as of the Closing Date, the numerator of which is the retiree medical and retiree life accumulated post retirement benefit obligations ("APBO") for the Tubular Union Employees and the denominator of which is the retiree medical and retiree life APBO for all USS/Kobe

employees and retirees identified as USWA members (including the Tubular Union Employees).

(f) Defined Contribution Plan Asset Transfers. (i) Employees of the USS/Kobe Tubular Business currently participate solely in the following defined contribution pension plans: The USS/Kobe Steel Company Savings Fund Plan For Salaried Employees and the USS/Kobe Steel Company and USWA Savings Program 401(k) Plan (together, the "USS/Kobe Savings Plans"). As of the Tubular Spinoff, Tubular Employees will

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cease to be eligible to actively participate in the USS/Kobe Savings Plans. As soon as practicable following the Tubular Spinoff, NewTube will establish a defined contribution plan or plans (the "NewTube Spinoff Savings Plans") covering the Tubular Employees. In accordance with paragraph (ii) below, RTI Opco will cause to be transferred from each USS/Kobe Savings Plan to the trust established by NewTube to hold assets of the corresponding NewTube Spinoff Savings Plan assets equal to the Aggregate Account Balances (as defined in paragraph (iii) below) of the Tubular Employees under the applicable USS/Kobe Savings Plans. Contingent upon the transfer of the DC Transfer Amount (as defined in paragraph (ii) below) to each NewTube Spinoff Savings Plan, NewTube and the NewTube Spinoff Savings Plans will assume all liabilities and obligations of USS/Kobe, RTI Opco and their Affiliates and the USS/Kobe Savings Plans, respectively, with respect to Tubular Employees under the USS/Kobe Savings Plan from which that transfer was made and will become with respect to such Tubular Employees responsible for all acts, omissions and transactions under or in connection with such USS/Kobe Savings Plan, whether arising before or after the Closing, other than to the extent resulting from acts or omissions of RTI Opco or its Affiliates after the Closing.

(ii) All transfers to the NewTube Spinoff Savings Plans pursuant to paragraph (f)(i) above will be made in accordance with the provisions of this paragraph (f)(ii), and no such transfer will be made with respect to a USS/Kobe Savings Plan until such date as RTI Opco has been provided evidence reasonably satisfactory to it (x) that NewTube has established a trust (or trusts) to hold the assets of the corresponding NewTube Spinoff Savings Plans and (y) RTI Opco has been provided with either (A) an opinion of counsel, which opinion and counsel are reasonably satisfactory to RTI Opco, to the effect that the terms of the corresponding New Tube Spinoff Savings Plan satisfy the requirements for qualification under Sections 401(a) and 411(d)(6) of the IRC or (B) other evidence reasonably satisfactory to RTI Opco that the New Tube Spinoff Savings Plans are qualified under Section 401(a) of the IRC, and that the trusts holding assets of the NewTube Spinoff Savings Plans satisfy the requirements of Section 501(a) of the IRC (the actual date of transfer, the "Transfer Date"). All such transfers will be made in cash and in kind, to the extent practicable in the same proportion as exists under the corresponding USS/Kobe Savings Plan, including the promissory note and related loan documentation for participant loans outstanding on the Closing Date. On the Transfer Date, RTI Opco will cause to be transferred from each USS/Kobe Savings Plan to the

trust established by NewTube to hold assets of the corresponding NewTube Spinoff Savings Plan assets equal to the sum of (x) the excess of (A) the Aggregate Account Balances determined as of the last day of the calendar month ending immediately prior to the Transfer Date (the "Preceding Month End") over (B) any benefit payments made to Tubular Employees during the period from the Preceding Month End to the Transfer Date and (y) interest on such excess amount from the Preceding Month End to the Transfer Date using the rate paid on a 30-day Treasury Bill on the auction date coincident with or immediately preceding the Transfer Date (the "DC Transfer Amount").

(iii) For purposes of this Section 11.1, the term "Aggregate Account Balances" will mean the sum of the individual account balances of the Transferred Employees under the applicable USS/Kobe Savings Plan. The Aggregate Account Balances will be determined by the current record keeper for the USS/Kobe Savings Plans (the "Current Record Keeper"). RTI Opco will provide any record keeper designated by NewTube with all information reasonably necessary to review the determination and calculation of the Aggregate Account Balances in all material respects and to verify that such determinations and calculations have been performed in a manner consistent with the terms of this Agreement.

(g) Nothing in this Section 11 will be construed as creating an express or an implied contract of employment or a guarantee of employment with BarTech, the Republic Parties, the USX/Kobe Parties,

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RTI Opco, NewTube or any of their respective Affiliates for any period of time after the Closing Date, nor will anything in this Section 11 confer upon any employee of any of the foregoing Persons any right to continue in the employ or in the business of any of the foregoing Persons after the Closing Date, nor (except as expressly provided in this Section 11) interfere with or restrict in any way the rights of any of the foregoing Parties, which are hereby expressly reserved, to terminate the employment of any employee at any time for any reason whatsoever, or in accordance with the terms of any applicable collective bargaining agreement or other labor agreement, as the case may be.

(h) With respect to current and former employees of USS/Kobe who are not Tubular Employees and for whom RTI Opco is obligated to provide employee benefits under this Agreement, USX will continue to discharge its obligations and liabilities relating to employee benefits, and RTI Opco will assume the employee benefit obligations of USS/Kobe, under the USS/Kobe Formation Agreement as if such Agreement were an agreement between USX and RTI Opco (and without regard to whether the USS/Kobe Formation Agreement may have terminated as a result of the consummation of the Contemplated Transactions).

11.2 Transfer of BarTech Employees. The parties hereto intend that there will be continuity of employment for all employees of BarTech following the Closing. In connection with the BarTech Asset Contribution and commencing on the Closing Date, BarTech will cause

to be transferred to RTI Opco the employment of all employees of BarTech, including those on vacation, leave of absence, disability or layoff, who were employed by BarTech immediately prior to the BarTech Asset Contribution and will cause RTI Opco to assume and be bound by the terms of any collective bargaining agreement that covers such employees.

11.3 Transfer Rights of Certain Employees.

(a) In General. The parties hereto recognize that in accordance with the provisions of the labor agreement subject to the NewTube Labor Agreement Ratification and the labor agreement subject to the RTI Labor Agreement Ratification, certain employees of RTI Opco or its Subsidiaries and NewTube or its Subsidiaries (the "Covered Employees") have certain rights to transfer employment between specified sites of NewTube or its Subsidiaries and RTI Opco or its Subsidiaries (the "Transfer Sites"), and RTI Opco and NewTube are required to cause all service of such Covered Employees completed at any Transfer Site to be recognized for purposes of eligibility and vesting under their respective Employee Benefit Plans.

(b) Retiree Welfare Benefits. A Covered Employee who, at the time of his or her last termination of employment from RTI Opco, NewTube and their respective Subsidiaries, is eligible for retiree medical and life insurance benefits under the terms of an applicable Employee Benefit Plan maintained by any such Person, shall be provided retiree medical and life insurance benefits solely under the Employee Benefit Plan maintained by the last such Person by whom such Covered Employee was employed (the "Last Employer"). NewTube and RTI Opco shall share the cost of providing such retiree medical and life insurance benefits to such Covered Employees as follows. If the Last Employer is NewTube or any of its Subsidiaries, RTI Opco shall reimburse NewTube for RTI Opco's Applicable Portion (as defined below) of such costs and if the Last Employer is RTI Opco or any of its Subsidiaries, NewTube shall reimburse RTI Opco for NewTube's Applicable Portion of such costs, in either such case, on a calendar quarterly basis, in arrears, promptly upon receipt of reasonably acceptable evidence of such costs for the applicable calendar quarter. The parties will, in good faith, institute a mutually agreeable mechanism to determine how such retiree medical and life insurance costs will be calculated for any such Covered Employee.

The term "Applicable Portion" shall mean, with respect to a

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Covered Employee, a percentage obtained by dividing (i) such Covered Employee's years of service and fractions thereof required to be taken into account by the applicable plan or collective bargaining agreement for purposes of benefit accrual with NewTube and its Subsidiaries (including service with USS/Kobe in the Tubular Business completed prior to the date of the Tubular Spinoff), or RTI Opco and its Subsidiaries (including service with USS/Kobe in the Bar business completed prior to the date of the Tubular Spinoff), as the case may be, by (ii) such Covered Employee's aggregate years of service and fractions thereof required to be taken into account by the applicable plan or collective bargaining

agreement for purposes of benefit accrual with RTI Opco, NewTube and their respective Affiliates and predecessors including without limitation USS/Kobe.

(c) Defined Benefit Plans. RTI Opco and NewTube will each cause to be recognized for purposes of eligibility and vesting under their respective defined benefit plans in which a Covered Employee participates all years of service and fractions thereof completed by such Covered Employee at any Transfer Site. RTI Opco shall pay to such Covered Employee the pension payable under any defined benefit plans maintained by RTI Opco in accordance with the terms of such plans and NewTube shall pay to such Covered Employee the pension payable under any defined benefit plans maintained by NewTube and its Affiliates in accordance with the terms of such plans.

SECTION 12

CONDITIONS PRECEDENT TO THE OBLIGATIONS OFEACH PARTY TO CLOSE

The obligation of each of BarTech, the Republic Parties, the BV Parties and the USX/Kobe Parties to consummate the Contemplated Transactions is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by BarTech, RES Holding or USS/Kobe solely with respect to the obligation of BarTech, the Republic Parties and the BV Parties or the USX/Kobe Parties, respectively, to consummate the Contemplated Transactions):

12.1 No Prohibition; No Opposition. (i) No Legal Requirement or Order enjoining or prohibiting consummation of the Contemplated Transactions will have been promulgated or entered and remain in effect, and (ii) no Proceeding will be pending or threatened before or by any Governmental Body seeking damages or other relief in connection with the execution and delivery of this Agreement or the consummation of the Contemplated Transactions which would, individually or in the aggregate, have a BarTech, RES Holding, USS/Kobe or RTI Material Adverse Effect.

12.2 Consents. Each material Consent required to be obtained to consummate the Contemplated Transactions (including without limitation the Material Consents) will have been obtained and will remain in full force and effect. Without limiting the generality of the foregoing, all filings pursuant to the HSR Act required to be made in connection with the Contemplated Transactions will have been made and the required waiting periods under the HSR Act will have expired or been terminated.

12.3 Contemplated Transactions. Each of the Contemplated Transactions under Section 3 will have been consummated or will be consummated concurrently with the Closing.

12.4 RTI Financing. All conditions to the closing of the RTI Credit Facility and RTI High Yield Offering will have been satisfied (other than any such conditions which, by their nature, cannot be satisfied until or after the Closing), and (i) the closing of the RTI Credit Facility will occur simultaneously with the Closing and (ii) the closing of the RTI High Yield

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Offering will occur simultaneously with the Closing or, in the event the RTI High Yield Offering has previously closed on an escrow basis, the proceeds in escrow will be released to RTI Opco simultaneously with the Closing (subject in any event to the specific sequencing of events as set forth in Section 4 hereof).

12.5 Labor Agreements and Consents. Each of the NewTube Labor Agreement Ratification and RTI Labor Agreement Ratification will have been obtained and will remain in full force and effect.

12.6 RTI PBGC Agreement. The RTI PBGC Agreement will have been reached with the PBGC and will remain in full force and effect.

SECTION 13

CONDITIONS PRECEDENT TO THE OBLIGATIONS OFTHE USX/KOBE PARTIES TO CLOSE

The obligation of each of the USX/Kobe Parties to consummate the Contemplated Transactions is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by USS/Kobe):

13.1 Accuracy of Representations. Each of the representations and warranties of BarTech and the Republic Parties in this Agreement and the other Transaction Documents will have been accurate in all respects as of the date of this Agreement and will be accurate in all respects as of the Closing Date as if made on the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation and warranty will be accurate in all respects as of such date (in each case disregarding for such purpose any qualifications set forth therein with respect to "materiality" or "Material Adverse Effect"), except for such failures to be accurate which, individually or in the aggregate, would not have an RTI Material Adverse Effect.

13.2 Performance of Covenants.

(a) All of the covenants and obligations that each of BarTech, the Republic Parties and the BV Parties is required to perform or to comply with pursuant to this Agreement at or prior to the Closing will have been duly performed and complied with in all material respects.

(b) Each agreement required to be entered into by BarTech or any of its Subsidiaries (including without limitation RTI Holdings and RTI Opco), RES Holding or any of its Subsidiaries or the BV Parties pursuant to this Agreement or any of the other Transaction Documents will have been duly executed and delivered and will remain in full force and effect.

13.3 Equity Contributions. The closing of each of the Blackstone Equity Contribution, the Veritas Equity Contribution, the First Energy Equity Contribution, the Sumitomo Equity Contribution, the Triumph Equity Contribution, the First Dominion Equity Contribution and the TCW Equity Contribution will occur simultaneously with the Closing.

SECTION 14

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BARTECH TO CLOSE

The obligation of BarTech to consummate the Contemplated Transactions is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by BarTech):

14.1 Accuracy of Representations. Each of the representations and warranties of each of USX RTI Holdings and Kobe RTI Holdings in this Agreement and the other Transaction Documents will have been accurate in all respects as of the date of this Agreement and will be accurate in all respects as of the Closing Date as if made on the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation and warranty will be accurate in all respects as of such date (in

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each case disregarding for such purpose any qualifications set forth therein with respect to "materiality" or "Material Adverse Effect"), except for such failures to be accurate which, individually or in the aggregate, would not have a RTI Material Adverse Effect.

14.2 Performance of Covenants.

(a) All of the covenants and obligations that each of the USX/Kobe Parties is required to perform or to comply with pursuant to this Agreement at or prior to the Closing will have been duly performed and complied with in all material respects.

(b) Each agreement required to be entered into by USX or any of its Subsidiaries, Kobe or any of its Subsidiaries or USS/Kobe pursuant to this Agreement or any of the other Transaction Documents will have been duly executed and delivered and will remain in full force and effect.

14.3 Tubular Spinoff. The Tubular Spinoff will have been consummated.

14.4 Equity Contributions. The closing of each of the USX Equity Contribution, the Kobe Equity Contribution, the First Energy Equity Contribution, the Sumitomo Equity Contribution, the Triumph Equity Contribution, the First Dominion Equity Contribution and the TCW Equity Contribution will occur simultaneously with the Closing.

SECTION 15

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE REPUBLIC PARTIES AND THE BV PARTIES TO CLOSE

The obligation of the Republic Parties and the BV Parties to consummate the Contemplated Transactions is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by RES Holding):

15.1 Accuracy of Representations. Each of the representations and warranties of each of USX RTI Holdings and Kobe RTI Holdings in this Agreement and the other Transaction Documents will have been accurate in all respects as of the date of this Agreement and will be accurate in all respects as of the Closing Date as if made on the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation and warranty will be accurate in all respects as of such date (in each case disregarding for such purpose any qualifications set forth therein with respect to "materiality" or "Material Adverse Effect"), except for such failures to be accurate which, individually or in the aggregate, would not have a RTI Material Adverse Effect.

15.2 Performance of Covenants.

(a) All of the covenants and obligations that each of the USX/Kobe Parties is required to perform or to comply with pursuant to this Agreement at or prior to the Closing will have been duly performed and complied with in all material respects.

(b) Each agreement required to be entered into by USX or any of its Subsidiaries, Kobe or any of its Subsidiaries or USS/Kobe pursuant to this Agreement or any of the other Transaction Documents will have been duly executed and delivered and will remain in full force and effect.

15.3 Tubular Spinoff. The Tubular Spinoff will have been consummated.

15.4 Equity Contributions. The closing of each of the USX Equity Contribution, the Kobe Equity Contribution, the First Energy Equity Contribution, the Sumitomo Equity Contribution, the Triumph Equity Contribution, the First Dominion Equity Contribution and the TCW Equity Contribution will

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occur simultaneously with the Closing.

SECTION 16

[intentionally omitted]

SECTION 17

TERMINATION

17.1 Termination Events. This Agreement may, by notice given prior to or at the Closing, be terminated:

(a)(i) by USX RTI Holdings or Kobe RTI Holdings if satisfaction of any condition in Sections 12 or 13 is or becomes impossible (other than through the failure of any USX/Kobe Party to comply with its obligations under this Agreement) and USS/Kobe has not waived such condition, (ii) by BarTech if satisfaction of any condition in Sections 12 or 14 is or becomes impossible (other than through the failure of BarTech or any Republic Party to comply with its obligations under this Agreement) and BarTech has not waived such condition or (iii) by RES Holding if satisfaction of any condition in Sections 12 or 15 is or becomes impossible (other than through the failure of BarTech or any Republic Party to comply with its obligations under this Agreement) and RES Holding has not waived such condition;

(b) by mutual consent of USS/Kobe, BarTech and RES Holding; or

(c) by USS/Kobe if the Closing has not occurred on or before January 31, 2000, or such later date to which USS/Kobe may agree (other than through the failure of any USX/Kobe Party to comply with its obligations under this Agreement), (ii) by BarTech if the Closing has not occurred on or before January 31, 2000, or such later date to which BarTech may agree (other than through the failure of BarTech or any Republic Party to comply with its obligations under this Agreement) or (iii) by RES Holding if the Closing has not occurred on or before January 31, 2000, or such later date to which RES Holding may agree (other than through the failure of BarTech or any Republic Party to comply with its obligations under this Agreement).

17.2 Termination Events. This Each of USS/Kobe's, BarTech's and Republic's right of termination under Section 17.1 is in addition to any other rights it and its related parties may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 17.1, all further obligations of the parties under this Agreement will terminate, except that this Section 17 and Sections 10.6 (confidentiality) and 19.1 (expenses) will survive; provided, however, that if this Agreement is terminated because of the willful breach of this Agreement by a party hereto, the other parties' rights to pursue all legal remedies will survive such termination unimpaired.

SECTION 18

INDEMNIFICATION; REMEDIES

18.1 Representations; Survival. Except for the express representations and warranties contained herein and in any certificate delivered pursuant hereto, none of the parties to this Agreement are making any representation or warranty whatsoever in connection with the Contemplated Transactions, express or implied, including but not limited to any implied warranty or representation as to condition, merchantability or suitability, as to any of their properties or assets. It is understood that, except as otherwise specified in this Agreement

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(including the schedules and exhibits hereto) and except to the extent included within or incorporated into the Disclosure Letter, any cost estimates, projections or other predictions, any data, any financial information or any memoranda or offering materials or presentations provided or addressed to any party to this Agreement or to any other Person are not and will not be deemed to be or to include representations or warranties of any party to this Agreement. All representations and warranties in this Agreement and any certificate delivered pursuant hereto will terminate (i) twenty four months after the Closing, in the case of those representations and warranties contained in Sections 6.8, 6.14, 7.8, 7.14, 8.8 and 8.14 (and related statements in certificates delivered pursuant hereto), and (ii) twelve months after the Closing, in the case of all other representations and warranties contained in this Agreement (and related statements in certificates delivered pursuant hereto), provided in each case that such termination will not affect any written claim as to which notification has been provided to the other parties prior to the date of such termination describing in reasonable detail an alleged breach of a representation and warranty on the basis of identified facts and circumstances. All covenants and other obligations contained in this Agreement and the other Transaction Documents not fully performed prior to the Closing will survive the Closing indefinitely until fully performed (unless an earlier termination date is expressly provided in such covenant).

18.2 Indemnification With Respect to Breaches by the USX/Kobe Parties. Notwithstanding any investigation by BarTech, its Representatives, the Republic Parties or their Representatives, from and after the Closing, USX RTI Holdings and Kobe RTI Holdings hereby agree to indemnify, defend and hold harmless (as provided herein) BarTech for any loss, liability, claim, damage, expense (including costs of investigation and defense, reasonable attorneys' fees and any expenses relating to the valuation, issuance or cancellation of equity in connection with indemnification obligations) or diminution of value, whether or not involving a third-party claim (collectively, "Damages") suffered by BarTech, its Representatives, the Republic Parties' Representatives and their respective equity owners, controlling persons and Affiliates (with USX RTI Holdings responsible for all Damages relating to breaches of its individual covenants and representations and warranties contained in Section 6.2 regarding itself and its Affiliates (other than USS/Kobe and its Subsidiaries) and for one half of all other Damages indemnifiable pursuant to this Section 18.2, and Kobe RTI Holdings responsible for all Damages relating to

breaches of its individual covenants and representations and warranties contained in Section 6.2 regarding itself and its Affiliates (other than USS/Kobe and its Subsidiaries) and for one half of all other Damages indemnifiable pursuant to this Section 18.2) arising, directly or indirectly, from or in connection with:

(a) any breach of any representation or warranty made by USX RTI Holdings or Kobe RTI Holdings in this Agreement (or any allegation by a third party that, if true, would constitute such a breach); provided, however, that neither USX RTI Holdings nor Kobe RTI Holdings will be obligated to indemnify BarTech under this Section 18.2(a) with respect to any breach of a representation or warranty to the extent there was BarTech Knowledge or Republic Parties' Knowledge of such breach prior to the Closing; and provided, further, that no indemnification will be made under this Section 18.2(a) to the extent indemnification in respect of the same Damages is payable under Section 18.6 (and in such event, indemnification in respect of such Damages will be made under Section 18.6); or

(b) any breach by any USX/Kobe Party of any covenant or obligation of such Person in this Agreement.

18.3 Indemnification With Respect to Breaches by the BV Parties, BarTech and the Republic Parties. Notwithstanding any investigation by the USX/Kobe Parties or their Representatives, from and after the Closing, BarTech hereby agrees to indemnify, defend and hold harmless (as provided herein) USX RTI Holdings and Kobe RTI Holdings for any Damages suffered by USX RTI Holdings, Kobe RTI Holdings and their respective Representatives, equity owners, controlling persons and Affiliates arising, directly or indirectly, from or in connection with:

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(a) any breach of any representation or warranty made by BarTech or any Republic Party in this Agreement (or any allegation by a third party that, if true, would constitute such a breach); provided, however, that BarTech will not be obligated to indemnify USX RTI Holdings or Kobe RTI Holdings under this Section 18.3(a) with respect to any breach of a representation or warranty to the extent there was USX/Kobe Parties' Knowledge of such breach prior to the Closing; or

(b) any breach by BarTech, any of the BV Parties or any Republic Party of any covenant or obligation of such Person in this Agreement.

18.4 [intentionally omitted]

18.5 Indemnification With Respect to USS/Kobe Tubular Liabilities, USS/Kobe Bar Liabilities and BarTech and Republic Liabilities.

(a) Notwithstanding any investigation by BarTech, its Representatives, the Republic Parties or their Representatives, from and after the Closing, NewTube and, solely to the extent that NewTube does not meet such obligations in cash, each of USX RTI Holdings (with respect to one half of any such Damages) and Kobe RTI Holdings (with respect to one half of any such Damages) (as provided in Section 18.11), hereby agrees to indemnify, defend and hold BarTech and its Subsidiaries (including without limitation RTI Holdings and RTI Opco) harmless from any Damages (including without limitation Taxes) to the extent arising, directly or indirectly, from or in connection with USS/Kobe Tubular Liabilities.

(b) Notwithstanding any investigation by the USX/Kobe Parties or their Representatives, from and after the Closing, RTI Opco and, solely to the extent that RTI Opco does not meet such obligations in cash, BarTech (as provided in Section 18.11), hereby agrees to indemnify, defend and hold USX, Kobe and their respective Subsidiaries (including without limitation NewTube) harmless from any Damages (including without limitation Taxes) to the extent arising, directly or indirectly, from or in connection with USS/Kobe Bar Liabilities.

(c) Notwithstanding any investigation by the USX/Kobe Parties, their Representatives, BarTech, its Representatives, the Republic Parties or their Representatives, BarTech will cause RTI Opco, from and after the Closing, to indemnify, defend and hold BarTech and its Subsidiaries (other than RTI Opco and its Subsidiaries) harmless from, and to pay to BarTech and its Subsidiaries (other than RTI Opco and its Subsidiaries) the amount of, any Damages (including without limitation Taxes) to the extent arising, directly or indirectly, from or in connection with BarTech and Republic Liabilities.

18.6 Indemnification with respect to Taxes and Unrelated Liabilities of USX Holdings, USX RTI Holdings, Kobe Holdings and Kobe RTI Holdings. From and after the Closing, (a) USX will indemnify, defend and hold harmless BarTech and its Subsidiaries from, and will pay to BarTech and its Subsidiaries the amount of, any Damages arising directly or indirectly from or in connection with (i) any and all Taxes of any Person (other than USX Holdings) by reason of the liability of USX Holdings pursuant to Treasury Regulation Section 1.1502-6(a) (or any analogous or similar state, local or foreign law or regulation), as a transferee or successor, by contract or otherwise, (ii) any Taxes of USX Holdings arising as a result of the Contemplated Transactions (other than transfer Taxes, which will be borne by RTI Opco pursuant to Section 19.1) or (iii) any activities engaged in, assets owned or liabilities incurred by USX Holdings prior to the Closing other than activities, assets and liabilities incidental to acting as a general partner of USS/Kobe, and any assets owned (other than RTI Holdings Units and Common Stock) or liabilities incurred (including without limitation the indebtedness set forth in

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Section 6.1(d) of the Disclosure Letter) by USX RTI Holdings prior to, on or following the Closing Date, and (b) Kobe will cause Kobe Steel USA Holdings, Inc. to indemnify, defend and hold harmless BarTech and its Subsidiaries from, and to pay to BarTech and its Subsidiaries the amount of, any Damages arising directly or indirectly from or in connection with (i) any and all Taxes of any Person (other than Kobe Holdings) by reason of the liability of Kobe Holdings pursuant to Treasury Regulation Section 1.1502-6(a) (or any analogous or similar state, local or foreign law or regulation), as a transferee or successor, by contract or otherwise, (ii) any Taxes of Kobe Holdings arising as a result of the Contemplated Transactions (other than transfer Taxes, which will be borne by RTI Opco pursuant to Section 19.1) or (iii) any activities engaged in, assets owned or liabilities incurred by Kobe Holdings prior to the Closing other than activities, assets and liabilities incidental to acting as a general partner of USS/Kobe, and any assets owned (other than RTI Holdings Units and Common Stock) or liabilities incurred (including without limitation the indebtedness set forth in Section 6.1(d) of the Disclosure Letter) by Kobe RTI Holdings prior to, on or following the Closing Date.

18.7 Minimum Damage Requirement. USX RTI Holdings will not have liability under Section 18.2(a) with respect to breaches of the representations and warranties contained in Section 6.2 unless the aggregate Damages subject to its indemnification obligations under Section 18.2(a) exceed $5 million, in which case USX RTI Holdings will only be liable thereunder for Damages in excess of $5 million. Kobe RTI Holdings will not have liability under Section 18.2(a) with respect to breaches of the representations and warranties contained in Section 6.2 unless the aggregate Damages subject to its indemnification obligations under Section 18.2(a) exceed $5 million , in which case Kobe RTI Holdings will only be liable thereunder for Damages in excess of $5 million. Neither USX RTI Holdings nor Kobe RTI Holdings will have liability under Section 18.2(a) with respect to breaches of any representations and warranties other than those contained in Section 6.2 unless the aggregate Damages subject to their collective indemnification obligations under Section 18.2(a) exceed $10 million, in which case they will only be liable thereunder for Damages in excess of $10 million. BarTech will have no liability under Section 18.3(a) unless the aggregate Damages subject to its indemnification obligations under Section 18.3(a) exceed $10 million, in which case BarTech will only be liable thereunder for Damages in excess of $10 million .

18.8 Procedure for Indemnification - Third Party Claims.

(a) Promptly after receipt by an Indemnified Person of notice of the commencement of any Proceeding, if such Indemnified Person would reasonably be expected to be entitled to indemnification under this Section 18 in connection with such Proceeding (or promptly following any determination to such effect, if later than the commencement of the related Proceeding), such Indemnified Person will, if a claim is to be made against an indemnifying party under such section, give written notice to the indemnifying party of the commencement of such claim, but the failure to notify the indemnifying party will not relieve the indemnifying party of any liability that it may have to any Indemnified Person, except to the extent that the indemnifying party demonstrates

that the defense of such action is prejudiced by the Indemnifying Person's failure to give such notice.

(b) If notice is given to an indemnifying party pursuant to Section 18.8(a), the indemnifying party may, if it so elects (unless (i) the indemnifying party is also a party to such Proceeding and the Indemnified Person determines in good faith that joint representation would be inappropriate, or (ii) the indemnifying party fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), assume the defense of such Proceeding with counsel reasonably satisfactory to the Indemnified Person and to RTI Opco, as applicable, and, after written notice from the indemnifying party to the Indemnified Person and to RTI Opco, as applicable, of its election to assume the defense of such Proceeding, the indemnifying party will not, as long as it diligently conducts such defense, be liable to the Indemnified Person or to RTI Opco, if applicable, under

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this Section 18 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the Indemnified Person or RTI Opco, as the case may be, in connection with the defense of such Proceeding, other than reasonable costs of investigation. If the indemnifying party assumes the defense of a Proceeding in accordance with the preceding sentence, no compromise or settlement of such claims may be effected by the indemnifying party without the Indemnified Person's and RTI Opco's consent (which consent will not be unreasonably withheld or delayed) unless (i) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the Indemnified Person, and (ii) the sole relief provided is monetary damages that are paid in full by the indemnifying party. If written notice is given to an indemnifying party of the commencement of any Proceeding and the indemnifying party does not, within 20 days after the Indemnified Person's notice is given, give notice to the Indemnified Person and to RTI Opco, as applicable, of its election to assume the defense of such Proceeding, the indemnifying party will be bound by any determination made in such Proceeding or any compromise or settlement reasonably effected by the Indemnified Person.

(c) Notwithstanding the foregoing, if an Indemnified Person or RTI Opco determines in good faith that there is a reasonable probability that a Proceeding may adversely affect it or its Affiliates other than as a result of monetary damages for which (in the case of an Indemnified Person) it would be entitled to indemnification under this Agreement, the Indemnified Person or RTI Opco may, by written notice to the indemnifying party, assume the exclusive right to defend, compromise, or settle such Proceeding at such Indemnified Person's cost and expense, but the indemnifying party will not be bound by any compromise or settlement effected without its consent (which consent will not be unreasonably withheld or delayed).

18.9 Procedure for Indemnification - Other Claims. A claim for indemnification for any matter not involving a third-party claim may be asserted by written notice to the party from whom indemnification is sought.

18.10 Exclusive Remedy; Specific Performance.

(a) The parties acknowledge and agree that, from and after the Closing, the indemnification and enforcement rights provided in this Section 18 will be the sole and exclusive remedy available to the parties for any claim or cause of action arising out of or in respect of any breach of this Agreement (but not any of the other Transaction Documents), other than any claim or cause of action based upon fraud.

(b) The parties acknowledge and agree that, from and after the Closing, a violation of any of the covenants or agreements contained in this Agreement which survive the Closing will cause the parties irreparable injury for which adequate remedy at law is not available. Accordingly, it is agreed that each party will be entitled to an injunction, restraining order or other equitable relief to prevent breaches of such covenants and agreements and to enforce specifically the terms and provisions thereof in any court of competent jurisdiction, in addition to any other remedy to which it may be entitled at law or in equity.

18.11 Payment in RTI Holdings Common Units or RTI Common Stock.

(a) With respect to (i) any Damages subject to indemnification by (A) USX RTI Holdings and/or Kobe RTI Holdings under Section 18.2, or (B) NewTube under Section 18.5(a), solely to the extent that NewTube does not meet such obligations in cash, each of USX and Kobe will satisfy such indemnification obligations solely (subject to the proviso contained in Section 18.11(e)) through a reduction in their respective direct and indirect ownership percentages in RTI Holdings and/or BarTech, as applicable, or (ii) any Damages subject to indemnification by (A) BarTech under Section 18.3, or (B) RTI Opco under Section 18.5(b), solely to the extent that RTI Opco does not meet such obligations in cash, BarTech will satisfy such indemnification

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obligations solely (subject to the proviso contained in Section 18.11(e)) through an increase in the respective ownership percentages of USX and Kobe in RTI Holdings and/or BarTech, as applicable, in each case as described in Sections 18.11(b) and 18.11(c) below.

(b) In the event that any indemnification payment described in Section 18.11(a) is to be made (i) prior to the occurrence of a USX Exchange Event (as defined in the Equityholders Agreement) (A) by USX RTI Holdings, USX will satisfy such indemnification obligation solely through a cancellation of RTI Holdings Common Units held by it and its Subsidiaries, or (B) to USX RTI Holdings, BarTech will satisfy such indemnification obligation solely through an issuance to USX RTI Holdings of additional RTI Holdings Common Units, and/or (ii) prior to the occurrence of a Kobe Exchange Event (as defined in the Equityholders Agreement) (A) by Kobe RTI Holdings, Kobe will

satisfy such indemnification obligation solely through a cancellation of RTI Holdings Common Units held by it and its Subsidiaries, or (B) to Kobe RTI Holdings, BarTech will satisfy such indemnification obligation solely through an issuance to Kobe RTI Holdings of additional RTI Holdings Common Units, in each case in accordance with the following formula; provided, however, that, in the event calculations are to be made hereunder with respect to indemnification payments by both USX RTI Holdings and Kobe RTI Holdings relating to the same indemnifiable event, all such calculations will be deemed to be made simultaneously hereunder and each such holder's Old Unit % will be determined as of prior to any such calculations and New Unit % will be determined as of following all such calculations:

$$\frac{\text{Held Unit Value} - \text{Damages}}{\text{Held Unit Value}} \times \text{Old Unit \%} = \text{New Unit \%}$$

Where:

Held Unit Value	=	The fair market value of the RTI Holdings Units (determined pursuant to Section 18.11(d) below) held by (i) USX and its Subsidiaries if USX RTI Holdings is making such indemnification payment, (ii) Kobe and its Subsidiaries if Kobe RTI Holdings is making such indemnification payment or (iii) BarTech and its Subsidiaries if BarTech is making such indemnification payment, at the time of such indemnification payment (i.e., taking into account any diminution in the value of RTI Holdings Units resulting from the matter giving rise to the indemnification claim);
Damages	=	The Damages to be indemnified by USX RTI Holdings, Kobe RTI Holdings or BarTech, as applicable;
Old Unit %	=	The percentage interest in outstanding RTI Holdings Units represented by the RTI Holdings Units held by (i) USX and its Subsidiaries if USX RTI Holdings is making such indemnification payment, (ii) Kobe and its Subsidiaries if Kobe RTI Holdings is making such indemnification payment or (iii) BarTech and its Subsidiaries if BarTech is making such indemnification payment, immediately before giving effect to such issuance or cancellation of RTI Holdings Common Units, as applicable; and
New Unit %	=	The percentage interest in RTI Holdings Units represented by the RTI Holdings Units held by (i) USX and its

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Subsidiaries if USX RTI Holdings is making such indemnification payment, (ii) Kobe and its Subsidiaries if Kobe RTI Holdings is making such indemnification payment or (iii) BarTech and its Subsidiaries if BarTech is making such indemnification payment, immediately after giving effect to such issuance or cancellation of RTI Holdings Common Units, as applicable.

(c) In the event that any indemnification payment described in Section 18.11(a) is to be made (i) following the occurrence of a USX Exchange Event (as defined in the Equityholders Agreement) (A) by USX RTI Holdings, USX will satisfy such indemnification obligation solely through a cancellation of shares of Common Stock held by it and its Subsidiaries, or (B) to USX RTI Holdings, BarTech will satisfy such indemnification obligation solely through an issuance to USX RTI Holdings of additional shares of Common Stock, and/or (ii) prior to the occurrence of a Kobe Exchange Event (as defined in the Equityholders Agreement) (A) by Kobe RTI Holdings, Kobe will satisfy such indemnification obligation solely through a cancellation of shares of Common Stock held by it and its Subsidiaries, or (B) to Kobe RTI Holdings, BarTech will satisfy such indemnification obligation solely through an issuance to Kobe RTI Holdings of additional shares of Common Stock, in each case in accordance with the following formula; provided, however, that, in the event calculations are to be made hereunder with respect to indemnification payments by both USX RTI Holdings and Kobe RTI Holdings relating to the same indemnifiable event, all such calculations will be deemed to be made simultaneously hereunder and each such holder's Old Stock % will be determined as of prior to any such calculations and New Stock % will be determined as of following all such calculations:

$$\frac{\text{Held Stock Value} - \text{Damages}}{\text{Held Stock Value}} \times \text{Old Stock \%} = \text{New Stock \%}$$

Where:

Held Stock Value = The fair market value (determined pursuant to Section 18.11(d) below) of (i) the Common Stock held by USX and its Subsidiaries if USX RTI Holdings is making such indemnification payment, (ii) the Common Stock held by Kobe and its Subsidiaries if Kobe RTI Holdings is making such indemnification payment or (iii) all of the Common Stock then issued and outstanding other than Common Stock held by the recipient of such indemnification payment and its Subsidiaries if BarTech is making such indemnification payment, at the time of such

indemnification payment (i.e., taking into account any diminution in the value of Common Stock resulting from the matter giving rise to the indemnification claim);

Damages = The Damages to be indemnified by USX RTI Holdings, Kobe RTI Holdings or BarTech, as applicable;

Old Stock % = The percentage interest in BarTech on a fully diluted basis (as calculated for purposes of

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the Equityholders Agreement) represented by the Common Stock held by (i) USX and its Subsidiaries if USX RTI Holdings is making such indemnification payment, (ii) Kobe and its Subsidiaries if Kobe RTI Holdings is making such indemnification payment or (iii) all holders of Common Stock then issued and outstanding other than the recipient of such indemnification payment and its Subsidiaries if BarTech is making such indemnification payment, immediately before giving effect to such issuance or cancellation of Common Stock, as applicable; and

New Stock % = The percentage interest in BarTech on a fully diluted basis (as calculated for purposes of the Equityholders Agreement) represented by the Common Stock held by (i) USX and its Subsidiaries if USX RTI Holdings is making such indemnification payment, (ii) Kobe and its Subsidiaries if Kobe RTI Holdings is making such indemnification payment or (iii) all holders of Common Stock then issued and outstanding other than the recipient of such indemnification payment and its Subsidiaries if BarTech is making such indemnification payment, immediately after giving effect to such issuance or cancellation of Common Stock, as applicable.

(d) For purposes of determining Held Unit Value under Section 18.11(b) or Held Stock Value under Section 18.11(c), the fair market value of RTI Holdings Units will be based upon the total equity value of RTI Holdings (without attributing any control premium to RTI Holdings Units held by BarTech) and the fair market value of Common Stock will be based upon the total equity value of BarTech (without contributing any control premium to Common Stock held by majority stockholders), as applicable, and in each case will be determined by the agreement of BarTech, USX RTI Holdings and Kobe RTI Holdings (provided that any of them will have rights or obligations under this Section 18.11 only if it is subject to any indemnification obligations or entitlements under this Agreement with respect to such Damages), or failing such agreement within 10 days

following the commencement of negotiations with respect thereto, by appraisal as follows:

(i) if BarTech, USX and Kobe can agree on a single nationally recognized independent investment banking firm (a "Valuer") to act as appraiser within five days after the end of such 10-day period, such Valuer will determine the Held Unit Value of the applicable RTI Holdings Units for purposes of Section 18.11(b) and/or the Held Stock Value of the applicable Common Stock for purposes of Section 18.11(c), as applicable;

(ii) if BarTech, USX RTI Holdings and Kobe RTI Holdings cannot agree on a single Valuer within five days after the end of such 10-day period, then within an additional five-day period, BarTech will select a Valuer and USX RTI Holdings and Kobe RTI Holdings together will select a second Valuer (together with the other Valuer, the "Valuers"), each of which will determine the Held Unit Value of the applicable RTI Holdings Units and/or the Held Stock Value of the applicable Common Stock, as applicable. If the valuations of such two Valuers differ by an amount which is twenty percent (20%) or less of the higher valuation, the Held Unit Value of the applicable RTI Holdings Units and/or the Held Stock Value of the applicable Common Stock, as applicable, will be calculated by averaging the independent valuations of such two Valuers; provided, however, that if the difference between

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such Valuers' valuations exceeds twenty percent (20%) of the higher valuation, the two Valuers will select a third Valuer, which Valuer will make its own independent valuation and will choose the valuation performed by the first two Valuers which most closely reflects its own independent valuation, and the valuation so selected will be deemed to constitute Held Units Value of the applicable RTI Holdings Units and/or the Held Stock value of the applicable Common Stock, as applicable; and further provided that if the two Valuers cannot agree on the selection of the third Valuer, the selection of such Valuer will be submitted to final and binding arbitration in New York, New York pursuant to the commercial arbitration rules of the American Arbitration Association;

(iii) if a single Valuer is used, BarTech will bear one half of the costs of such appraisal and USX and Kobe together will bear one half of such costs; if two appraisers are used, BarTech will bear the costs of the appraiser it selects and USX and Kobe will bear the costs of the appraiser they jointly select; and if the third Valuer is used, BarTech will bear half of the costs of such Valuer and USX and Kobe will equally bear one half of such costs; and

(iv) the parties hereto will cooperate in good faith with the Valuer(s) and provide the Valuer(s) with reasonable access to information in connection with the determination of Held Unit Value and/or Held Stock Value, as

applicable, and the appraiser(s) will be instructed to render written valuation(s) as promptly as practicable (but in any event within 30 days of selection).

(e) The parties hereto agree to cause RTI Holdings and BarTech to effect such issuances and cancellations of RTI Holdings Common Units and/or Common Stock as are required pursuant to this Section 18.11. Upon (i) the cancellation of all of the RTI Holdings Common Units and shares of Common Stock owned by USX and its Subsidiaries (including any shares of Common Stock obtainable upon exercise of options, warrants or other rights), USX RTI Holdings will have no further indemnification obligations under Section 18.2 or 18.5(a) (notwithstanding the fact that Damages otherwise indemnifiable by USX RTI Holdings thereunder may have exceeded the total fair market value of such canceled RTI Holdings Units and Common Stock), (ii) the cancellation of all of the RTI Holdings Common Units and shares of Common Stock owned by Kobe and its Subsidiaries (including any shares of Common Stock obtainable upon exercise of options, warrants or other rights), Kobe RTI Holdings will have no further indemnification obligations under Section 18.2 or 18.5(a) (notwithstanding the fact that Damages otherwise indemnifiable by Kobe RTI Holdings thereunder may have exceeded the total fair market value of such canceled RTI Holdings Common Units and Common Stock), or (iii) the issuance to USX RTI Holdings and/or Kobe RTI Holdings (A) by RTI Holdings of that number of RTI Holdings Common Units such that the remaining RTI Holdings Common Units owned by BarTech and its Subsidiaries are of de minimis value, or (B) by BarTech of that number of shares of Common Stock such that the remaining shares of Common Stock owned by Persons other than USX, Kobe and their respective Subsidiaries are of de minimis value, BarTech will have no further indemnification obligations under Section 18.3 or 18.5(b) (notwithstanding the fact that Damages otherwise indemnifiable by BarTech thereunder may have exceeded the total fair market value of such issued RTI Holdings Common Units and Common Stock); provided, however, that, in the event that, prior to the time of satisfaction of an indemnification obligation of USX RTI Holdings or Kobe RTI Holdings under Section 18.2 or Section 18.5(a) or of BarTech under Section 18.3 or 18.5(b), USX and its Subsidiaries, Kobe and its Subsidiaries or BarTech and its Subsidiaries, as applicable, have sold for value any RTI Holdings Units in a transaction in which the other owners of RTI Holdings Units did not all participate on a pro rata basis and in which the transferee did not expressly assume in writing in a form reasonably acceptable to RTI Opco all of the indemnification obligations of the

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transferor relating to the RTI Holdings Units sold, USX, Kobe or BarTech, as applicable, will indemnify RTI Opco in cash for the amount of such indemnification obligation that exceeds the fair market value of the remaining RTI Holdings Units owned by such party and its Subsidiaries (up to a maximum of the value previously received by such party and its Subsidiaries upon such sale of RTI Holdings Units for value).

SECTION 19

GENERAL PROVISIONS

19.1 Expenses.

(a) If this Agreement is not terminated pursuant to Section 17 and the Closing occurs, except to the extent otherwise expressly provided in this Agreement, RTI Opco will bear all fees, transfer taxes or related fees and out-of-pocket expenses incurred by the parties hereto and their Affiliates in connection with the preparation, execution, and performance of this Agreement and the other Transaction Documents and the consummation of the Contemplated Transactions (other than those Taxes described in Section 18.6, and other than any such expenses relating to the formation of NewTube, which will be USS/Kobe Tubular Liabilities). The parties will be entitled to reimbursement from RTI Opco, dollar for dollar, for all fees, transfer taxes or related fees, and out-of-pocket expenses incurred and paid by them which are otherwise payable by RTI Opco pursuant to the preceding sentence.

(b) If this Agreement is terminated pursuant to Section 17, then:

(i) except as otherwise provided in Section 19.1(b)(ii), each party will bear all of its own fees and expenses and those of its Affiliates incurred in connection with the preparation, execution, and performance of this Agreement and the other Transaction Documents and the consummation of the Contemplated Transactions; and

(ii) USS/Kobe on the one hand, and BarTech and RES Holding together on the other hand, each will bear one half of the aggregate fees and out-of-pocket expenses incurred by the parties and their Affiliates in connection with filings made under the HSR Act in connection with the Contemplated Transactions (including fees and out-of-pocket expenses incurred in the preparation of such filings), and USS/Kobe or BarTech and RES Holding, as applicable, promptly will reimburse each other to the extent necessary to result in such allocation of such fees and expenses.

19.2 Public Announcements. So long as this Agreement is in effect, no press releases or other public disclosures or announcements, either written or oral, regarding this Agreement or the Contemplated Transactions will be made by a party to this Agreement or its Representatives without the prior written consent of USS/Kobe, BarTech and RES Holding, except as is otherwise required by Legal Requirements (and then only after providing the other parties hereto with advance notice of such disclosure and an opportunity to comment thereon).

19.3 Notices. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by

hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), or (c) when received by the addressee, if sent

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by a nationally recognized overnight delivery service, in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate by notice to the other parties):

If to BarTech or Blackstone:	with a copy to:
Bar Technologies Inc. 3770 Embassy Parkway Akron, Ohio 44333-8367	Simpson Thacher & Bartlett 425 Lexington Avenue New York, New York 10017
Attention: Thomas N. Tyrrell Telecopy: (330) 670-3020 E-mail: ttyrrell@republictech.com	Attention: Wilson S. Neely Telecopy: (212) 455-2502 E-mail: w_neely@stblaw.com
and	
The Blackstone Group 345 Park Avenue New York, New York 10154	
Attention: Robert L. Friedman Telecopy: (212) 583-5704 E-mail: friedmar@tbglp.com	

If to any Republic Party:	with a copy to:
Republic Engineered Steels, Inc. 3770 Embassy Parkway Akron, Ohio 44333-8367	Simpson Thacher & Bartlett 425 Lexington Avenue New York, New York 10017
Attention: Thomas N. Tyrrell Telecopy: (330) 670-3020 E-mail: ttyrrell@republictech.com	Attention: Wilson S. Neely Telecopy: (212) 455-2502 E-mail: w_neely@stblaw.com
and	
The Blackstone Group 345 Park Avenue New York, New York 10154	
Attention: Robert L. Friedman Telecopy: (212) 583-5704 E-mail: friedmar@tbglp.com	

If to Kobe:	with a copy to:
Kobe Steel, Ltd. 10-26 Wakinohamacho 2-Chome Chuo-Ku, Kobe City, Hyugo 651-0072	Cleary, Gottlieb, Steen & Hamilton One Liberty Plaza New York, New York 10006
Attention: Shinsuke Asai Telecopy: 011-81-78-261-5444 E-mail: aa14069@steel.kobelco.co.jp	Attention: Jeffrey Lewis Telecopy: (212) 225-3999 E-mail: jlewis@cgsh.com

If to USX:	with a copy to:
USX Corporation 600 Grant Street Pittsburgh, Pennsylvania 15219-4776	USX Corporation 600 Grant Street Pittsburgh, Pennsylvania 15219-4776
Attention: A.E. Ferrara, Jr.	Attention: R.M. Stanton

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Telecopy: (412) 433-1174 | Telecopy: (412) 433-2811
E-mail: aeferrara@uss.com | E-mail: rmstanton@uss.com

If to USS/Kobe:

USS/Kobe Steel Company
1807 East 28th Street
Lorain, Ohio 44055

Attention:
Telecopy:
E-mail:

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

Attention: Jeffrey Lewis
Telecopy: (212) 225-3999
E-mail: jlewis@cgsh.com

and

USX Corporation
600 Grant Street
Pittsburgh, Pennsylvania 15219-4776

Attention: R.M. Stanton
Telecopy: (412) 433-2811
E-mail: rmstanton@uss.com

If to Veritas:

The Veritas Capital Fund, L.P.
660 Madison Avenue
New York, New York 10021

Attention: Robert B. McKeon
Telecopy: (212) 688-9411

with a copy to:

Whitman, Breed, Abbott & Morgan
200 Park Avenue
New York, New York 10166

Attention: Benjamin Polk
Telecopy: (212) 351-3131
E-mail: bpolk@wbam.com

19.4 Further Assurances. The parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

19.5 Stockholder Consent. (a) The parties hereto that are or at the Closing will become stockholders of BarTech, being the holders of a majority of the outstanding stock of BarTech entitled to vote thereon, hereby consent to and approve, without prior notice and without a vote, pursuant to Section 228(a) of the Delaware General Corporation Law, each of the actions taken or to be taken by BarTech or any of its Subsidiaries in connection with the consummation of the Contemplated Transactions which are or may be subject to stockholder approval, including without limitation each of the actions expressly contemplated by this Agreement or the Equityholders Agreement to be taken by BarTech or any of its Subsidiaries

(including without limitation the amendment and restatement of BarTech's certificate of incorporation in the form attached as an exhibit to the Equityholders Agreement).

(b) The parties hereto that are stockholders of RES Holding, being the holders of a majority of the outstanding stock of RES Holding entitled to vote thereon, hereby consent to and approve, without prior notice and without a vote, pursuant to Section 228(a) of the Delaware General Corporation Law, each of the actions taken or to be taken by RES Holding or any of its Subsidiaries in connection with the consummation of the Contemplated Transactions which are or may be subject to stockholder approval, including without limitation each of

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the actions expressly contemplated by this Agreement or the Equityholders Agreement.

19.6 Waiver. The rights and remedies of the parties to this Agreement and the other Transaction Documents are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or the other Transaction Documents will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, except as otherwise expressly provided in this Agreement or another Transaction Document, as applicable, (a) no claim or right arising out of this Agreement or the other Transaction Documents can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in a writing signed by the other parties; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the other Transaction Documents.

19.7 Entire Agreement and Modification. This Agreement and the other Transaction Documents supersede all prior agreements between the parties with respect to their subject matter (other than the confidentiality agreement, dated as of March 8, 1999, between Blackstone Management Partners III, L.L.C. and USS/Kobe) and constitute a complete and exclusive statement of the terms of the agreement between the parties with respect to their subject matter. This Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment.

19.8 Assignments, Successors and No Third Party Rights. No party may assign any of its rights under this Agreement without the prior consent of BarTech, RES Holding and USS/Kobe. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its

provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

19.9 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

19.10 Section Headings, Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms. This Agreement and each of the other Transaction Documents has been negotiated by the parties and their respective legal counsel, and legal or other equitable principles that might require the construction of this Agreement or any other Transaction Document or any provision of this Agreement or any other Transaction Document against the party drafting this Agreement or such other Transaction Document will not apply in any construction or interpretation of this Agreement or such other Transaction Document.

19.11 Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK.

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19.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

BAR TECHNOLOGIES INC.

By: /s/ John B. George

Name: John B. George
Title: Vice President of Finance, Treasurer and Secretary

RES HOLDING CORPORATION

By: /s/ David S. Blitzer

Name: David S. Blitzer
Title: Secretary

REPUBLIC ENGINEERED STEELS, INC.

By: /s/ John B. George

Name: John B. George
Title: Vice President of Finance, Treasurer and Secretary

BLACKSTONE CAPITAL PARTNERS II MERCHANT BANKING FUND L.P.

By: Blackstone Management Associates II L.L.C., as general partner

By: /s/ David A. Stockman

Name: David A. Stockman
Title: Member

BLACKSTONE OFFSHORE CAPITAL PARTNERS II L.P.

By: Blackstone Management Associates II L.L.C., as general partner

By: /s/ David A. Stockman

Name: David A. Stockman
Title: Member

BLACKSTONE FAMILY INVESTMENT PARTNERSHIP II L.P.

By: Blackstone Management Associates II L.L.C., as general partner

By: /s/ David A. Stockman

Name: David A. Stockman
Title: Member

THE VERITAS CAPITAL FUND, L.P.

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By: Veritas Capital Management, L.L.C., as general partner

By: /s/ Robert B. McKeon

Name: Robert B. McKeon
Title: Member

HVR HOLDINGS, L.L.C.

By: /s/ Andrew H. McQuarrie

Name: Andrew H. McQuarrie
Title: Vice President

USX CORPORATION

By: /s/ A.E. Ferrara, Jr.

Name: A.E. Ferrara, Jr.
Title: Vice President - Strategic Planning

KOBE STEEL, LTD.

By: /s/ Susumu Okushima

Name: Susumu Okushima
Title:

KOBE DELAWARE INC.

By: /s/ Nobuyuki Kurosu

Name: Nobuyuki Kurosu
Title: Secretary

USS LORAIN HOLDING COMPANY, INC.

By: /s/ R.M. Stanton

Name: R.M. Stanton
Title: Vice President

USX RTI HOLDINGS, INC.

By: /s/ R.M. Stanton

Name: R.M. Stanton
Title: Vice President

KOBE/LORAIN INC.

By: /s/ Susumu Okushima

Name: Susumu Okushima
Title: President

KOBE RTI HOLDINGS, INC.

By: /s/ Susumu Okushima

Name: Susumu Okushima
Title:

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USS/KOBE STEEL COMPANY

By: /s/ George F. Babcoke

Name: George F. Babcoke
Title: President

LORAIN TUBULAR COMPANY, L.L.C.

By: /s/ Gary F. Gajdzik

Name: Gary F. Gajdzik
Title: President

REPUBLIC TECHNOLOGIES INTERNATIONAL HOLDINGS, L.L.C.

By: /s/ John B. George

Name: John B. George
Title: Vice President of Finance,

Treasurer and Secretary

REPUBLIC TECHNOLOGIES INTERNATIONAL, L.L.C.

By: /s/ John B. George

Name: John B. George
Title: Vice President of Finance,
Treasurer and Secretary

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EXHIBIT 99.1

CERTAIN DISCLOSURES RELATING TO THE COMBINATION

Unless otherwise indicated or the context otherwise requires, the following names and expressions are used herein as set forth below:

- "Republic" refers to Republic Engineered Steels, Inc. and its subsidiaries prior to the combination of Republic, BarTech and USS/Kobe to form Republic Technologies, which is referred to herein as the "Combination";
- "BarTech" refers to Bar Technologies Inc. and its subsidiaries prior to the Combination;
- "USS/Kobe" refers to the special bar quality production facilities and related operations of USS/Kobe Steel Company, a 50/50 joint venture between a subsidiary of USX Corporation and a U.S. subsidiary of Kobe Steel, Ltd., prior to the Combination;
- "Republic Technologies," "we," "us" or "our" refer to Republic Technologies International, LLC and its subsidiaries after the Combination;
- "Holdings" refers to Republic Technologies International Holdings, LLC, the direct parent of Republic Technologies International, LLC after the Combination; and
- "RTI" refers to Republic Technologies International, Inc., as Bar Technologies Inc. has been renamed after the Combination. RTI indirectly owns 70% of our equity interests through Holdings.

Unless otherwise indicated, all information herein presented on a pro forma basis gives effect to the Transactions. In the information which follows, high quality engineered steel rod products have been included in the definition of special bar quality, or "SBQ," steel products. In conjunction with the Combination, we entered into a new credit facility and applied a portion of the proceeds from borrowings under this new credit facility, together with a portion of the proceeds of an offering of units (the "Units"), which consist of $425.0 million principal amount of 13 3/4% Senior Secured Notes due 2009 (the "Notes") co-issued by Republic Technologies and its subsidiary RTI Capital Corp. and 425,000 warrants (the "Warrants") issued by RTI to purchase 822,386 shares of Class D Common Stock, par value $.001 per share, of RTI, and new equity contributions, to refinance a substantial portion of the indebtedness of Republic, RES Holding Corporation, BarTech and USS/Kobe. These transactions are referred to collectively herein as the "Refinancing." The Combination, the Refinancing, the September 1998 acquisition of Republic by Blackstone Capital Partners II Merchant Banking Fund L.P. and other investors and the payment of related fees and expenses are collectively referred to herein as the "Transactions."

All statements other than statements of historical facts included in the information which follows including, without limitation, statements under "Risk Factors," "Recent Developments," "Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LLC and its Subsidiaries," "The Combined Business," "The Consolidation Plan" and "Projections for Republic Technologies International, LLC and its Subsidiaries" regarding our future financial position, results of operations, business strategy, budgets, projected costs and plans and objectives for future operations, are forward-looking statements. In addition, these forward-looking statements generally can be identified by the use of forward-looking terms such as "may," "will," "expect," "intend," "estimate," "anticipate," "foresee," "project," "plan" or "believe" or the negative of these words or variations on these words or similar phrases. We have based these forward-looking statements on our current assumptions, expectations and projections about future events, which are subject to risks and uncertainties. We caution that a variety of factors could cause business conditions and results to differ materially from what is contained in the forward-looking statements, including, among other things, the following:

- our ability to increase sales to existing and new customers, particularly sales to automotive and industrial equipment manufacturers;

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- o our ability to implement our consolidation plan and to realize the expected benefits of the combination in the time frame and at the costs currently contemplated;

- o market conditions and general risks associated with the steel industry; and

- o the other risks discussed in this report under the heading "Risk Factors."

Readers should not place undue reliance on these forward-looking statements, which speak only as of the filing date of the Current Report on Form 8-K containing this information. We undertake no obligation to release publicly any revisions to any of the forward-looking statements contained herein to reflect events or circumstances after such filing date or to reflect the occurrence of unanticipated events.

The information contained herein under "Projections for Republic Technologies International, LLC and its Subsidiaries" was obtained from our management and other sources believed by our management to be reliable, but no assurance can be given as to the accuracy or completeness of the information.

THE PROJECTIONS CONTAINED HEREIN ARE BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT, WHILE PRESENTED WITH NUMERICAL SPECIFICITY AND CONSIDERED REASONABLE BY US WHEN TAKEN AS A WHOLE, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND OUR CONTROL. IN ADDITION, THE PROJECTIONS CONTAINED HEREIN ARE BASED UPON SPECIFIC ASSUMPTIONS WITH RESPECT TO FUTURE BUSINESS CONDITIONS, SOME OR ALL OF WHICH WILL CHANGE. PROJECTIONS ARE NECESSARILY SPECULATIVE IN NATURE AND IT CAN BE EXPECTED THAT THE ASSUMPTIONS UPON WHICH THE PROJECTIONS ARE BASED WILL NOT PROVE TO BE VALID OR WILL VARY FROM ACTUAL RESULTS. ACTUAL RESULTS WILL VARY FROM THE PROJECTIONS AND THE VARIATIONS MAY BE MATERIAL. CONSEQUENTLY, THE INCLUSION OF THE PROJECTIONS HEREIN SHOULD NOT BE REGARDED AS A REPRESENTATION BY US OR ANY OTHER PERSON OF RESULTS THAT WILL ACTUALLY BE ACHIEVED. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE PROJECTIONS.

RECENT DEVELOPMENTS

Republic and USS/Kobe have not yet finalized their financial statements for the period ended June 30, 1999. The discussion which follows is based on preliminary information which is subject to change.

During the fourth quarter of 1998 and the first quarter of 1999, we experienced a significant industry dislocation in two important end markets: (1) steel service centers and (2) tubular goods sold to the oil and gas industry. Combined shipment volumes of Republic, BarTech and USS/Kobe declined by 37% from 920,000 tons in the first quarter of 1998 to 578,000 tons in the fourth quarter of 1998, reflecting decreases of 65%, 26%, and 26% in seamless rounds, hot-rolled bar/rod and cold-finished bar shipments, respectively.

We believe the reduced shipments were principally attributable to short-term inventory increases at steel service centers. While automotive/contract shipments increased by 11% between the first and fourth quarter of 1998, service center/spot market shipments dropped by 50% from 190,800 tons per month to 93,700 tons per month of 1998. In the third quarter of 1998, non-NAFTA imports approached 8% of shipments, as compared with an average of 5% over the last five years. Service center shipment rates declined by 21% resulting in abnormally high inventory days levels, which peaked at 95 days in November 1998. Further impacting volumes was the General Motors strike in the summer of 1998.

Since late 1998, we believe that imports have receded to levels approaching the historical average. Service center shipments have rebounded and service center inventories are returning to normalized levels. Our shipments have recovered strongly in the second quarter and our order backlog has doubled since a trough in October 1998. Automotive shipments remain strong and shipments to the service center end markets have recovered substantially in the second quarter. Cold-finishing shipments remain strong and have increased 20% from fourth quarter levels. We believe that the decline in shipments to the oil and gas industry can be attributed to substantial near-term volatility and price pressure in the crude oil spot market. Many large energy companies curtailed capital spending in light of the crude oil market environment. Tubular shipments declined by 65% from the first to fourth quarter of 1998, but they have since recovered slightly as crude oil markets have improved.

Aggregate shipments by Republic, BarTech and USS/Kobe increased by approximately 11.6% in the three months ended June 30, 1999 as compared with shipments during the three months ended March 31, 1999. This improvement is principally attributable to increased shipments by the Lackawanna, New York mill, including a 75% increase in quarterly shipments to independent cold

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finishers, a 100% increase in fastener business and a 36% increase in quarterly shipments to service centers from Lackawanna. During these same comparative periods, aggregate revenues of the three companies increased by approximately 10% in the second quarter of 1999 as compared with the first quarter. This increase resulted from the rise in shipments, offset in part by a reduction in the sales price for semi-finished products. Aggregate costs of goods sold for the second quarter increased from the first quarter as a result of the increase in shipments but costs of goods sold as a percentage of net sales declined by 4.8% reflecting efficiencies gained through higher production levels and the initial effects of cost reduction measures adopted by the companies.

RISK FACTORS

This section discusses risks related to RTI and its subsidiaries and investments in securities issued by them.

OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH AND PREVENT US FROM FULFILLING OUR DEBT OBLIGATIONS.

We have substantial indebtedness after the Transactions. As of March 31, 1999, and after giving pro forma effect to the Transactions, we would have had approximately $707.9 million of indebtedness, representing approximately 83% of our total capitalization. In addition, we may have the ability to borrow additional amounts under our new credit facility permitting borrowings of up to $425 million, depending upon our accounts receivable and inventory and certain other borrowing base components. In addition, we may incur additional indebtedness in the future in accordance with the limitations contained in our debt instruments.

After giving pro forma effect to the Transactions, our interest expense, net, for the twelve months ended March 31, 1999, would have been $92.2 million. As of March 31, 1999, and after giving pro forma effect to the Transactions, our earnings without giving effect to any anticipated cost savings, would have been insufficient to cover our fixed charges by approximately $205.0 million. Accordingly, we will need to improve our operating results substantially in order to meet our debt service obligations.

Our ability to pay interest and principal or to refinance our indebtedness will depend upon our future performance. Our future performance is subject to the success of our business plan, including our ability to successfully integrate our operations, general economic conditions and financial, competitive, regulatory, labor and other factors, many of which may be unforeseen or beyond our control.

Our high degree of leverage could have important consequences, including, among others, the following:

- we may be unable to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate purposes;
- a substantial portion of our cash flow from operations will need to be used to pay principal and interest on our indebtedness, which will reduce the funds available to us for other purposes, including operations and future business opportunities;
- we may need to make payments in connection with environmental improvement revenue bonds related to USS/Kobe facilities earlier than scheduled if USX Corporation makes early payment on such bonds, and any such early payment may adversely affect our liquidity;
- borrowings under our new credit facility as well as other future borrowings, may be at variable interest rates of interest, which will expose us to the risk of increased interest rates; and
- our leverage may make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures.

We believe that we will have adequate excess cash balances, available liquidity under our new credit facility and other credit arrangements and proceeds from planned asset sales, but you should consider that the new credit facility and other sources of funds may not be available in amounts sufficient for us to pay interest and principal under the $425.0 million principal amount of Notes and our other indebtedness, or to pay for capital expenditures, including capital expenditures contemplated by the Consolidation Plan discussed under the caption "The Consolidation Plan" below, and other operating requirements, including expenses related to the implementation of the Consolidation Plan. Our new credit facility availability depends upon a borrowing base which can vary under a number of circumstances, some of which may be in our lender's discretion. If we are unable to generate sufficient cash flow from operations or to refinance our debts, we may need to sell assets or obtain additional financing. You should consider that we may be unable to sell assets or to obtain additional financing, if necessary. You should also consider that our ability to sell assets may be constrained by provisions in our new labor

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agreement with the United Steelworkers union

including provisions which (1) may require purchasers to adopt the terms of that agreement, (2) require notice to and consultation with union representatives and (3) afford the union the right to bid in connection with asset sales.

THE NOTES AND OUR NEW CREDIT FACILITY IMPOSE SIGNIFICANT OPERATING AND FINANCIAL RESTRICTIONS.

The indenture for the Notes, our new credit facility and other agreements governing our indebtedness contain provisions that will limit our ability to:

- pay dividends or make other restricted payments or investments;
- incur additional indebtedness and issue preferred stock;
- create liens on assets;
- merge, consolidate, or sell all or substantially all of our assets;
- enter into specific transactions with affiliates; and
- create restrictions on dividends or other payments by restricted subsidiaries to the Issuers.

In addition, our new credit facility contains additional restrictive covenants that require us to maintain financial ratios, including minimum levels of cash flow to total debt service and maximum annual capital expenditure levels. Our ability to comply with many of these restrictions may be affected by events beyond our control. You should consider that we may not achieve operating results that will permit us to meet these restrictive covenants or may need to take business actions prohibited by these covenants. If we breach our covenants, (1) we could be unable to borrow necessary funds under our new credit facility and (2) our creditors could require immediate payment of amounts due under the agreements and foreclose upon and sell any assets securing the indebtedness.

OUR COMPONENT COMPANIES HAVE HISTORIES OF NET LOSSES, AND WE MAY NOT BE ABLE TO OPERATE PROFITABLY.

Since its formation, Republic has reported net losses for each fiscal year, in part due to non-cash charges relating to postretirement benefits and its employee stock ownership plan. Since the start-up of operations at BarTech, it has incurred net losses for each fiscal year. USS/Kobe has incurred net losses for the last three fiscal years. For the fiscal year ended June 30, 1998, Republic reported net losses from continuing operations of $6.5 million, for the fiscal year ended January 2, 1999, BarTech reported net losses of $42.0 million, and for the fiscal year ended December 31, 1998, USS/Kobe reported net losses of $52.9 million. After giving effect to the Transactions on a pro forma basis, we would have had net losses from continuing operations of approximately $205.0 million for the twelve months ended March 31, 1999. You should consider that we may not operate profitably in the future.

WE ARE A NEW ENTERPRISE AND THE FINANCIAL INFORMATION REGARDING OUR BUSINESSES MAY BE LIMITED OR NOT FULLY COMPARABLE.

The combination of Republic, BarTech and USS/Kobe resulted in a new vertically integrated enterprise that has not operated as a single integrated unit. The financial information concerning the individual operations of Republic, BarTech and USS/Kobe and the pro forma financial information concerning us may be of limited value in evaluating our financial and operating prospects in the future.

BarTech was organized in September 1994 in connection with the acquisition of the idle steelmaking and bar rolling assets of the BRW Division of Bethlehem Steel Corporation. After BarTech bought these assets, it began to refurbish, modernize and expand them. BarTech began operations at its facilities in 1996 and bought Bliss & Laughlin Industries, Inc., one of the largest processors of cold-finished steel bar products in North America, in 1996. Due to the start-up of manufacturing operations at BarTech in 1996, you have a limited history of financial information with which to evaluate the prospects and future performance of BarTech's businesses as a component of our company.

Because Republic's specialty steels business is reflected as a discontinued operation in Republic's 1996, 1997 and 1998 historical financial statements and not in its earlier period historical financial statements, your ability to compare all of Republic's historical results is limited. In addition, Republic's historical financial statements for the period September 8, 1998 to March 31, 1999 reflect a new basis of accounting due to the acquisition of Republic by Blackstone and other investors while the prior periods are presented using the historical cost basis of Republic.

The historical financial statements for USS/Kobe represent the carve-out

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financial statements for the SBQ steel production facilities and related operations, or Bar Products Line, of USS/Kobe Steel Company and do not necessarily represent the financial condition or results of operations of USS/Kobe had it actually been operated as a distinct stand-alone business. The allocations and estimates of debt, various corporate administrative expenses and account balances attributable to USS/Kobe made in these carve-out financial statements do not necessarily conform to the treatment of these items in the Master Restructuring Agreement pursuant to which the Combination has been effected. In addition, the report of the independent auditors relating to the historical audited and reviewed financial statements of USS/Kobe contains a "going concern" qualification in the light of past and prospective covenant breaches by USS/Kobe under its debt instruments.

OUR FUTURE OPERATIONAL AND FINANCIAL PERFORMANCE MAY VARY MATERIALLY FROM THE PROJECTIONS

We are the sole preparer of the projected financial information contained herein, which was prepared as of the filing date of the Current Report on Form 8-K containing such information. These projections are based on our estimated results of operations under the hypothetical assumptions described under "Projections for Republic Technologies International, LLC and its Subsidiaries--Assumptions." We do not intend to update or otherwise revise the projections to reflect events or circumstances existing or arising after such filing date or to reflect the occurrence of unanticipated events. None of the independent public accountants for Republic, BarTech or USS/Kobe has examined or provided any other form of assurance on the projections. We have included a report by Beddows & Company, Hatch Management and Technology Consulting following "Projections for Republic Technologies International, LLC and its Subsidiaries." Hatch was engaged in connection with the Transactions to evaluate the technical and operational components of the Consolidation Plan. While the Hatch report comments on the reasonableness of some of the assumptions underlying the projections, Hatch was not engaged to evaluate the projections for consistency or to verify the cash flows included in the projections. Consequently, no person other than we assumes any responsibility for the projections. The projections necessarily are based upon numerous estimates and assumptions, including that we will timely and successfully implement the Consolidation Plan and achieve the improvements in production costs, operating efficiencies and selling, general and administrative expenses described under "The Consolidation Plan." These estimates and assumptions are inherently subject to significant business, economic and competitive uncertainties, contingencies and risks, many of which are beyond our control. Actual results will vary from the projections, and these variations may be material. Financial projections are necessarily speculative in nature, and one or more of the assumptions underlying these projections may prove not to be valid. The projections should not be regarded as a representation by us or any other person that the projections will be achieved. You are cautioned not to place undue reliance on the projections or the Hatch report.

WE MAY NOT BE ABLE TO ACHIEVE THE OPERATING SYNERGIES AND COST SAVINGS THAT WE EXPECT FROM THE COMBINATION.

Although we expect to realize operating synergies and cost savings as a result of the Combination, you should consider that we may be unable to achieve the level of benefits that we expect to realize or that these benefits may not be realized within the time frames we currently expect. Realization of these benefits could be affected by a number of factors. Many of these factors are beyond our control. We could be adversely affected by the following:

- general economic conditions;
- increased operating costs and unanticipated capital expenditures;
- problems in obtaining funding for capital expenditures;

- the responses of our competitors or customers;
- legal and regulatory developments;
- contracts and permits being terminated to the extent required consents are not obtained prior to the completion of the Combination;
- integration of our constituent companies; and
- incomplete or delayed implementation of the Consolidation Plan, particularly the rationalization of our facilities and the timing of our planned headcount reductions.

We expect that the realization of some benefits of the Consolidation Plan will depend on our taking specific actions, such as the offer of early retirement buyout and voluntary severance plan packages, that will result in one-time charges or expenses. We have included estimates of these charges and expenses in the projections included as part of this document, but you should consider that the actual future charges and expenses could be greater than expected or occur during different periods than expected and reduce the economic benefits we expect from the Combination.

The steps to be taken to rationalize, reconfigure and/or replace our

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facilities are a critical feature of the Consolidation Plan. We expect that these integration measures will enable us to lower our per ton steel costs, improve product quality and increase flexibility in production. We anticipate that the restructuring of our facilities will be completed by the end of 2003. However, delays in construction and start-up, economic and financial conditions, permit issues, certification delays and other factors not under our control could result in this program not being completed or not being completed on schedule, which could adversely affect our business, results of operations and financial condition. In addition, the significant changes in the configuration of our facilities contemplated by the Consolidation Plan may result in disruptions to our production, including mechanical and production process failures. You should consider that disruptions in production could reduce our cash flow and, particularly if severe, adversely affect our relationships with customers.

We currently anticipate that achieving the financial and operating benefits of the Consolidation Plan will require approximately $322 million of capital expenditures related to the completion of the facilities rationalization. We intend to finance these expenditures principally with borrowings under the new credit facility and cash flow from operations. Failure to complete, or a substantial delay in completing, the facilities rationalization program, significant cost overruns in implementing the program or our inability to finance or to realize the anticipated benefits from the program could have a material adverse effect on us.

Various contracts of Republic, BarTech and USS/Kobe required consent to the assignments, transfers and other actions taken in connection with the completion of the Transactions. Not all of such consents were obtained prior to the completion of the Transactions, and we cannot assure you that the failure to obtain these consents prior to such completion will not have a material adverse effect on us.

WE MAY BE UNABLE TO SIGNIFICANTLY REDUCE OUR NUMBER OF EMPLOYEES AS CONTEMPLATED BY THE CONSOLIDATION PLAN.

In addition to a facilities rationalization program, the Consolidation Plan contemplates that we will significantly reduce our workforce. Republic, BarTech and USS/Kobe have adopted a new labor agreement with the United Steelworkers union in contemplation of the combination transactions.

The new labor agreement provides for voluntary early retirement buyouts and a voluntary severance plan, which will be made available to hourly workers at substantially all of our facilities. We intend to use these programs to reduce our hourly workforce at these facilities from 5,012 at December 31, 1998 to 3,070 by the end of 2003. We may be unable to achieve the total headcount reductions contemplated by these programs and through attrition. Job creation and employment covenants in our debt instruments may also limit our flexibility in terms of effecting headcount reductions. In addition, you should consider that we may be unable to effect the headcount reductions at the costs and in the time frames currently envisioned.

OUR NEW LABOR AGREEMENT MAY LIMIT THE FLEXIBILITY OF OUR MANAGEMENT.

While our new labor agreement provides us with substantially more flexibility than was possible under our prior labor agreements, we remain less flexible than some of our competitors, particularly our competitors without unionized workforces. Partnership provisions in the agreement call for the formation of committees including union representatives to authorize and/or review changes in technology. These committees could delay or impede the implementation of changes sought by our management. The agreement also contains an employment security plan that guarantees employees represented by the United Steelworkers union with two or more years of service an opportunity to earn 40 hours of pay per week. While the agreement provides that this plan would no longer apply in extraordinary circumstances, such as bankruptcy or severe financial difficulties representing a clear and present danger to our viability, this plan will restrict our ability to control the size and shape of our workforce and to respond to adverse market developments. In addition, the agreement limits our ability to outsource work and production functions and obligates us to make specified capital investments.

OUR NEW LABOR AGREEMENT WILL GENERALLY INCREASE THE WAGES WE PAY TO OUR EMPLOYEES.

The reduction in the number of job classifications applicable to our workforce is an important element of our new labor agreement. The number of job classifications at our facilities will be reduced from over 34 at specified facilities to five, which will give our management considerably greater staffing flexibility. However, the new wage scales applicable to each of the five classes are generally higher under the new labor agreement than the former wage scales. You should consider that the new wage scales could adversely affect us,

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particularly if the workforce reduction is unsuccessful or if economic conditions deteriorate.

OUR AGREEMENT WITH THE PENSION BENEFIT GUARANTY CORPORATION TO FUND PENSION OBLIGATIONS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH AND PREVENT US FROM FULFILLING OUR OBLIGATIONS UNDER THE NOTES.

We have agreed with the Pension Benefit Guaranty Corporation (the "PBGC") to fund $178 million over the next four years into our defined benefit pension plan in connection with the headcount reduction and related early retirement benefits contemplated by the Consolidation Plan. Of this $178 million, $47 million has been funded to date with an additional $15 million to be funded by January 1, 2000. After such time we will be required to make the additional quarterly contributions in accordance with a specific schedule. In addition, we expect to fund an additional $47 million over the next five years related to headcount reductions to be made at our Lorain facility although it may be necessary to fund a greater amount. These funding obligations may compound the risks arising from our highly leveraged capital structure.

BECAUSE A SIGNIFICANT PORTION OF OUR SALES ARE TO THE AUTOMOTIVE INDUSTRY AND TO TWO SPECIFIC CUSTOMERS, A DISRUPTION OF SALES TO THIS INDUSTRY OR TO THESE CUSTOMERS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Demand for our products is affected by, among other things, the relative strength or weakness of the U.S. automotive industry. The U.S. automotive industry is highly cyclical and may be adversely affected by international competition. In addition, the U.S. automotive industry is significantly unionized and subject to work slowdowns and stoppages resulting from labor disputes. On a pro forma basis, our direct sales of products to the automotive market accounted for approximately 35% of our total net sales in the twelve months ended March 31, 1999. We also sell to independent forgers, components suppliers and to steel service centers, all of which sell to the automotive market as well as other markets. Considering both direct and indirect sales, we believe that more than 50% of our pro forma total net sales for the twelve months ended March 31, 1999 were to the U.S. automotive market.

Our two largest customers are American Axle & Manufacturing and Delphi Automotive Systems. Both of these companies were formerly units of General Motors and continue to depend on General Motors for a substantial portion of their business. On a pro forma basis, direct sales of our products

to these customers accounted for approximately 13% of our total net sales in the twelve months ended March 31, 1999. In total, our ten largest customers accounted for approximately 36% of pro forma total net sales in the twelve months ended March 31, 1999. A disruption of sales to any of these customers could adversely affect our business.

IF WE ARE UNABLE TO OBTAIN OR MAINTAIN QUALITY CERTIFICATIONS FOR OUR FACILITIES, WE MAY BE UNABLE TO SERVICE OR TO PENETRATE MARKET SEGMENTS AS PLANNED.

In order to continue to serve the higher quality end of the SBQ steel products market, we will need to maintain existing and obtain additional quality certifications such as QS-9000, the quality system standard established by The Chrysler, Ford and General Motors Supplier Quality Requirements Task Force. Consumers of high quality SBQ steel products often require that their suppliers have these certifications before commencing new supplier trials.

All of our operating facilities have QS-9000 certifications except for our Johnstown, Pennsylvania and Cartersville, Georgia facilities. We are currently in the process of securing qualifications for these facilities. If we are unsuccessful in obtaining these certifications or if certifications are canceled, our ability to continue to serve our targeted market segment or to retain our customers may be impaired and our business, results of operations and financial condition may be adversely affected. In addition, the implementation of the Consolidation Plan will require us to obtain new certifications or qualifications for specified facilities or products as we reallocate production among our remaining facilities. If the necessary credentials are not obtained in a timely fashion, our ability to service our existing customers and to attract new customers will be impaired.

WE MAY BE ADVERSELY AFFECTED BY THE YEAR 2000 PROBLEM.

Many computer systems, possibly including some of ours, may experience problems handling dates beyond the year 1999, which is commonly referred to as the Year 2000 problem. We are currently in the process of replacing or upgrading many of our existing computer systems in order to make them Year 2000 compliant. Our plans call for the completion of the installation of these new systems by September 1999, but you should consider that we may encounter unexpected delays which could postpone the completion of the installation.

In order to minimize the impact of any Year 2000 compliance failures by us

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or our suppliers and customers, we are developing contingency plans, including the development of alternative manual systems and the use of alternative suppliers. Despite any contingency plans that we develop, if we or any of our significant suppliers or customers do not successfully and timely achieve Year 2000 compliance, we could be materially adversely affected.

WE ARE CONTROLLED BY BLACKSTONE, WHOSE INTERESTS IN OUR BUSINESS MAY BE DIFFERENT THAN YOURS.

Blackstone affiliates are able to control our affairs in all cases, except for certain actions specified in an Equityholders Agreement among Blackstone, USX Corporation, Kobe Steel, Ltd., Veritas and their various affiliates, FirstEnergy Services Corp. and certain other investors, which also require the consent of both USX Corporation and Kobe Steel, Ltd. for such actions. You should consider that the interests of Blackstone, as well as our other owners, may differ from yours.

PROVISIONS OF THE EQUITYHOLDERS AGREEMENT IMPOSE SIGNIFICANT OPERATING AND FINANCIAL RESTRICTIONS ON OUR BUSINESS.

RTI is subject to the Equityholders Agreement. Under the Equityholders Agreement, specified actions require the approval of the directors designated by each of USX Corporation and Kobe Steel, Ltd. for so long as they maintain specified ownership levels but terminating on the third anniversary of an initial public offering, including:

- the incurrence of indebtedness;
- material contracts between RTI and affiliates of Blackstone or Veritas;

- capital expenditures in excess of those set forth in the capital spending plan and a specified additional aggregate basket;
- the issuance of equity, subject to exceptions;
- mergers or sales of RTI and its subsidiaries; and
- specified acquisitions.

You should consider that the parties to the Equityholders Agreement may not be able to agree on the implementation of fundamental transactions and that our results of operations and financial condition may be adversely affected by any of these disagreements. The USX Corporation and Kobe Steel, Ltd. directors could block actions even if the other directors deem them advisable.

BOTH OUR INDUSTRY AND THE INDUSTRIES OF MANY OF OUR SIGNIFICANT CUSTOMERS ARE SUBJECT TO CYCLICAL DOWNTURNS.

The steel industry is highly cyclical. Many U.S. steel producers suffered substantial losses in the late 1980s. A number of factors contributed to these losses, including the following:

- recessionary conditions in the U.S. economy;
- a high level of steel imports;
- the strength of the U.S. dollar against other currencies;
- worldwide production overcapacity;
- increased domestic and international competition;
- high labor costs; and
- inefficient physical plants.

Similar economic conditions in the future could have a material adverse effect on our business, results of operations and financial condition. Many domestic steel producers also suffered losses during the early 1990s as a result of a downturn in industries upon which the steel industry is highly dependent, such as the automotive and machinery industries, which also are highly cyclical. Future downturns in industries that use our products could have a material adverse effect on us.

While demand for steel products increased in the mid-1990s enabling Republic and other domestic steel producers to obtain price increases for many of their product lines, erosion of these price increases began in the second quarter of 1998. In addition, the industry was adversely affected by the Asian economic crisis and problems in other regions late in 1998, which resulted in an increase in imports of SBQ and other steel products. While imports of SBQ steel products appear to have abated recently, the expected entry of new competitors in the SBQ steel market may cause prices to erode even in the absence of adverse general economic conditions, which may adversely affect our financial

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performance.

THE INPUTS USED TO PRODUCE STEEL, SUCH AS SCRAP METAL, IRON ORE AND ENERGY, ARE SUBJECT TO PRICE FLUCTUATIONS THAT COULD INCREASE OUR COSTS OF PRODUCTION.

In the twelve months ended March 31, 1999, we produced approximately 53% of our steel from our electric arc furnaces. The principal raw material for steel produced from our electric arc furnaces is ferrous scrap metal. On a pro forma basis, scrap metal accounted for approximately 24% of our total cost of products sold, excluding depreciation, of products originating from our electric arc furnaces for the twelve months ended March 31, 1999. Scrap metal prices are affected by cyclical, seasonal and other market factors. Scrap metal prices also fluctuate on the basis of factors affecting the supply of scrap metal, such as periodic shortages, freight costs, speculation by scrap brokers, and export markets, as well as the demand for steel. Most of these factors are beyond our control. In addition, the supply of premium grades of scrap metal that we use is more limited than the supply of lower grades of scrap metal.

For the twelve months ended March 31, 1999, we produced approximately 47% of our steel from our blast furnaces. Iron ore pellets and coke are the principal raw materials used in our blast furnaces. On a pro forma basis, iron ore pellets and coke accounted for approximately 30% of our total cost of products sold, excluding depreciation, of products originating from our blast furnaces for the twelve months ended March 31, 1999. Prices for iron ore and coke have fluctuated significantly in the past. Significant increases in the costs of iron ore pellets or coke could adversely affect our business, results of operations and financial condition.

During periods when prices for scrap metal, iron ore, coke and other important raw materials have increased, our industry historically has sought to maintain profit margins and pass along increased raw material costs to customers by means of surcharges. If we are unable to pass along cost increases in the future, our business, results of operations and financial condition may be adversely affected. Even when we can successfully apply surcharges, interim reductions in profit margins frequently occur due to a time lag between the increase in raw material prices and the market acceptance of higher selling prices for finished steel products.

Steel manufacturing is also an energy intensive industry. A substantial increase in specific utility or service costs could have a material adverse effect on our business, results of operations and financial condition if we are unable to pass along such higher costs to our customers. In addition, a disruption or curtailment in supply, including problems arising from Year 2000 computer failures, could have a material adverse effect on our business, results of operations and financial condition.

WE FACE SIGNIFICANT COMPETITION FROM OTHER COMPANIES IN THE STEEL INDUSTRY, MANY OF WHICH MAY HAVE LOWER COST STRUCTURES THAN US.

We compete in segments of the steel industry that are highly competitive and that include a number of companies with greater financial and other resources. In addition, many of our competitors have invested heavily in new plant and equipment, which have improved their efficiency and increased their productivity. These improvements together with the achievement of other production efficiencies, such as man-power utilization and other work rule changes, provide cost savings to these competitors.

We face increasing competitive pressures from mini-mills, which are generally smaller volume steel producers serving regional markets. A number of mini-mills have begun to improve their products in an attempt to penetrate the SBQ steel market. Since mini-mills typically are not unionized, they frequently have more flexible work rules which enable such mills to produce with labor costs per ton shipped lower than ours.

New participants in, or producers expanding into, our product markets could materially adversely affect the prices and sales volumes of our products. This competition is exerting significant pressure to lower prices for our products. Foreign competition also can be significant in segments of the SBQ steel products market, particularly where certifications are not required and during periods when the U.S. dollar is strong as compared with foreign currencies. We may also face competition from other products, particularly in cases where technological developments permit product substitution.

If our competitors are able to offer steel products at lower costs than us or the general overall supply of steel products is significantly increased, we will be adversely affected.

OUR OPERATIONS ARE SUBJECT TO ENVIRONMENTAL LAWS AND REGULATIONS THAT IN THE EVENT OF ENVIRONMENTAL CONTAMINATION AT OUR FACILITIES MAY GENERATE SIGNIFICANT LIABILITY.

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Our domestic operations are subject to a broad range of U.S. federal, state and local environmental laws and regulations. In addition, our Canadian subsidiary is subject to Canadian

federal, provincial, regional and municipal environmental laws and regulations. The environmental laws and regulations applicable to our operations generally regulate the following:

- o discharges into the air and water;
- o the handling and disposal of solid and hazardous wastes;
- o the remediation of soil and groundwater contaminated by petroleum products or hazardous substances or wastes; and
- o the health and safety of employees.

In connection with prior transactions in which we acquired real property, including the consummation of the Combination, we obtained limited indemnities from Bethlehem Steel Corporation, USX Corporation, affiliates of each of USX Corporation and Kobe Steel, Ltd. and the new tubular joint venture of USX Corporation and Kobe Steel, Ltd., which may reduce the impact of costs related to actual or potential environmental conditions at various of our facilities. However, these indemnifying parties may not meet their respective obligations under those indemnification arrangements or damages relating to past or future contamination may exceed the indemnified amounts or not be covered by these indemnities. These liabilities may require us to incur significant costs that could have a material adverse effect on our business, results of operations and financial condition. In addition, claims under the indemnities under the Master Restructuring Agreement pursuant to which the Combination has been completed will generally be settled by adjusting the relative equity interests of the parties rather than by cash payments. You should consider that these non-cash indemnities will not provide us with liquidity if necessary to remediate the related environmental problems or to make other payments, and will not otherwise make us whole for resulting damages.

You should also consider that future regulatory action regarding soil or groundwater at our facilities, as well as continued compliance with environmental requirements, could require us to incur significant costs that could have a material adverse effect on our business, results of operations and financial condition. In addition, we need to maintain existing and obtain future environmental permits in order to operate our facilities. Completion of the Combination required the transfer of certain permits, and not all approvals for such transfers were obtained before the Combination was consummated. The failure to obtain necessary permits or consents to transfer or the loss of any permits could have a material adverse effect on our business.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION FOR REPUBLIC TECHNOLOGIES INTERNATIONAL, LLC AND ITS SUBSIDIARIES

The accompanying Unaudited Pro Forma Combined Financial Information of Republic Technologies International, LLC and its Subsidiaries has been prepared based on the historical financial statements of BarTech, Republic and USS/Kobe, adjusted to give pro forma effect to the Transactions.

The Unaudited Pro Forma Combined Balance Sheet as of March 31, 1999 has been prepared as if the Transactions occurred on that date. The Unaudited Pro Forma Combined Statements of Operations for the twelve month period ended December 31, 1998 gives pro forma effect to the Transactions as if they occurred on January 4, 1998 for BarTech and on January 1, 1998 for Republic and USS/Kobe. The Unaudited Pro Forma Combined Statements of Operations for the twelve month period ended March 31, 1999 gives pro forma effect to the Transactions as if they occurred on April 5, 1998 for BarTech and on April 1, 1998 for Republic and USS/Kobe. The Unaudited Pro Forma Combined Statements of Operations for the three month period ended March 31, 1999 gives pro forma effect to the Transactions as if they occurred on January 3, 1999 for BarTech and on January 1, 1999 for Republic and USS/Kobe. The Pro Forma Combined Statements of Operations do not include any adjustment for future cost savings or other operating improvements. See "Projections for Republic Technologies International, LLC and its Subsidiaries."

The Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LLC and its Subsidiaries is presented for informational purposes only and does not purport to represent what our financial position or results of operations would actually have been had the Transactions in fact occurred on the assumed dates or to project our financial position or results of operations for any future period or date.

The pro forma adjustments are based upon available information and various assumptions that Republic Technologies believes are reasonable. The pro forma adjustments and certain assumptions are described in the accompanying notes.

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Other information included in the Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LLC and its Subsidiaries has been presented to provide additional analysis. The acquisitions of Republic and USS/Kobe have been accounted for using the purchase method of accounting. Allocations of the purchase price have been determined based upon preliminary information, appraisals that are still in progress and estimates of fair value, and are subject to change. The amounts included in these pro forma financial statements and the final allocations may differ significantly.

REPUBLIC TECHNOLOGIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
MARCH 31, 1999(A)
(IN MILLIONS)

<TABLE>
<CAPTION>

	BARTECH	REPUBLIC(B)	USS/KOBE(C)	ACQUISITION AND COMBINATION ADJUSTMENTS	REFINANCING ADJUSTMENTS(D)	PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Current assets						
Cash and cash equivalents..............	$ 1.5	$ 2.8	$ 0.2	$ --	$ --	$ 4.5
Accounts receivable, net...............	33.7	106.6	51.3	(43.7)(e)	--	147.9
Inventories............................	83.2	154.7	102.7	--	--	340.6
Other current assets...................	3.4	43.6	6.1	--	--	53.1
Total current assets.....................	121.8	307.7	160.3	(43.7)	--	546.1
Property, plant & equipment, net..........	91.3	262.6	410.5	(127.6)(f)	--	636.8
Goodwill/excess purchase price over net assets acquired.........................	11.9	144.9	--	--	--	156.8
Other intangible assets..................	--	8.2	12.8	--	--	21.0
Restricted assets........................	1.5	0.3	--	--	--	1.8
Other non-current assets.................	11.2	12.2	--	(0.5) (e)	17.8 (g)	40.7
Total....................................	$237.7	$ 735.9	$ 583.6	$(171.8)	$ 17.8	$ 1,403.2
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY/PARTNERS' INTERESTS/MEMBER'S INTERESTS						
Current liabilities						
Accounts payable.......................	$ 84.2	$ 75.8	$ 65.6	$ (43.7) (e)	$ --	$ 181.9
Accrued expenses and other current liabilities..........................	26.0	55.9	34.1	--	(12.3)(h)	103.7
Short-term borrowings..................	77.9	67.2	2.2	--	74.6 (i)	221.9
Current portion of pension and other postretirement benefits liabilities..........................	--	36.9	9.4	--	--	46.3
Current maturities of long-term debt....	3.2	--	--	--	(3.2)(i)	--
Total current liabilities................	191.3	235.8	111.3	(43.7)	59.1	553.8
Long-term liabilities						
Other long-term debt....................	128.5	357.3	180.2	--	(180.0) (i)	486.0
Other postretirement benefits...........	5.3	103.0	38.8	--	--	147.1
Defined benefit pension obligation......	--	37.0	12.2	--	--	49.2
Deferred income taxes...................	5.0	--	--	(5.0)(j)	--	--
Other long-term liabilities.............	0.7	15.5	1.9	(0.5)(e)	--	17.6
Total long-term liabilities..............	139.5	512.8	233.1	(5.5)	(180.0)	699.9
Redeemable preferred stock................	5.5	--	--	--	(5.5)(k)	--
Shareholders' (deficit) equity/Partners' interests/Member's interests...........	(98.6)	(12.7)	239.2	(122.6)(l)	144.2 (l)	149.5
Total....................................	$237.7	$ 735.9	$ 583.6	$(171.8)	$ 17.8	$ 1,403.2

</TABLE>

See Notes to Unaudited Pro Forma Combined Balance Sheet

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

(a) The historical balance sheets of BarTech, Republic and USS/Kobe as of

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March 31, 1999 were derived from the unaudited interim financial statements of each such business.

(b) The following purchase accounting adjustments which resulted from the Republic acquisition by Blackstone and other investors completed on September 8, 1998 are included in the unaudited balance sheet of Republic as of March 31, 1999. The Republic acquisition was accounted for using the purchase method of accounting. The total purchase price was allocated to the assets acquired and liabilities assumed, based on a preliminary estimate of their respective fair values. The actual purchase accounting adjustment to reflect the fair value of the assets acquired and liabilities assumed will be based upon appraisals that are currently in process. Accordingly, the final allocation of the purchase price and the resulting effect on income may differ significantly from those reflected herein. The preliminary allocation as of March 31, 1999 is as follows:

	(IN MILLIONS)
Cash purchase price:	
Republic acquisition	$ 143.9
Estimated acquisition fees and expenses	16.6
Total cash purchase price	160.5
Book value of net assets acquired	(84.5)
Excess of purchase price over book value of net assets acquired	76.0
Preliminary allocation of purchase price:	
Decrease in property, plant and equipment	29.4
Decrease in other non-current assets	15.7
Increase in defined benefit pension obligation	38.6
Decrease in other postretirement benefits	(44.7)
Increase in accrued expenses	7.4
Increase in inventory	(26.1)
Decrease in deferred tax asset	54.8
Other, net	(1.6)
Adjusted excess purchase price over fair value of net assets acquired	149.5
Accumulated amortization through March 31, 1999	(4.6)
Excess purchase price over net assets acquired, net as of March 31, 1999	$ 144.9

(c) USS/Kobe financial statements have been derived from the carve-out financial statements of the Bar Products Line of USS/Kobe Steel Company. All balances reflected in the Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LLC and its Subsidiaries relate to the Bar Products Line only. The financial statements include allocations and estimates of direct and indirect USS/Kobe Steel Company corporate administrative expenses as well as account balances attributable to the Bar Products Line operations. The allocations and estimates of debt, various corporate administrative expenses and account balances attributable to USS/Kobe made in the carve-out financial statements do not necessarily conform to the treatment of these items in the Master Restructuring Agreement pursuant to which the Combination was effected.

(d) Sources and uses of cash for the Transactions were as follows:

	(IN MILLIONS)
Sources:	
New credit facility borrowings	$ 221.9
Units proceeds(1)	419.5
New cash equity	155.0
Total	796.4
Uses:	
Repayment of existing indebtedness, including accrued interest and premiums(2)	758.2
Estimated transaction fees and expenses	10.9
Capitalized financing costs	27.3

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Total	796.4
Net adjustment	$ --

</TABLE>

---

(1) Units are reflected at their issue price.

(2) The repayment of debt includes (i) call and/or tender offer premiums in the amount of $6.2 million, $8.5 million and $3.3 million related to the BarTech senior notes, Republic mortgage notes and USS/Kobe senior notes, respectively, (ii) accrued interest through March 31, 1999 and (iii) repayment of $21.7 million of additional debt assumed, as specified in the Master Restructuring Agreement.

Pursuant to the terms of the Master Restructuring Agreement, long-term debt of USS/Kobe Steel Company totaling $203.7 million, rather than the amount of long-term debt allocated in the USS/Kobe financials, was assumed by Republic Technologies. Of the long-term debt assumed, all but $13.7 million, representing two series of environmental bonds, was repaid concurrent with the completion of the Combination.

(e) Represents the elimination of balances between BarTech, Republic and USS/Kobe.

(f) Represents the preliminary allocation of the purchase price attributed to the combination of USS/Kobe, Republic and BarTech to the assets acquired and liabilities assumed based on their respective estimated fair values. The actual purchase accounting adjustment to reflect the fair values of the assets acquired and liabilities assumed, including property, plant and equipment, employee benefit plans, as well as the fair value of the equity consideration paid to acquire USS/Kobe, will be based upon actuarial and appraisal studies that are currently in process and, accordingly, the adjustments that have been included in the pro forma financial information will change based upon the final allocation.

The net adjustment is calculated as follows:

<TABLE>
<CAPTION>

<S>	(IN MILLIONS) <C>
Purchase price:	
Combination of USS/Kobe, Republic and BarTech (1)	$ 97.4
Estimated direct acquisition costs (2)	14.2
Total purchase price	111.6
Less: historical net equity of USS/Kobe	239.2
Net adjustment (3)	$(127.6)

</TABLE>

---

(1) Represents a preliminary estimate of the equity consideration paid in connection with the Combination, including $23.9 million of additional debt assumed, including accrued interest.

(2) Includes $3.3 million in call premiums related to the USS/Kobe senior notes.

(3) The entire net adjustment has been applied to reduce the property, plant and equipment balance on a pro forma basis. The adjustments to fair value of the individual asset and liability balances of USS/Kobe will be made when the actuarial and appraisal studies have been finalized.

(g) The net increase is comprised of the following:

<TABLE>
<CAPTION>

<S>	(IN MILLIONS) <C>
Capitalized financing fees (1)	$ 27.3

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Deferred loan and bond fees (2)	(9.5)
	$ 17.8

</TABLE>

(1) Represents the portion of estimated transaction fees and expenses attributable to the new credit facility and the Notes, which is recorded as deferred financing costs and amortized over the life of the related indebtedness.

(2) Represents unamortized deferred financing costs of $5.6 million for BarTech, $3.2 million for Republic, and $0.7 million for USS/Kobe, each of which is eliminated with the retirement of the related debt.

(h) The net decrease is comprised of the following:

	(IN MILLIONS)
Accrued interest (1)	$ (16.7)
Reclassification of other current liabilities (2)	4.4
	$ (12.3)

(1) Represents accrued interest of $7.2 million for BarTech, $6.1 million for Republic and $3.4 million for USS/Kobe, which is eliminated with the refinancing of the related debt.

(2) Represents reclassification of other current liabilities ($2.2 million for Republic and $2.2 million for USS/Kobe) from short-term borrowings to other current liabilities.

(i) Pro forma amounts represent the initial borrowings under the new credit facility ($221.9 million), the issuance of the Notes ($373.5 million, including the effect of the discount associated with the Warrants), retained indebtedness ($110.3 million), the assumption of additional USS/Kobe debt ($2.2 million) and the retirement of certain other indebtedness including associated premiums ($758.2 million).

(j) We are a limited liability company that will be treated as a partnership for income tax purposes and accordingly will have no deferred tax assets or liabilities.

(k) Represents Series A Preferred Stock that was retained in RTI. This stock is mandatorily redeemable on September 26, 2000, payment for which is expected to be made by RTI from distributions or loans from us.

(l) Represents the net adjustment to shareholders' equity as a result of the Transactions, calculated as follows:

	(IN MILLIONS)
Partners' interests in USS/Kobe (1)	$(239.2)
Purchase price of USS/Kobe (2)	111.6
New cash equity (3)	155.0
Warrants	46.0
BarTech redeemable preferred stock not contributed	5.5
Additional USS/Kobe debt assumed	(23.9)
Other (4)	(33.4)
Net Acquisition and Combination and Refinancing adjustments	$ 21.6

</TABLE>

(1) Represents the elimination of the partners' interest of USS/Kobe.

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(2) Refer to footnote (f)
(3) Represents new cash equity provided at the closing of the Combination.
(4) Represents call premiums ($18.0 million), transaction fees ($10.9 million), write off of deferred financing costs ($9.5 million), offset by a deferred tax liability not assumed ($5.0 million).

REPUBLIC TECHNOLOGIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED JANUARY 2, 1999 FOR BARTECH AND
DECEMBER 31, 1998 FOR REPUBLIC AND USS/KOBE (A)
(IN MILLIONS, EXCEPT RATIOS)

<TABLE>
<CAPTION>

<S>	BARTECH <C>	REPUBLIC <C>	USS/KOBE(B) <C>	ACQUISITION AND COMBINATION ADJUSTMENTS <C>	REFINANCING ADJUSTMENTS <C>	PRO FORMA <C>
Net sales	$271.9	$670.7	$ 614.4	$ 10.5 (c)	$ --	$ 1,567.5
Cost of goods sold	262.5	610.6	576.4	(35.8)(d)	--	1,413.7
Gross profit	9.4	60.1	38.0	46.3	--	153.8
Selling, general and administrative expense	20.4	59.3	17.2	(2.5)(d)	--	94.4
Depreciation and amortization expense	6.0	--	45.9	17.6 (d)	--	69.5
Other postretirement benefits	0.7	2.6	16.6	--	--	19.9
Non-cash ESOP charges	--	2.0	--	--	--	2.0
Workforce reduction charges	--	18.7	--	--	--	18.7
Operating loss	(17.7)	(22.5)	(41.7)	31.2	--	(50.7)
Interest expense, net	27.0	34.1	11.2	--	19.9 (e)	92.2
Other (income) loss, net	(2.7)	(0.6)	--	--	--	(3.3)
Income tax expense (benefit)	--	1.3	--	(1.3)(f)	--	--
Net loss from continuing operations(g)	$(42.0)	$(57.3)	$ (52.9)	$ 32.5	$ (19.9)	$ (139.6)
OTHER DATA:						
EBITDA, as defined(h)	$ (5.2)	$ 47.0	$ 45.2			$ 87.0
Adjusted EBITDA(i)						223.4
Fixed charges(j)						95.8
Pro forma ratio of earnings to fixed charges(j)						--
PRO FORMA RATIOS:						
Earnings to fixed charges(j)						--
Debt to Adjusted EBITDA(k)						3.2x
Adjusted EBITDA to interest expense(l)						2.4x

</TABLE>

See Notes to Unaudited Pro Forma Combined Statements of Operations

REPUBLIC TECHNOLOGIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED MARCH 31, 1999 (A)
(IN MILLIONS, EXCEPT RATIOS)

<TABLE>
<CAPTION>

<S>	BARTECH <C>	REPUBLIC <C>	USS/KOBE(B) <C>	ACQUISITION AND COMBINATION ADJUSTMENTS <C>	REFINANCING ADJUSTMENTS <C>	PRO FORMA <C>
Net sales	$250.0	$ 642.9	$ 543.1	$ 4.2 (c)	$ --	$ 1,440.2
Cost of goods sold	240.5	600.9	527.0	(32.5)(d)	--	1,335.9
Gross profit	9.5	42.0	16.1	36.7	--	104.3
Selling, general and administrative expense	18.3	60.8	17.2	(4.4)(d)	--	91.9
Depreciation and amortization						

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expense	5.8	--	46.2	18.9 (d)	--	70.9
Other postretirement benefits	0.6	1.1	15.8	--	--	17.5
Workforce reduction charges	--	40.2	--	--	--	40.2
Operating loss	(15.2)	(60.1)	(63.1)	22.2	--	(116.2)
Interest expense, net	26.8	40.4	11.9	--	13.1 (e)	92.2
Other (income) loss, net	(2.6)	(0.7)	(0.1)	--	--	(3.4)
Income tax (benefit) expense	(0.1)	1.3	--	(1.2)(f)	--	--
Net loss from continuing operations(g)	$(39.3)	$(101.1)	$ (74.9)	$ 23.4	$ (13.1)	$ (205.0)
OTHER DATA:						
EBITDA, as defined(h)	$ (3.1)	$ 28.4	$ 14.7			$ 40.0
Adjusted EBITDA(i)						193.1
Fixed charges(j)						97.0
PRO FORMA RATIOS:						
Earnings to fixed charges(j)						--
Debt to Adjusted EBITDA(k)						3.7x
Adjusted EBITDA to interest expense(l)						2.1x

</TABLE>

See Notes to Unaudited Pro Forma Combined Statements of Operations

REPUBLIC TECHNOLOGIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1999 (A)
(IN MILLIONS)

<TABLE>
<CAPTION>

<S>	BARTECH <C>	REPUBLIC <C>	USS/KOBE(B) <C>	ACQUISITION AND COMBINATION ADJUSTMENTS <C>	REFINANCING ADJUSTMENTS <C>	PRO FORMA <C>
Net sales	$59.8	$160.6	$ 128.9	$ 1.1 (c)	$ --	$ 350.4
Cost of goods sold	56.8	155.8	130.7	(7.3)(d)	--	336.0
Gross profit	3.0	4.8	(1.8)	8.4	--	14.4
Selling, general and administrative expense	2.8	12.3	4.6	(1.8)(d)	--	17.9
Depreciation and amortization expense	1.2	--	11.8	5.2 (d)	--	18.2
Other postretirement benefits	0.1	1.9	3.3	--	--	5.3
Workforce reduction charges	--	21.5	--	--	--	21.5
Operating loss	(1.1)	(30.9)	(21.5)	5.0	--	(48.5)
Interest expense, net	6.0	13.2	3.6	--	0.4 (e)	23.2
Other loss (income), net	0.1	(0.2)	(0.1)	--	--	(0.2)
Income tax expense (benefit)	0.1	--	--	(0.1)(f)	--	--
Net loss from continuing operations(g)	$(7.3)	$(43.9)	$ (25.0)	$ 5.1	$(0.4)	$ (71.5)
OTHER DATA:						
EBITDA, as defined(h)						(2.0)
Adjusted EBITDA(i)						20.2

</TABLE>

See Notes to Unaudited Pro Forma Combined Statements of Operations

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS.

(a) In 1998, BarTech utilized a 52-53 week period ending on the Saturday closest to December 31 as its fiscal year end; its 1998 fiscal year ended January 2, 1999. In 1999, BarTech adopted a fiscal year ending December 31, 1999; its 1999 fiscal first quarter ended March 31, 1999.

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Republic utilizes a fiscal year ending June 30; its 1999 fiscal third quarter ended March 31, 1999. USS/Kobe utilizes a fiscal year ending December 31, 1999; its 1999 fiscal first quarter ended March 31, 1999.

(b) USS/Kobe financial statements have been derived from the carve-out financial statements of the Bar Products Line of USS/Kobe Steel Company. All balances reflected herein relate to the Bar Products Line only. The financial statements include allocations and estimates of direct and indirect USS/Kobe Steel Company corporate administrative expenses as well as account balances attributable to the Bar Products Line operations. The allocations and estimates of debt and trade payables attributable to USS/Kobe are not fully consistent with the treatment of such items agreed in the Master Restructuring Agreement.

(c) In connection with the Combination, we entered into a supply agreement with USX Corporation and the new tubular steel joint venture between USX Corporation and Kobe Steel, Ltd. These agreements provide for these affiliates to purchase specified quantities from Republic Technologies at prices that contain an agreed upon margin per ton over production costs. The adjustment relates to the pro forma effect on net sales resulting from the price increases of certain items, as specified in the agreements.

(d) Represents the net effect of conforming Republic's accounting classification of depreciation expense, conforming the fixed asset capitalization policy of Republic and USS/Kobe and applying purchase accounting to Republic and USS/Kobe, as follows:

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1998	TWELVE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1999
		(IN MILLIONS)	
<S>	<C>	<C>	<C>
Conforming accounting classifications:			
Classification of depreciation expense (1)			
Cost of goods sold.............................	$ (24.0)	$(23.2)	$ (5.4)
Selling, general and administrative expense.....	(2.5)	(4.4)	(1.8)
Depreciation and amortization expense...........	26.5	27.6	7.2
	$ --	$ --	$ --
Fixed asset capitalization (2)			
Cost of goods sold.............................	$ (11.8)	$ (9.3)	$ (1.9)
Depreciation and amortization expense...........	0.4	0.3	0.1
	$ (11.4)	$ (9.0)	$ (1.8)
Depreciation and amortization expense (3)...........	$ (9.3)	$ (9.0)	$ (2.1)
Total cost of goods sold adjustment.................	$ (35.8)	$(32.5)	$ (7.3)
Total selling, general and administrative expense adjustment..	$ (2.5)	$ (4.4)	$ (1.8)
Total depreciation and amortization expense adjustment..	$ 17.6	$ 18.9	$ 5.2

</TABLE>

----

(1) Represents adjustments required to conform Republic's classification of depreciation expense to that of BarTech and USS/Kobe. Republic has historically recorded

depreciation expense as a component of cost of goods sold, with amortization expense included in general and administrative expenses. Conversely, BarTech and USS/Kobe have historically recorded all depreciation and amortization expense as a separate line item on their statements of operations.

(2) Represents adjustments required to conform USS/Kobe's policy for capitalizing fixed asset additions to that of BarTech and Republic. The increase in depreciation and amortization expense

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reflects the effect of increasing the fixed assets balance, depreciated over an estimated average life of fifteen years.

(3) The combination of USS/Kobe into Republic Technologies will be, and the Republic acquisition was, accounted for as a purchase. Under purchase accounting, the total purchase cost will be allocated to the assets acquired and liabilities assumed of USS/Kobe based on their respective fair values as of the date of the Combination and were allocated to Republic as of September 8, 1998, based on valuations and other studies that are not yet finalized. For the combination of USS/Kobe into Republic Technologies, a preliminary allocation of the purchase cost has been made to reduce property, plant and equipment for the entire amount that the historical net equity of USS/Kobe exceeds the estimated purchase price. The actual allocation of purchase cost and the resulting effect on income from operations may differ significantly from the estimated pro forma amounts included herein. The application of purchase accounting is expected to result in a net decrease in depreciation and amortization expense, as follows:

	TWELVE MONTHS ENDED DECEMBER 31, 1998	TWELVE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1999
		(IN MILLIONS)	
Republic: (A)			
Property, plant & equipment depreciation...	$(3.3)	$ (2.1)	$ --
Goodwill amortization.....................	2.5	1.6	--
Net adjustment..........................	(0.8)	(0.5)	--
USS/Kobe: (B)			
Property, plant & equipment depreciation...	(8.5)	(8.5)	(2.1)
Net adjustment..........................	$(9.3)	$ (9.0)	$ (2.1)

(A) Represents adjustment for the period of (i) April 1, 1998 through September 7, 1998 for the twelve months ended March 31, 1999, and (ii) January 1, 1998 through September 7, 1998 for the twelve months ended December 31, 1998.

(B) Represents adjustments for all three periods presented as if the Combination occurred at the beginning of the period.

The adjustments for estimated pro forma depreciation and amortization expense are based on the estimated fair value of the acquired assets. For pro forma purposes, a forty year life has been used for goodwill and a fifteen year life has been used for property, plant and equipment.

(e) Represents the net adjustment to interest expense as a result of the borrowings under the new credit facility and the Notes, calculated as follows:

	TWELVE MONTHS ENDED DECEMBER 31, 1998	TWELVE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1999
		(IN MILLIONS)	
New credit facility (1)............................	$ 18.9	$ 18.9	$ 4.7
Commitment fee (2).................................	1.0	1.0	0.3
Notes (3)..	58.4	58.4	14.6
Retained indebtedness (4)..........................	8.7	8.7	2.2
Cash interest expense............................	87.0	87.0	21.8
Amortization of deferred financing costs (5).........	2.7	2.7	0.7
Accretion of issue price discount (6)...............	0.3	0.3	0.1
Accretion of discount relating to Warrants (7).......	2.2	2.2	0.6

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Pro forma interest expense	92.2	92.2	23.2
Historical interest expense, net	72.3	79.1	22.8
Net interest expense adjustment	$ 19.9	$ 13.1	$ (0.4)

</TABLE>

----

(1) Represents interest on $221.9 million which will be drawn at closing of the Combination using an assumed interest rate of 8.5%.

(2) Represents a commitment fee of 0.5% applied to the $203.1 million pro forma unused balance of the new credit facility.

(3) Represents interest on the $425.0 million of Notes at the stated interest rate of 13.75%.

(4) Represents interest on the outstanding debt which will not be repaid at the closing of the Combination, plus interest on additional USS/Kobe debt assumed.

(5) Deferred financing costs are amortized over the term of the related debt, ten years both for the new credit facility and the Notes.

(6) The issue price discount is accreted using the effective interest method over the term of the related debt, ten years for the Notes.

(7) The discount representing the estimated fair value of the Warrants is accreted using the effective interest method over the term of the related debt, ten years for the Notes.

A change of 0.125% in the interest rate would have the following effect on pro forma interest expense:

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1998	TWELVE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1999
		(IN MILLIONS)	
<S>	<C>	<C>	<C>
New credit facility	$ 0.3	$ 0.3	$ 0.1

</TABLE>

(f) As a limited liability company, we are not subject to corporate income taxes. To the extent required, Republic Technologies expects to distribute cash to its members, who will pay income taxes.

(g) The call and tender offer premiums associated with the retirement of the BarTech senior secured notes and Republic mortgage notes will result in a charge to be reflected as an extraordinary loss of $14.7 million subsequent to the Transactions. Costs associated with the extinguishment of debt are not included in the Pro Forma Combined Statements of Operations.

(h) "EBITDA" represents earnings before net interest expense, income taxes, depreciation and amortization expense, other postretirement benefit charges, non-cash employee stock ownership plan or "ESOP" charges, workforce reduction charges for early retirement benefits, stockholder management fees and non-recurring transaction costs. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. EBITDA is included in this offering memorandum to provide additional information with respect to our ability to satisfy our debt service, capital expenditure and working capital requirements. While EBITDA is frequently used as a measure of operations and the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. The calculation of EBITDA, as defined, for Republic Technologies is shown below:

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED DECEMBER 31, 1998	TWELVE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1999

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<S>	<C>	(IN MILLIONS) <C>	<C>
Pro forma net loss from continuing operations...	$(139.6)	$ (205.0)	$(71.5)
Interest expense, net......................	92.2	92.2	23.2
Depreciation and amortization expense......	69.5	70.9	18.2
Other postretirement benefit charges.......	19.9	17.5	5.3
Non-cash ESOP charges......................	2.0	--	--
Workforce reduction charges................	18.7	40.2	21.5
Stockholder management fees................	3.7	4.2	1.3
Non-recurring transaction costs(1).........	20.6	20.0	--
EBITDA, as defined.............................	$ 87.0	$ 40.0	$ (2.0)

</TABLE>

(1) Represents costs incurred related to investment banking and other advisory fees, one-time labor-related expenses and certain other costs directly associated with the acquisition of Republic in September 1998.

The calculation of EBITDA for each of BarTech, Republic and USS/Kobe excluding pro forma refinancing adjustments for the twelve months ended December 31, 1998 and for the twelve and three months ended March 31, 1999 is as follows:

<TABLE>
<CAPTION>

	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1998		
	BARTECH	REPUBLIC	USS/KOBE
<S>	<C>	(IN MILLIONS) <C>	<C>
Net loss from continuing operations................................	$(42.0)	$ (57.3)	$(52.9)
Pro forma adjustments(1)..	--	2.1	30.4
Pro forma net loss from continuing operations.......................	(42.0)	(55.2)	(22.5)
Interest expense, net...	27.0	34.1	11.2
Depreciation and amortization expense(2)..........................	6.0	25.7	37.8
Other postretirement benefits charges.............................	0.7	2.6	16.6
Non-cash ESOP charges...	--	2.0	--
Workforce reduction charges.......................................	--	18.7	--
Stockholder management fees.......................................	0.9	0.7	2.1
Non-recurring transaction costs...................................	2.2	18.4	--
EBITDA, as defined..	$ (5.2)	$ 47.0	$ 45.2

</TABLE>

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	FOR THE TWELVE MONTHS ENDED MARCH 31, 1999		
	BARTECH	REPUBLIC	USS/KOBE
<S>	<C>	(IN MILLIONS) <C>	<C>
Net loss from continuing operations................................	$(39.3)	$ (101.1)	$(74.9)
Pro forma adjustments(1)..	(0.1)	1.8	21.7
Pro forma net loss from continuing operations.......................	(39.4)	(99.3)	(53.2)
Interest expense, net...	26.8	40.4	11.9
Depreciation and amortization expense(2)..........................	5.8	27.1	38.0
Other postretirement benefits charges.............................	0.6	1.1	15.8
Workforce reduction charges.......................................	--	40.2	--
Stockholder management fees.......................................	0.9	1.1	2.2
Non-recurring transaction costs...................................	2.2	17.8	--
EBITDA, as defined..	$ (3.1)	$ 28.4	$ 14.7

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FOR THE THREE MONTHS ENDED

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	MARCH 31, 1999		
	BARTECH	REPUBLIC	USS/KOBE
	(IN MILLIONS)		
Net loss from continuing operations	$ (7.3)	$ (43.9)	$(25.0)
Pro forma adjustments(1)	0.1	--	5.0
Pro forma net loss from continuing operations	(7.2)	(43.9)	(20.0)
Interest expense, net	6.0	13.2	3.6
Depreciation and amortization expense(2)	1.2	7.2	9.8
Other postretirement benefits charges	0.1	1.9	3.3
Workforce reduction charges	--	21.5	--
Stockholder management fees	0.2	0.5	0.6
EBITDA, as defined	$ 0.3	$ 0.4	$ (2.7)

----

(1) Represents Republic acquisition and Combination pro forma adjustments.

(2) Amount includes the allocation of Republic acquisition and Combination pro forma adjustments to BarTech, Republic and USS/Kobe.

(i) Adjusted EBITDA reflects certain changes in the combined cost structure we intend to effect in the twelve month period subsequent to March 31, 1999, as set forth below:

	TWELVE MONTHS ENDED DECEMBER 31, 1998	TWELVE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1999
		(IN MILLIONS)	
EBITDA, as defined	$ 87.0	$ 40.0	$ (2.0)
Cost savings:			
Plant costs--labor(1)	82.8	102.2	12.3
Plant costs--non-labor(2)	36.9	33.3	6.5
Redundant overhead costs(3)	16.7	17.6	3.4
Total cost savings	136.4	153.1	22.2
Adjusted EBITDA	$ 223.4	$193.1	$ 20.2

(footnotes on next page)

(footnotes from previous page)

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(1) Represents the salary and benefits expense incurred at the seven production facilities to be closed in the twelve months subsequent to March 31, 1999. Such costs include the salary and benefit expense of 1,516 hourly workers represented by the United Steelworkers union and 12 salaried workers represented by the United Steelworkers union at three Republic and two USS/Kobe facilities, the salary and benefit expense of 78 hourly workers at two BarTech facilities and 163 salaried workers at BarTech and Republic. It is anticipated that the reductions in workers represented by the United Steelworkers union at Republic and USS/Kobe will be achieved through acceptance of early retirement buyout and other voluntary severance packages which will be offered to workers at these facilities. There can be no assurance that the packages offered will result in the desired headcount reduction. The hourly workers at the BarTech facility and the plant salaried workers at BarTech and Republic are not represented by the United Steelworkers union and, accordingly, there are no contractual restrictions limiting the number of involuntary terminations.

(2) Represents the fixed and variable non-labor plant costs related to the seven production facilities to be closed in the twelve months subsequent to March 31, 1999. The variable costs included in the total non-labor plant cost savings for the twelve months

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ended December 31, 1998 and the twelve and three months ended March 31, 1999 are $14.1 million, $11.9 million and $2.9 million respectively.

(3) Represents the anticipated savings from the rationalization of the sales, marketing and administrative functions at all facilities contemplated in the Consolidation Plan.

During each period included in the table above, each of BarTech, Republic and USS/Kobe incurred certain administrative and selling costs that were either duplicative between the three or that will be replaced by internal personnel with no incremental cost to us. We expect that these costs will be eliminated in the twelve months subsequent to March 31, 1999.

The headcount reductions and fixed cost savings discussed above are based on a number of estimates and assumptions that, while considered reasonable in the aggregate by our management, are inherently uncertain. Accordingly, you are cautioned not to place undue reliance on these adjustments. See "Risk Factors."

We expect to incur non-recurring cash charges in the twelve months subsequent to March 31, 1999 of an estimated $14.9 million, consisting of $6.9 million for salaried separation costs, $3.8 million for employee retention and hiring costs, $3.7 million for benefits and systems integration costs and $0.5 million for equipment relocation costs. We also expect to incur pension curtailment charges of an estimated $28.3 million in the twelve months subsequent to March 31, 1999 related to the anticipated level of early retirement buyout and other voluntary severance packages accepted as part of our hourly workforce reduction plan.

In addition, we have agreed to fund an additional $15.0 million into our defined benefit pension plan by January 1, 2000. This amount does not include any additional funding requirement for such period that may be agreed with the PBGC in relation to the Lorain facility.

(j) For purposes of determining the pro forma ratio of earnings to fixed charges, "earnings" are defined as net loss from continuing operations plus fixed charges. "Fixed charges" include interest expense on all indebtedness, amortization of deferred financing costs, accretion of the issue price discount and one-third of rental expense, representing that portion of rental expense which we deem attributable to interest. The pro forma deficiency of earnings to cover fixed charges is $205.0 million and $139.6 million for the twelve months ended March 31, 1999 and December 31, 1998, respectively.

(k) For purposes of determining the pro forma ratio of debt to Adjusted EBITDA, debt is defined as all indebtedness that is interest bearing. On a pro forma basis, the debt is comprised of borrowings under the new credit facility ($221.9 million), the Notes ($373.5 million), retained indebtedness ($110.3 million) and additional USS/Kobe debt ($2.2 million).

(l) For purposes of determining the pro forma ratio of Adjusted EBITDA to net interest expense, net interest expense is calculated as pro forma interest expense, as determined in note (e), less historical interest income. See Note (e) for additional information regarding interest rate sensitivities.

THE COMBINED BUSINESS

GENERAL

We are the largest producer of special bar quality steel products in the United States, with a market share of approximately 23% based on 1998 calendar year pro forma shipments. SBQ steel products are high quality hot-rolled and cold-finished carbon and alloy steel bar and rod used primarily in critical applications in automotive and industrial equipment. SBQ steel products are sold to customers who require precise metallurgical content and quality characteristics. SBQ steel products generally contain more alloys, and sell for substantially higher prices, than merchant and commodity steel bar and rod products. We produce the widest range of SBQ steel products in the United States and supply a diverse customer base that includes leading automobile and industrial equipment manufacturers and their first tier suppliers. We have aggregate annual steel melting capacity of approximately 3.4 million tons, hot-rolling production capacity of approximately 2.9 million tons and cold-finishing production capacity of approximately 0.6 million tons.

The Combination combined three businesses with both complementary and overlapping operations. As a result, the Combination offers opportunities to significantly enhance our financial and operating performance by

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(1) rationalizing our production facilities and headcount, (2) enhancing the productivity of the remaining facilities through facility specialization and targeted capital investment, (3) eliminating redundant corporate overhead and (4) in-sourcing more feedstock currently purchased from third parties. In addition, the Combination will result in our having a broader product range than any of the combining companies, thereby positioning us to expand our role as a critical supplier to automobile and industrial equipment manufacturers and their first tier suppliers. In order to take advantage of these opportunities, we intend to implement our Consolidation Plan, which is described below in detail under the caption "The Consolidation Plan."

HISTORY OF BARTECH, REPUBLIC AND USS/KOBE

Our company represents the combination of BarTech, Republic and USS/Kobe. BarTech was formed in September 1994 with the assistance of affiliates of The Veritas Capital Fund L.P. to acquire and restart specific melt shop and hot-rolling assets of the former Bar, Rod & Wire Division of Bethlehem Steel Corporation. In February 1996, BarTech resumed commercial steel making activities at the former operations of the Bethlehem BRW Division. In April 1996, Blackstone acquired control of BarTech concurrently with BarTech's acquisition of Bliss & Laughlin, one of the largest processors of cold-finished SBQ steel products in North America. Republic is a leading U.S. manufacturer of SBQ steel products which was formed in November 1989 to own and operate the former assets of the Bar Division of LTV Steel Company Inc. In September 1998, Blackstone and other investors acquired control of Republic through RES Holding with the intention of combining it with BarTech. USS/Kobe is the SBQ steel production facilities and related operations division of USS/Kobe Steel Company, a 50/50 joint venture formed in July 1989 between a subsidiary of each of USX Corporation, the former owner of the Lorain, Ohio facility, and Kobe Steel, Ltd.

As part of a strategy to pursue consolidation opportunities in the steel industry Blackstone, Veritas, USX Corporation and Kobe Steel, Ltd. identified the combination of Republic, BarTech and USS/Kobe as a significant opportunity to establish a leading position in the North American SBQ steel market and to realize sizable cost savings and synergistic benefits.

OUR SBQ STEEL PRODUCTS

The following table sets forth our net tons shipped and margins over materials per ton shipped for our principal product lines for the periods indicated:

<TABLE>
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	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,		
	1997		1998		1998		1999
	(TONS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net tons shipped:							
SBQ hot-rolled products	1,669	53%	1,776	60%	516	56%	412
SBQ cold-finished products	489	16	486	17	139	15	120
Seamless rounds	906	29	552	19	241	26	77
Semi-finished steel products	90	3	128	4	24	3	20
Total net tons shipped	3,154	100%	2,942	100%	920	100%	629
Average margin over materials per net ton shipped:							
SBQ hot-rolled products	$ 382		$ 387		$382		$363
SBQ cold-finished products	588		601		583		565
Seamless rounds	216		217		214		247
Semi-finished steel products	317		256		313		355
All products	364		385		367		387

<CAPTION>

		TWELVE MONTHS ENDED MARCH 31, 1999	
<S>	<C>	<C>	<C>
Net tons shipped:			
SBQ hot-rolled products	66%	1,672	63%
SBQ cold-finished products	19	467	18
Seamless rounds	12	388	15
Semi-finished steel products	3	124	5

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Total net tons shipped	100%	2,651	100%
Average margin over materials per net ton shipped:			
SBQ hot-rolled products		$ 383	
SBQ cold-finished products		597	
Seamless rounds		225	
Semi-finished steel products		261	
All products		392	

</TABLE>

Hot-Rolled Products. Our hot-rolled products are manufactured from steel or iron melted in our steel production facilities, which is cast into blooms or direct cast into billets and then hot-rolled into bar or rod in a variety of sizes and product shapes. As a direct cast billet or bloom cast billet is reduced in size at our hot-rolling mills, the strength and integrity of the resulting bar or rod product is increased. Because blooms have a larger cross-sectional area than billets, a greater reduction to size occurs. Accordingly, a hot-rolled product rolled from a bloom cast billet is generally stronger than a direct cast billet hot-rolled product of the same size and metallurgical content. Typically customers concerned about product quality and strength as related to reduction of area require bloom-based hot-rolled bar products.

Direct cast billet products are generally used for smaller SBQ product sizes and for less demanding end-use applications. However, we are currently in the process of receiving customer certification to a supply billet-based product for higher-end applications and expect to sell increasing amounts of direct cast billet-based products to our higher-end automotive and industrial equipment customers. Our Canton, Ohio CAST-ROLL(Trademark) and Lorain, Ohio melt shop facilities cast bloom-based products in a 10" by 13" or 12.5" by 14" size and have approximately 2.6 million tons of aggregate annual bloom capacity. Our Johnstown, Pennsylvania facility produces direct cast billet-based products in a 6 3/4" by 6 3/4" size and has 0.77 million tons of annual billet capacity.

The table below displays the major end market applications of our hot-rolled products by size and shape, as well as the percentage of our total hot-rolled product shipments for the twelve months ended March 31, 1999 by each shape:

MAJOR END MARKET APPLICATIONS BY PRODUCT SIZES AND SHAPES

<TABLE>
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	ROUNDS	SQUARES	HEXAGONS
7/32"- 3/4"	Auto fasteners Tire cord Specialty springs	Not Applicable	Hose couplings Converters
3/4"-3 1/4"	Bearings Spindles Steering columns Gears Constant velocity joints Hubs Axles	Not Applicable	Hose couplings Converters
3 1/4"+	Crankshafts Axles Hydraulic cylinders Machine parts Converters	Off-highway equipment Agricultural equipment Converters	Not Applicable
% OF TOTAL SHIPMENTS	95	4	1

</TABLE>

For the twelve months ended March 31, 1999, we shipped approximately 1,672,000 tons of hot-rolled products, which comprised 63% of our total product shipments.

Cold-Finished Products. Our cold-finished products are manufactured from hot-rolled bars or rods that are processed further to achieve superior straightness, tolerance, finish and mechanical properties. In the twelve months ended March 31, 1999, approximately 60% of our cold-finished bar and rod production used internally produced hot-rolled products. Given our increased product size and grade range for hot-rolled products, we expect to be able to increasingly substitute internally produced hot-rolled products for external purchases. Ultimately, we intend for 88% of the hot-rolled products needed in our cold-finishing production to be produced internally.

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The table below displays the major end market applications of our cold-finished products by shape without references to product size, which is less important for determining the end use of cold-finished steel products:

MAJOR END MARKET APPLICATIONS BY SHAPES

ROUNDS	HEXAGONS	SQUARES	FLATS
Constant velocity joints	Hose fittings	Agricultural equipment	Machine tool fixtures
Hydraulic hose couplings	Spark plug shells		Office furniture
Fractional horsepower motor shafts	Nuts		Exercise equipment
Steering rack gears			Agricultural equipment
Engine valves and fuel injector parts			
Hydraulic cylinders for off-highway and agricultural equipment			
Shafts and gears for appliance industry			

For the twelve months ended March 31, 1999, we shipped approximately 467,000 tons of cold-finished products, which comprised 18% of our total product shipments.

Seamless Tube Rounds. In connection with a supply agreement with USX Corporation and the Lorain, Ohio seamless tubular steel joint venture of USX and Kobe Steel, Ltd., we produce semi-finished rounds at our Lorain, Ohio facility for purchase by the tubular joint venture and by USX's Fairfield, Alabama facility under specified circumstances. Depending upon the desired end-use application for the Lorain tubular joint venture, these products are either cast to sizes of 10.5", 12.25" or 13.5" or cast to size and then rolled at our primary rolling mill to sizes of 6" or 10.5". For the Fairfield facility, we produce semi-finished product in rounds at 11.6". Seamless tubes are used in oil and gas drilling and exploration applications. Over the last five years, the Lorain tube mills have consumed, on average approximately 450,000 tons per year. Over the last five years, we have shipped to the Fairfield facility, on average, approximately 326,000 tons per year. For the twelve months, ended March 31, 1999, we shipped approximately 388,000 tons of seamless rounds which comprised approximately 15% of total shipments.

Semi-Finished Steel Products. In addition to our hot-rolled and cold-finished products, we sell semi-finished products directly from our melt shop casters, before they have been processed further at our rolling mill facilities. These products are typically sold to rolling mills operated by competitors without melt shop facilities or to steel service centers or distributors, for further processing before they reach the ultimate end user. These products are sold in sizes ranging from 5"-14". For the twelve month period ended March 31, 1999, we shipped approximately 124,000 tons of semi-finished steel products, which comprised approximately 5% of our total product shipments.

THE STEEL MANUFACTURING PROCESS

The manufacturing process for our hot-rolled and cold-finished SBQ steel products involves a number of steps that we outline below.

Melting. Our production of steel begins at our two electric furnace melt shops in Canton, Ohio and Johnstown, Pennsylvania and our blast furnaces in Lorain, Ohio. The Canton and Johnstown melt shops operate electric arc furnaces, which consume ferrous scrap as the primary raw material. At both facilities, premium grade steel scrap is transported from a scrap yard to the facility's melt shop, where it is melted in two 220-ton electric arc furnaces at the Canton, Ohio facility or one of two 180-ton electric arc furnaces at the Johnstown, Pennsylvania facility. After the scrap reaches a molten state, it is poured from the furnace into ladles and further processed in a ladle refining furnace, where alloys, carbon and other materials are added to create the desired chemical, metallurgical and physical properties. During the scrap melting and refining process, impurities are

removed from the molten steel. In addition, as part of the refining process, the molten steel is further processed in a vacuum degasser, which removes oxygen, hydrogen and nitrogen to produce a clean, high-quality steel.

At our Canton, Ohio facility, the molten steel is introduced to our CAST-ROLL(Trademark) process in which molten steel is poured into a four-strand continuous bloom caster, solidified in molds and cut into blooms and billets in a single continuous process. At the Johnstown, Pennsylvania facility, the molten steel is poured into a five-strand continuous caster to be solidified and cut into billets. These semi-finished blooms and billets, having been produced to a specified chemical composition, size and quality are then cooled and sent to our rolling mills for further processing into finished products.

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Unlike our electric furnace melt shops that rely on steel scrap, our Lorain, Ohio facility produces iron in a blast furnace from its basic raw materials, iron and carbon, and later converts the iron to steel in a basic oxygen furnace by adding scrap. The primary raw materials used in our blast furnace are (1) taconite pellets, which are a concentrated form of iron ore, (2) coke, which is a product produced by baking specific types of coal at high temperature, and (3) limestone or other cleansing materials, which are necessary to remove impurities in the material. In addition, scrap material is often used in place of iron ore and pulverized coal is often used in place of coke. The taconite pellets and coke are purchased by us from USX Corporation pursuant to long-term supply agreements and the other materials are either produced at the facility or purchased from third parties.

The Lorain facility has two blast furnaces but currently operates only one. Within the refractory brick-lined blast furnace chamber, the iron material consisting of taconite or other ores, the carbon material consisting of coke and pulverized coal and the flux material are heated to temperatures in excess of 2,500 degrees Fahrenheit. The high temperature causes a chemical reaction between the iron and carbon creating pig iron or hot metal. The cleansing or "flux" material combines with impurities to create a by-product called slag.

The pig iron is then transferred in liquid form by special rail vehicles to the Lorain melt shop, which operates two 220-ton basic oxygen furnaces. Sulfur is removed from the hot metal and the hot metal is mixed with high quality scrap. This mixture is injected with oxygen that causes another chemical reaction that converts the pig iron or hot metal into molten steel, which is then poured into ladles. The ladles are transported to a ladle metallurgy facility where alloying agents and other refining materials may be added and blended into the steel. In addition, for some applications, the molten steel may be processed in a vacuum degasser to reduce oxygen, hydrogen and nitrogen.

The molten steel is then poured into a five-strand continuous bloom caster through which the steel flows and cools. The cooled material solidifies and then is cut into blooms. The caster produces large diameter round blooms that are feedstock for hot-rolled large diameter seamless tube products or rectangular blooms that are transported to a mill that converts the blooms into billets to be used as feedstock for hot-rolled bar and rod, or into smaller diameter semi-finished rounds to be used as feedstock for hot-rolled smaller diameter seamless tube products.

Hot-Rolling. At our hot-rolling mills, the blooms and billets are processed into hot-rolled products by changing the internal physical properties, size and shape of the steel. Blooms and billets are first reheated, then rolled through up to 22 mill stands, which form the blooms and billets into the desired dimensions and sizes for our hot-rolled SBQ steel products. The heated, finished hot-rolled products are coiled or are placed on a cooling bed and then cut into required lengths. The hot-rolled products are then stacked into coils or bundles and placed in warehouses from which they are shipped directly to the customer or to one of our cold-finishing mills for further processing.

Cold-Finishing. To produce our cold-finished SBQ steel products, we improve the physical properties of hot-rolled products through value-added processes at our cold-finishing plants. Cold-finishing processes produce products with more precise size and straightness tolerances as well as a surface finish that provide customers with a more efficient means of producing a number of end

products by often eliminating the first processing step in the customer's process. The four basic cold-finishing processes are the following:

PROCESS	DESCRIPTION
Cold Drawing	Hot-rolled products that have been descaled by blasting the surface with hardened steel shot are (1) drawn or pulled through a tungsten carbide die, which compresses the surface, elongates the product and makes it smooth and shiny and (2) straightened.
Turning and Polishing	Removing the surface of hot-rolled products with a revolving cutting tool, which is the turning process, then rotating the turned product through rollers that polish the surface and straighten the product.
Turning, Grinding and Polishing	The same processes as turning and polishing products, with the addition of a grinding process that yields very fine tolerances.
Drawing, Turning, Grinding and Polishing	The same processes as turning, grinding and polishing products, with the addition of a drawing process to add physical strength.

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After the cold-finished products are cut to length, they are stacked in bundles and transported to warehouses from which they are shipped to customers.

OUR PROPERTIES

The table below sets forth certain information regarding our melt shops, hot-rolling mills, cold-finishing facilities and offices. All of these properties are owned by us other than our corporate offices, which are leased.

LOCATION	APPROXIMATE SIZE IN THOUSANDS OF SQUARE FEET	PRODUCTION CAPACITY(A) (TONS IN THOUSANDS)	QS-9000 CERTIFICATION	NUMBER OF EMPLOYEES (AS OF 12/31/98)(B) HOURLY	SALARIED	TOTAL
Melt Shops:						
Canton, Ohio	481	1,300	u	792	147	939
Lorain, Ohio	688	1,300	u	1,189	132	1,321
Johnstown, Pennsylvania	1,917	770	Expected by 12/99	204	26	230
Hot-Rolling and Processing Mills:						
Lorain, Ohio (two mills)	1,247	1,115	u	607	55	662
Lackawanna, New York	1,099	600	u	242	48	290
Massillon, Ohio (Oberlin Road)	667	480	u	382	43	425
Canton, Ohio	743	380	u	510	63	573
Chicago, Illinois	2,019	340	u	269	37	306
Cold-Finishing Facilities:						
Harvey, Illinois	331	120	u	122	26	148
Massillon, Ohio (Rose Avenue)	553	120	u	223	29	252
Gary, Indiana (Dunes Highway)	266	90	u	109	12	121
Batavia, Illinois	61	Closed(C) 7/2/99	N/A	19	4	23
Cartersville, Georgia	92	60	Expected by 12/99	38	7	45
Medina, Ohio	126	Closed(C) 7/2/99	N/A	56	10	66
Gary, Indiana (Seventh Avenue)	200	60	u	56	4	60
Hamilton, Ontario, Canada	135	60	u	79	13	92
Beaver Falls, Pennsylvania	176	55	u	95	16	111
Willimantic, Connecticut	89	25	u	20	4	24
Corporate Offices				--	513	513
Total Employees				5,012	1,189	6,202

(A) Stated tons represent the production capacity of the individual facility only and do not represent our production capacity as a whole added together.

(B) All of our current hourly employees are represented by the United Steelworkers union except for those at our Cartersville, Georgia facility, which is non-unionized.

(C) Virtually all employees at these facilities were terminated effective July 2, 1999 following the closure of these sites on such date.

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Melt Shops. We operate three primary melt shop facilities in Canton, Ohio, Lorain, Ohio and Johnstown, Pennsylvania.

- Canton, Ohio. Our melt shop facility in Canton, Ohio utilizes two casting processes: (1) continuous casting at our state-of-the-art CAST-ROLL(Trademark) facility, which has 750,000 tons of annual capacity, and (2) ingot casting, which has 500,000 tons of annual capacity. Our CAST-ROLL(Trademark) facility is one of the most modern and sophisticated melt shops in the world. The CAST-ROLL(Trademark) facility links five proven technologies with a high level of computer control into one continuous process. The CAST-ROLL(Trademark) facility includes a ladle metallurgical facility, a vacuum tank degasser and a four strand continuous bloom caster supplied with molten steel from two 220-ton electric arc furnaces. A portion of the cast steel from the bloom caster moves directly to an inline reheat furnace and then to a rolling mill which produces SBQ steel billets for our rolling mills. The CAST-ROLL(Trademark) facility is currently operating at its present rated capacity of 750,000 tons per year with approximately 98% of the product to be produced through the CAST-ROLL(Trademark) facility having been qualified by our customers. As part of the Consolidation Plan, we have shut down the ingot cast route and we expect to expand the CAST-ROLL(Trademark) facility's capacity to 925,000 tons per year and shift the production of the ingot cast route to the CAST-ROLL(Trademark) facility and to the melt shops in Lorain, Ohio and Johnstown, Pennsylvania.

- Lorain, Ohio. The Lorain melt shop facility contains two blast furnaces with annual production capacities of 1.4 million and 1.1 million tons, respectively, and two basic oxygen furnaces with aggregate annual production capacity of 2.6 million tons. The 1.1 million ton blast furnace is currently idle. Raw steel, which is made in the blast furnaces and the basic oxygen furnaces, is cast into molds in our billet or bloom caster, which have annual production capacities of 1.2 and 1.1 million tons, respectively, and then either (1) sent directly to one of our bar mills or (2) rolled into billets at the Lorain facility's primary rolling mill and then shipped directly to customers as semi-finished product or to one of our rolling mills for further processing. The blast furnace that we will continue to operate after the Consolidation Plan was relined and modernized in 1992 at a capital cost of $107 million and the bloom caster was installed in 1995 at a cost of $70 million. As part of our Consolidation Plan, we expect to shut down (1) the smaller blast furnace and (2) the billet caster, relying on our Johnstown facility for cast billet production. All Lorain melt shop products will be processed through the bloom caster, which is currently operating at 50% of production capacity. We expect to invest approximately $5 million in the remaining blast furnace, which will extend the life of the furnace lining through 2005.

- Johnstown, Pennsylvania. BarTech modernized the melt shop facility in Johnstown, Pennsylvania in 1996 to replace the existing ingot-based process with the continuous casting process. By virtue of the installation of a billet caster and related equipment, the Johnstown facility is now able to cast multiple furnace "heats" in sequence without interrupting the casting process. The caster was designed with equipment features to ensure compliance with the quality standards of the SBQ steel market. These features include (1) a technically advanced "tundish", which is the liquid steel reservoir above the molds with flow control devices to maximize cleanliness, (2) electromagnetic stirring coils in the caster molds and (3) a specialized water spray cooling system designed to optimize internal quality of the cast steel. The Johnstown facility has annual production capacity of 770,000 tons and is currently operating at approximately 75% of this capacity. As part of the Consolidation Plan, we plan to upgrade capacity to 980,000 tons per year by (1) more fully utilizing a recently restarted second 180-ton electric arc furnace, which will operate in sequence with the existing furnace, (2) adding a fourth production shift at the melt shop and (3) adding a sixth strand to the continuous billet caster. See "The Consolidation Plan."

Hot-Rolling Mills. We currently operate the following six hot-rolling mills with nameplate capacities shown:

- a 9"/10" mill in Lorain, Ohio with an annual capacity of 465,000 tons;

- an 11" mill in Chicago, Illinois with an annual capacity of 340,000 tons;

- a 12" mill in Canton, Ohio with an annual capacity of 380,000 tons;

- a 12" mill in Lorain, Ohio with an annual capacity of 650,000 tons;

- a 13" mill in Lackawanna, New York with an annual capacity of 600,000

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tons; and

o an 18" mill in Massillon, Ohio with an annual capacity of 480,000 tons.

As part of the Consolidation Plan, we plan to shut down our 11" mill in Chicago, our 12" mill in Canton and our 18" mill in Massillon and transfer their production to the 13" mill in Lackawanna, the 9"/10" and 12" mills in Lorain and a new large bar mill to be constructed by the end of 2002. We expect that the reallocation of our production to our remaining hot-rolling mills based on specific size ranges and selected capital expenditures will significantly increase the production from our remaining facilities. After we have completed the implementation of the Consolidation Plan, we expect to operate the following four hot-rolling mills at approximately the production level shown:

o the small product-size 9"/10" mill in Lorain, Ohio with an annual production of 550,000 tons;

o the intermediate product-size 12" mill in Lorain, Ohio with an annual production of 650,000 tons;

o the intermediate product-size 13" mill in Lackawanna, New York with an annual production of 720,000 tons; and

o the planned large product-size mill with an annual production of 650,000 tons.

See "The Consolidation Plan."

Cold-Finishing Facilities. We currently operate eight distinct cold-finishing mills, having recently closed two of our ten cold-finishing facilities. In connection with the Consolidation Plan, we plan to downsize at least two other facilities. Upon completion of this rationalization program, we expect that the improved efficiency of our cold-finishing operations will enable us to maintain our current capacity and capabilities with significantly less equipment and manpower. We expect to reposition the best equipment from the closed facilities and the downsized facilities at our other operating locations while investing in new specialized finishing equipment. We also plan to construct a new central processing center to perform high value-added processing for the high end of the hot-rolled and cold-finished SBQ steel market. See "The Consolidation Plan."

Corporate Offices. Republic, BarTech and USS/Kobe housed our corporate personnel at ten different locations. During 1999, seven offices will be consolidated into one corporate office in Akron, Ohio and a temporary information technology center at a second location. During 2000, we plan to consolidate the remaining offices into the Akron, Ohio location and the temporary information technology location. At a later date, we plan to merge these two offices into a single location.

RAW MATERIALS FOR STEEL PRODUCTION

Scrap Metal. The major raw material for our electric arc furnace melt shops is ferrous scrap metal, which is generated principally from industrial, automotive, demolition and railroad sources. The long-term demand for scrap metal and the importance of scrap metal to the domestic steel industry is expected to increase as steelmakers continue to expand scrap metal-based electric furnace capacity, with additions to, or replacements of, existing integrated steel manufacturing facilities that use iron ore, coke and limestone as their principal raw materials. The high quality of our products requires the use of premium grades of scrap metal, the supply of which is more limited. Prices for scrap metal vary based on numerous factors including quality, availability, freight costs,

speculation by scrap brokers and other conditions beyond our control. However, we generally have not had difficulty purchasing adequate scrap metal of the required quality. We believe that adequate supplies of scrap metal will continue to be available in sufficient quantities for the foreseeable future.

From November 1997 through April 1998, BarTech purchased scrap through a single brokerage which obtained material for BarTech through a variety of scrap brokers, dealers and the brokerage firm's own supplies. Before such time and after such time until October 1998, BarTech purchased scrap in the open market through a number of brokers and dealers. Beginning in October 1998, BarTech began participating in an inventory purchasing arrangement with Republic, under which arrangement Republic purchases materials, including scrap, on behalf of both companies and bills BarTech for their respective share plus an administrative fee. Over the past several years, Republic has purchased scrap metal in the open market through a number of scrap brokers and dealers or by direct purchase. Republic purchased approximately 30% of its scrap metal from General Motors during fiscal year ended June 30, 1998. USS/Kobe historically has not purchased a significant amount of scrap in the open market due to the use of scrap generated by its own steel manufacturing processes and its use of iron

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produced in a blast furnace from its component raw materials of iron and carbon. In the future, we expect to purchase scrap in the open market through a number of brokers and dealers or by direct purchase.

We seek to reduce our exposure to fluctuations in the price of scrap metal by charging where possible scrap metal surcharges based on the increase in the price of scrap metal above specified levels. For other customers, adjustments are made in selling prices if the price of scrap exceeds or drops below specified levels. These surcharges and price adjustments are determined on a monthly or quarterly basis.

The following tables set forth our average cost of scrap metal per net ton:

	FISCAL YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1997	1998	1998	1999
Average cost of purchased scrap metal per net ton	$137	$117	$133	$ 94

Coke and Iron Ore Pellets. We have entered into long-term sourcing agreements with USX Corporation who will supply the iron ore pellets and coke that are the raw material inputs for the blast furnace/basic oxygen process route at our Lorain, Ohio facility. These requirements agreements guarantee a consistent supply of quality materials to us in the future at prices that will be favorable as compared to market prices due to the "most favored nations" pricing terms in the agreement, which guarantees us a price matching the lowest price offered by USX.

Coal. The Lorain, Ohio blast furnace injects pulverized coal into the blast furnace to offset its use of higher priced metallurgical coke and reduce the material cost for hot metal production. This coal is pulverized and delivered to the Lorain facility under a long-term tolling agreement with Ohio Edison Power Company. The price over the life of the agreement is fixed.

Alloys and Fluxes. Additionally, we purchase various materials such as nickel, chrome, molybdenum, vanadium, manganese, silicon, aluminum, titanium, sulphur, lead, lime and fluorspar for use as alloying agents and fluxing, or cleansing, materials. Since 1994, prices of many of these materials have fluctuated dramatically. Republic and USS/Kobe have used price surcharges for nickel, chrome, molybdenum and vanadium and other alloys in an attempt to protect their profit margins from the effects of fluctuating prices on these commodities. For Republic, alloys and fluxes as a percentage of cost of goods sold constituted 12.7% in fiscal year ended June 30, 1996, 10.1% in fiscal year ended June 30, 1997, 10.7% in fiscal year ended June 30, 1998 and 8.0% in the nine months ended March 31, 1999. For BarTech, alloys and fluxes as a percentage of cost of goods sold constituted 8.5% in the fiscal year ended January 2, 1999 and 10.6% in the three months ended March 31, 1999. For USS/Kobe, alloys and fluxes as a percentage of costs of goods sold

constituted 10.0% in the fiscal year ended December 31, 1996, 7.9% in the fiscal year ended December 31, 1997, 8.1% in the fiscal year ended December 31, 1998 and 5.6% in the three months ended March 31, 1999.

Semi-Finished Billets and Hot-Rolled Bars. In the past, we have purchased semi-finished billets from other steelmakers for use in production at our hot-rolling mills. We purchase from several suppliers and expect that grades of semi-finished billets that we choose not to produce will be available for purchase. During the twelve months ended March 31, 1999, our hot-rolling mills purchased approximately 64,000 tons of billet feedstock from outside suppliers. As part of the Consolidation Plan, we intend to produce internally substantially all of our billet requirements currently supplied by third parties.

In addition, we have previously purchased a portion of our hot-rolled bar requirements for our cold-finishing operations from third-party suppliers. During the twelve months ended March 31, 1999, our cold-finishing operations purchased approximately 167,000 tons of hot-rolled bar feedstock from outside suppliers. As part of the Consolidation Plan, we intend to increase the amount of internally supplied hot-rolled bar requirements consumed by our cold-finishing operations from approximately 60% as of March 31, 1999 to over 88% by 2003.

ENERGY REQUIREMENTS FOR PRODUCTION

Our manufacturing facilities consume large amounts of electricity and

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natural gas. We have not had difficulty in obtaining adequate sources of electricity and natural gas in the past and do not foresee any significant difficulties in the future.

Our primary use of electricity is at our electric arc furnace melt shop facilities in Canton, Ohio, and Johnstown, Pennsylvania and at our blast furnace melt shop facility in Lorain, Ohio, which uses less electric power than the electric arc furnaces. On a combined basis, these facilities would have accounted for approximately 83.5% of our electricity consumption in the twelve months ended March 31, 1999. We currently have long-term electricity contracts in place at each of these facilities, with the Canton, Ohio agreement expiring in 2000, the Johnstown, Pennsylvania agreement expiring in 2002 and the Lorain, Ohio agreement running until 2004. The rest of our facilities purchase their electricity from local utilities under various contracts and terms. We believe that our electricity costs are competitive with other steel manufacturers.

In connection with the consummation of the Transactions, we entered into an agreement with FirstEnergy Services Corp. under which we appointed FirstEnergy as our exclusive representative for the procurement of energy supply and services. As a result of this arrangement, we expect that it is likely that much of our energy purchasing requirements will eventually be filled by FirstEnergy.

The principal use of natural gas in our operations is for the billet reheating operations at our Lorain, Ohio; Canton, Ohio; Lackawanna, New York; Chicago, Illinois and Massillon, Ohio hot-rolling mills and at the blast furnace and primary mill at our Lorain, Ohio melt shop facility. We have negotiated a contract expiring in April 2001 that provides natural gas to the Lackawanna facility priced at the NYMEX contract price with fixed delivery charges. We purchase natural gas for our hot-rolling mills in Canton, Chicago and Massillon on a 6 to 12 month future contract basis, priced at the NYMEX contract price. Although we have no long-term gas contract for our Lorain facility, we hedge approximately 50% of the 12 to 18 month future natural gas consumption at this facility with financial swaps based on NYMEX contract prices. In the future, we intend to purchase our natural gas on a facility-by-facility basis consistent with past practice. We believe that we purchase our natural gas at rates that are competitive in the current marketplace.

CUSTOMERS

We primarily market our products to consumers of higher quality, critical application SBQ steel products. Customers in these targeted market segments require higher quality SBQ steel products for use in hot and cold metal-forming operations such as cold forge/extrusion, warm forge, hot forge

and hot/cold heading processes, rather than traditional machining processes. Penetration of these targeted market segments is dependent upon various factors, including the ability to achieve precise chemistry and manufacturing tolerances. Additionally, producers must meet pre-qualification requirements to become approved suppliers for potential customers. For customers in the automobile manufacturing industry and their suppliers, the most important form of certification is the Quality System Requirement standard, or "QS-9000" certification, which is a quality system standard established by the Chrysler, Ford and General Motors Quality Requirement Task Force, which sets forth a standard set of quality requirements for components and materials suppliers to the automotive industry. Certification requirements vary in scope and generally take between three and twelve months for a supplier to achieve. Frequently, the qualification process requires a producer to supply one or more trial heats of SBQ steel products for customer evaluation, although some customers have longer pre-qualification requirements. Because of the high costs incurred by suppliers and customers and significant time that may be required to obtain qualifications, the qualification processes can create strong bonds and commitments between suppliers and customers.

Most of our facilities have satisfied all major customer pre-qualification requirements, including QS-9000. We expect to achieve QS-9000 certification at our Johnstown, Pennsylvania and Cartersville, Georgia facilities by December 1999.

The following table shows the percentage of our pro forma sales to major market segments for the twelve months ended March 31, 1999:

<TABLE>
<CAPTION>

<S>	HOT-ROLLED PRODUCTS <C>	COLD-FINISHED PRODUCTS <C>
Automotive industry	35%	22%
Machinery, industrial and tools industry	8	19
Independent forgers	15	--
Service centers	13	47
Other	29	12

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100%	100%
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</TABLE>

Our major customers include leading automobile and industrial equipment manufacturers such as DaimlerChrysler, Ford, Honda and Caterpillar, first tier suppliers to automobile and industrial equipment manufacturers such as American Axle & Manufacturing, Delphi Automotive Systems MascoTech, TRW, forgers such as Jernberg Industries, and service centers such as AM Castle, EM Jorgensen and Ryerson Tull. On a pro forma basis, direct sales of our products to our two largest customers, American Axle & Manufacturing and Delphi Automotive Systems, both of which were formerly units of General Motors, accounted for approximately 13% of our total net sales in the twelve months ended March 31, 1999. In total, our ten largest customers accounted for approximately 36% of our pro forma total net sales in the twelve months ended March 31, 1999. We have enjoyed relationships with each of our ten largest customers for at least ten years.

DISTRIBUTION

We market our SBQ steel products through a staff of 29 professional sales representatives located in the major manufacturing centers of the Midwest, Great Lakes, and Southeast regions of the United States and Canada, as well as utilizing independent sales agents to cover some areas in states in the South and the West Coast of the United States.

Our facilities are strategically located to serve the majority of consumers of SBQ steel products in the United States and Canada. We ship products between our mills and finished products to our customers by rail and truck. Customer needs and location dictate the type of transportation utilized by us for deliveries. The proximity of our rolling mills and cold-finishing plants to our customers allows us to provide competitive rail and truck freight rates and flexible deliveries in order to satisfy just-in-time and other customer manufacturing requirements. Our ability to meet the product delivery requirements of our customers in a timely and flexible fashion is expected to continue to be a key

competitive advantage for us as more and more SBQ steel product consumers reduce their in-plant raw material inventory. We plan to optimize our freight costs by using our significantly greater scale of operations to negotiate more favorable transportation arrangements, continuing to combine orders in shipments whenever possible and utilizing "backhauling" of scrap and other raw materials.

STEEL INDUSTRY COMPETITION

The domestic steel industry is highly competitive. We compete with other SBQ steel producers including the following:

- integrated mills, which make steel by processing iron ore and other raw materials in a blast furnace;

- mini-mills, which make steel by melting scrap metals in an electric arc furnace; and

- merchant bar quality producers.

Our major competitors in the hot-rolled product market include CSC Ltd.; Ispat-Inland Steel Industries, Inc.; North Star Steel Company; MacSteel, which is an operating division of Quanex Corporation; and The Timken Company. We estimate that there are currently over 20 cold-finishers in the U.S. market, including the following major competitors: Corey Steel, Inc.; Niagara LaSalle Corporation; and Nucor Cold Finished.

Recent entrants into the SBQ steel market compete directly with us in a major portion of our products. Qualitech Steel Corporation, which recently became the subject of bankruptcy proceedings, completed the $500 million construction of a SBQ steel making facility and an iron carbide production facility in 1998. Birmingham Steel Corporation completed a new continuous melt shop facility in 1997, which we believe will principally replace billets which it had been importing. Birmingham Steel Corporation also commenced operation of a new bar mill in 1996, which was in part a replacement of an older facility that has discontinued production of SBQ steel products. In addition, foreign competition can be significant in segments of the SBQ steel market, particularly in which certifications are not required, and during periods when the U.S. dollar is strong as compared with foreign currencies. This competition is exerting significant downward pressure on the price level of some of our products. See "Risk Factors--We face significant competition from other companies in the steel industry, many of which have lower cost structures than us."

The principal areas of competition in our markets are product quality and

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range, delivery reliability, service and price. SBQ steel products are characterized by special chemistry and precise processing requirements. Maintaining high standards of product quality while keeping production costs competitive is essential to our ability to compete in our markets. We have the widest selection of product grades and sizes in our industry. The ability of a manufacturer to respond quickly to customer orders currently is, and is expected to remain, important as customers continue to reduce their in-plant raw material inventory.

BACKLOG OF STEEL ORDERS

We calculate backlog as those orders received but not yet shipped. Our combined backlog as of March 31, 1999 was $278 million compared to $410 million as of March 31, 1998. At year end December 31, 1998, our combined backlog was $306 million. Our booked orders during the first quarter of calendar 1999 totaled 551,000 tons as compared to 393,000 tons during the fourth quarter of calendar 1998 and 596,000 tons during the first quarter of calendar 1998. Orders are generally filled within 3 to 14 weeks of the order depending on the product, customer needs and other production requirements. Customer orders are generally cancelable without penalty prior to finish size rolling and depend on the customers' changing production schedules. Accordingly, we do not believe that the amount of backlog orders is a reliable indication of future sales.

EMPLOYEES

Once our new labor agreement is ratified by United Steelworkers union members at our Lorain facility, the vast majority of our production workers will be covered by our new collective bargaining agreement. Production employees at our recently closed Medina, Ohio facility were covered by a collective bargaining agreement with the International Association of Machinists and Aerospace Workers. Production employees at our Cartersville, Georgia facility are not represented by a union.

The following table shows the number of our employees as of March 31, 1999:

USWA hourly employees	4,654
IAM hourly employees	45
Other union hourly employee	23
Non-union hourly employees	50
Total hourly employees	4,772
Salaried employees	1,095
Total employees	5,867

AGREEMENT WITH THE UNITED STEELWORKERS UNION

In connection with the acquisition of Republic by RES Holding Corporation in September 1998, we entered into a new Master Collective Bargaining Agreement covering all of the former Republic and BarTech facilities with employees represented by the United Steelworkers union and replaced the existing collective bargaining agreements with the United Steelworkers union, other than selected plant-specific agreements. In connection with the Combination, the scope of the same Master Collective Bargaining Agreement was extended to cover the former USS/Kobe Lorain, Ohio facility.

Workforce Flexibility and Job Placement Efficiencies. The new labor agreement provides for formalized workplace flexibility and consolidation of job classifications at our facilities. Under the new labor agreement, the United Steelworkers union has agreed to eliminate many practices, which have restricted workplace flexibility and led to inefficiencies. We and the United Steelworkers union have also agreed to reduce the number of job classifications at all covered facilities to five from over 34. This reduction will enable us to assign a greater number of responsibilities to individual employees.

Management and Union Partnership. We and the United Steelworkers union have agreed under the new labor agreement that the United Steelworkers union will be granted "partnership" rights in the management of our company. This "partnership" will grant access to our decisionmaking processes through the formation of leadership and advisory committees containing members of our management and United Steelworkers union representatives. Additionally, the United Steelworkers union will have the right to appoint one director to the Board of Directors of RTI as agreed to by the United Steelworkers union and us.

Workforce Reductions and Related Payments. The new labor agreement provides for voluntary early retirement buyouts and a voluntary severance plan applicable to all former Republic facilities with employees represented by the United Steelworkers union and the former USS/Kobe facilities, for the purpose of

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permanently reducing the net number of hourly employees represented by the United Steelworkers union at these facilities by over 1,700. In the event that the required headcount reductions are not achieved through the early retirement buyout program and a voluntary severance plan, we may layoff up to 300 employees.

Wages. The new labor agreement provides for across the board base wage increases over the term of the agreement for former Republic hot-rolled and former Republic cold-finished employees of $2.25 per hour and $1.25 per hour respectively. The Republic wage classification schedule will be reduced to five new labor grades resulting in a rolling up of rates and a one-time average increase of approximately $0.46 per hour.

In addition, a $0.95 per hour wage increase contained in the plant-specific agreements covering employees located at the former BarTech facilities in Lackawanna, New York and Johnstown, Pennsylvania will be implemented on March 1, 2001 and the BarTech base wage schedule will be harmonized with the then effective Republic base rate schedule. Concurrent with this base rate harmonization, a production based incentive plan will be implemented at the former BarTech facilities designed to yield up to $2.16 per hour, if all targets are met. The employees will be guaranteed their base wage rate prior to the harmonization plus $0.25 per hour. Effective November 1, 2002, the harmonization of BarTech's wages to the then effective Republic base wage rates will be implemented, resulting in a $1.25 per hour across the board base wage increase and the production based incentive plan will be amended to yield up to $2.80 per hour, if all targets are met.

The new labor agreement provides for harmonization of base wage rates at the former USS/Kobe facilities with the base rates applicable to the former Republic hot-rolled facilities. We expect that this harmonization will result in base wage increases at the former USS/Kobe facilities of approximately $1.15 per hour over the life of the agreement. In addition, in connection with the reduction in wage classifications at the former USS/Kobe facilities to five new labor grades, there will be a one-time average increase in wage rates of approximately $0.38 per hour as well as a one-time average increase in wage rates of $0.25 to implement our operating mechanic strategy, which will enable our maintenance personnel to both operate and repair our mills.

The new labor agreement provides for wage harmonization at the former Bliss & Laughlin Harvey, Illinois facility by adopting the newly established five labor grades for Republic's former cold-finished facilities. Concurrent with the implementation of the new labor grades, a production based incentive plan will be implemented to yield up to $2.29 per hour, if all targets are met, adjusted for straight-line harmonization over the term of the agreement.

Pension Plan. The new labor agreement provides for improvements in the existing defined benefit pension plans covering employees at former Republic facilities, former USS/Kobe facilities and the former Bliss & Laughlin Harvey, Illinois facility, and the creation of a defined benefit plan obligation covering employees at former BarTech's facilities. The existing defined benefit pension plans may be consolidated into one defined benefit pension plan in the future, which will contain terms found in traditional steel industry defined benefit pension plans. For additional information regarding the anticipated pension costs associated with the new labor agreement.

In light of the defined benefit plan improvements during the term of the new labor agreement, our contributions to the existing defined contribution plans covering employees at former Republic facilities, the former Bliss & Laughlin Harvey, Illinois facility and former BarTech facilities will be discontinued and the defined contribution plans may be merged into the defined benefit plan.

Employee Stock Purchase Rights. Pursuant to the new labor agreement, the employees covered by the agreement are expected to be offered the opportunity to purchase up to $15.0 million worth of common stock of RTI no later than six months after consummation of the Transactions at a price per share equal to the effective price per share paid by the investors for new shares they acquire in the Transactions. The new labor agreements contemplate that any shares sold will be subject to customary restrictions on transfer and will have the benefit of customary "piggyback" registration rights.

The pro forma financial information included in this offering memorandum does not give effect to any sale of common stock pursuant to the terms of the new labor agreement.

Other Provisions. The new labor agreement also provides for management neutrality, employment security for covered employees and various capital expenditures with respect to our new and existing facilities consistent with our Consolidation Plan. The new labor agreement also contemplates one-time payments to various USS/Kobe covered employees expected to total approximately $3 million relating to signing bonuses and employee equity interest obligations.

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ENVIRONMENTAL MATTERS

The domestic steel industry is subject to a broad range of environmental laws and regulations, including those governing the following:

- o discharges into the air and water;

- o the handling and disposal of solid and hazardous wastes;

- o the remediation of soil and groundwater contamination by petroleum products or hazardous substances and wastes; and

- o the health and safety of our employees.

We continuously monitor our compliance with these environmental laws and regulations and believe that we currently are in substantial compliance with them. We anticipate that our expenditures for environmental control measures during the next twenty-four months will be approximately $5 million.

As is the case with most steel producers, we could incur significant costs related to environmental issues in the future, in particular those arising from remediation costs for historical waste disposal practices at our facilities. We currently believe that these costs as they may relate to former Republic operations and properties are likely to be in the range of $8.9 million to $22.3 million over the lives of the Republic facilities although some third-party estimates are substantially higher. Republic's reserve to cover probable environmental liabilities, including the matters discussed below, was approximately $14.4 million as of March 31, 1999. We currently believe that we have no significant environmental compliance and remediation costs with respect to BarTech's operations and, accordingly, no reserves have been established. We are not aware of any significant environmental compliance and remediation costs with respect to USS/Kobe's operations for which the establishment of a reserve would be appropriate. To the extent we incur any such remediation costs, these costs will most likely be incurred over a number of years; however, future regulatory action regarding historical disposal practices at our facilities, as well as continued compliance with environmental requirements, may require us to incur significant costs that may have a material adverse effect on our future financial performance.

The U.S. Environmental Protection Agency has identified a number of solid waste management units, or "SWMUs," at our Eighth Street facility in Canton, Ohio. On June 16, 1999, we entered into an Administrative Consent Order with the U.S. EPA to investigate these SWMUs and propose appropriate remedial measures. The "Berger Triangle," a seven acre parcel of land we own in Canton that is listed on the U.S. EPA's Comprehensive Environmental Response, Compensation and Liability Information System list of contaminated or potentially contaminated sites, is also included within the scope of the Administrative Consent Order. We anticipate that through the year 2004, we will spend approximately $1.8 million to investigate the SWMUs and the Berger Triangle. However, we are currently unable to predict precisely the amount or timing of the costs we may be required to incur to remediate these sites, but the cost could be material to our business, results of operations or financial condition.

The electric arc furnace dust waste pile located at our Canton facility has been exempted from the scope of the Administrative Consent Order discussed above. However, on April 26, 1999, we entered into a Consent Decree with the Ohio Environmental Protection Agency providing for the closure in-place of that waste pile. We submitted a draft closure plan to the Ohio EPA on July 2, 1999. If we can obtain Ohio EPA approval of our closure plan prior to November 1, 1999, we anticipate initiating closure construction in the Spring of the year 2000. We anticipate that the construction, which would involve the placement of a 54 inch thick liner on top of the existing pile, would involve expenditures of approximately $1 million. We estimate that the cost of 30 years of post-closure monitoring and maintenance of the closed waste pile would be an additional $1 million.

Notices of historical waste disposal activities at one of our two Massillon, Ohio facilities and the two Canton facilities were filed by LTV Steel and its predecessors with the U.S. EPA, under Section 103(c) of the federal Comprehensive Environmental Response, Compensation and Liability

Act. In 1985, the Ohio EPA recommended the Massillon plant as a medium priority for further state investigation. The Ohio EPA recommended the Harrison Avenue facility in Canton as a medium priority for further state investigation and a low priority for further federal investigation. No further investigation of historical waste disposal activities has been performed at these facilities since 1986 by any environmental authority. We could be required, in the future, to incur significant costs to investigate such historical waste disposal

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activities and remediate any contamination found to exist at these facilities. We are currently unable to predict precisely the amount or timing of such costs.

Through contractual agreements with Bethlehem Steel Corporation, we have sought to reduce the impact of costs arising from or related to actual or potential environmental conditions at BarTech's facilities caused or created by Bethlehem or BarTech's predecessors in title and attributable to the period in which the Bethlehem BRW Division or BarTech's predecessors operated such facilities. Pursuant to such arrangements, Bethlehem has agreed to indemnify BarTech for such costs by limiting BarTech's potential exposure to any such damages incurred (1) through December 1996, to 50% of the first $2 million in damages, or $1 million, and (2) thereafter, to 50% of the first $10 million of damages in the aggregate, or $5 million in total exposure. Although several investigations of past or present environmental conditions at BarTech's facilities have been conducted by or on behalf of Bethlehem and regulatory agencies, the reports and results of which have been made available to BarTech, an in-depth, environmental review of BarTech's facilities to determine the potential scope, if any, of required remediation at such facilities has not been conducted by or on the behalf of BarTech. There can be no assurance that Bethlehem will meet its obligations under the indemnification arrangements or that there will not be future contamination for which we might be fully liable and that may require us to incur significant costs that could have a material adverse effect on our business, results of operations or financial condition.

Bethlehem is conducting remedial activities on a small portion of our Lackawanna, New York facility historically used for mill scale storage, which was identified as requiring corrective action by the U.S. EPA pursuant to an Administrative Order on Consent issued to Bethlehem in 1990. Bethlehem is currently awaiting approval of the Remedial Work Plan for the former mill scale storage area submitted to the U.S. EPA in September 1994. Bethlehem is ultimately liable for compliance with the Administrative Order on Consent and, while no assurances can be given, we believe that Bethlehem is likely to fulfill these obligations.

Some of the steel processing operations presently conducted by Bliss & Laughlin Steel Company commenced over 100 years ago by predecessors of Bliss & Laughlin and included properties which over the years were sold by Bliss & Laughlin's predecessors. Given the nature and geographic diversity of its current and its predecessors' former operations, it is possible that claims would be asserted against Bliss & Laughlin in the future based upon the current property ownership of Bliss & Laughlin and by operations of BarTech's predecessors. Bliss & Laughlin has received an indemnification from the former owner and operator of such properties for various environmental claims or liabilities relating to activities at Bliss & Laughlin's Harvey and Batavia, Illinois and Medina, Ohio properties prior to October 23, 1984, when Bliss & Laughlin succeeded to ownership of such properties, and for various environmental claims or liabilities relating to properties that were sold by Bliss & Laughlin's predecessors. There can be no assurance that such former owner and operator will meet its obligation under the indemnification agreements or that there will not be future contamination for which we might be fully liable and that may require us to incur significant costs that could have a material adverse effect on our business, results of operations or financial condition.

Canadian Drawn Steel Company, Inc., is also subject to Canadian federal, provincial, regional and municipal environmental laws and regulations. We believe that we are currently in substantial compliance with applicable environmental laws and regulations and do not anticipate any material capital expenditures for environmental control facilities in the future. However, there can be no assurance that we will not be required to incur significant costs that could have a material adverse effect on our business, results of operations or financial condition.

Republic Technologies, as successor to Republic, is a potentially responsible party regarding one federal Superfund site at which it has disposed of waste. Bliss & Laughlin Industries, BarTech's cold-finishing subsidiary, is also a potentially responsible party regarding its disposal of waste at two federal Superfund sites and at a third site that is being remediated under authority of Ohio state law. USS/Kobe is a potentially responsible party regarding one site being addressed by the U.S. EPA. While no assurances can be given, we do not believe that the liabilities relating to these sites will have a material adverse effect on our business, results of operations or financial condition.

Our Lorain, Ohio facility has been in continuous operation by USS/Kobe, USX Corporation and its predecessors for over 100 years. Although we are not aware of any material environmental issues at this facility other than those described in this offering memorandum, we believe the long operational history of this facility poses a significantly greater probability of some form of environmental contamination than at our newer facilities. Contamination at this facility could be material to our business, results of operations or financial condition.

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In connection with the formation of USS/Kobe Steel Company in 1989 by USX Corporation and Kobe Steel, Ltd., USS/Kobe Steel Company obtained a limited indemnity from USX concerning identified matters arising out of the past operation of the melt, bar and tubular facilities at Lorain, Ohio by USX and its predecessors. We will be the beneficiary of a portion of this indemnity in the future. The 1989 agreement relating to the formation of USS/Kobe Steel Company divided environmental responsibility into several different categories. The first category includes specific areas and projects for which USX retained complete responsibility. USX retained all responsibility relating to a hazardous waste landfill referred to as the D-2 Landfill, and for all disposal of waste materials prior to June 30, 1989 at locations other than the Lorain property. The second category includes matters that were split between USS/Kobe Steel Company and USX.

Two cost sharing baskets and one cost sharing percentage were agreed to by USX and USS/Kobe Steel Company as well. One of the cost sharing baskets provides that USS/Kobe Steel Company will be responsible for the first $10 million of costs and USX will be responsible for costs above that amount incurred relating to the areas formerly occupied by a coke plant and related facilities, a sintering plant, and a galvanizing plant. USX and USS/Kobe Steel Company subsequently agreed that USS/Kobe Steel Company could treat $3 million of its expenses in demolishing the coke batteries as expenditures against this $10 million basket. The second cost sharing basket provides that USS/Kobe Steel Company will be responsible for the first $9 million of costs related to 13 identified SWMUs that are generally classified as disposal sites. The percentage cost sharing agreement provides that in the event of any groundwater remediation, USS/Kobe Steel Company will pay 65% of the cost and USX will pay 35% of the cost. In each case, USX's obligation to indemnify is limited to cleanup actions specifically required by government agencies.

Except for these specific indemnities and for specific projects that USX agreed to complete, USS/Kobe Steel Company assumed responsibility for all environmental conditions at the Lorain facility, including regarding additional SWMUs at the facility that were not included within the scope of the environmental cost sharing provisions of the 1989 agreement contributing the Lorain facilities to USS/Kobe Steel Company. Although environmental regulators have not required action regarding the SWMUs at the Lorain facility, we could incur significant investigation and remediation costs in the future. However, we are currently unable to predict precisely the amount or timing of the costs we may be required to incur to investigate and remediate the SWMUs or other potential areas of contamination.

Pursuant to the Master Restructuring Agreement, which sets forth indemnification and cost sharing arrangements regarding environmental liability at the Lorain, Ohio facilities, the new 50/50 tubular steel joint venture between USX and Kobe Steel, Ltd. will be responsible for environmental liabilities relating to its operations and to the portions of the real property at the Lorain site that it owns. As a general matter, we will be responsible for environmental liabilities relating to our operations and to the portions of the real property at the Lorain site that we own. There can be no assurance that the tubular joint venture will meet its obligations under the indemnification and cost

sharing arrangements in the Master Restructuring Agreement or that there will not be future identification of contamination at the facilities in Lorain, Ohio for which we might be fully liable and that may require us to incur significant costs that could have a material adverse effect on our business, results of operations and financial condition.

USS/Kobe Steel Company and the U.S. EPA are parties to an April, 1992 consent decree and an April 1999 amendment to this consent decree concerning the blast furnaces at our Lorain facility. Pursuant to the original consent decree, USS/Kobe Steel Company paid a $500,000 penalty. The amended consent decree settled additional past violations by payment of a $440,000 penalty, required the installation of new continuous emission monitors, included a revised emission limit for carbon monoxide and established interim emissions limits that will apply until a permit modification establishing final emission limits is complete pursuant to the amended consent decree.

USS/Kobe Steel Company was the subject of a "multimedia" audit by the U.S. EPA beginning in 1997, which included an air, water and hazardous waste compliance review. The final report and citations have not been issued, but a number of citations and notices of violation have been issued as a result of the audit. USS/Kobe Steel Company has already addressed many of the issues pointed out by U.S. EPA. USS/Kobe Steel Company and the U.S. EPA have entered into a tolling agreement concerning issuance of the final audit. On July 20, 1999, USS/Kobe Steel Company had an initial meeting with the U.S. EPA regarding the multimedia audit. At that time, the U.S. EPA proposed penalties related to alleged violations of environmental laws addressing water, air and hazardous waste issues and indicated that it would pursue the negotiation of a consent

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decree with USS/Kobe Steel Company relating to the findings of the multimedia audit. It is possible that such a consent decree, if finalized, will require penalties, further testing and mandatory and voluntary enviromental projects. At this time, we are unable to predict the final outcome of the audit and the ongoing investigation, but it could result in litigation or material penalities or other costs. Although the multimedia audit is not generally the subject of an environmental indemnity, we believe that that penalties resulting from the multimedia audit, to the extent relating to the steel tube facilities at the Lorain facility, would be under the Master Restructuring Agreement the responsibility of the new tubular steel joint venture between USX and Kobe. To the extent that any penalties relate to discharges of waste water from the D-2 Landfill, we believe those penalties would be indemnified against by USX.

In August 1998, the U.S. EPA issued a notice of violation concerning emissions from the Lorain, Ohio blast furnace casthouse and gas flare stack that allegedly exceeded opacity limits. The U.S. EPA has stated that it will pursue these matters as part of the multimedia enforcement action discussed above.

In July and November of 1998, the U.S. EPA issued Findings of Violation and Order for Compliance alleging that USS/Kobe Steel Company violated its National Pollutant Discharge Elimination System permit by exceeding permit limits and allowing unauthorized discharges. We believe that there have been a small number of permit limit exceedences since January 1996 and that these events are isolated incidents. The U.S. EPA has indicated an intention to pursue these matters as part of the multimedia enforcement action discussed above.

In September 1998, the Ohio EPA issued a notice of violation regarding an oil discharge from a storm sewer. USS/Kobe Steel Company remediated this discharge and in April 1999 submitted to the agency a study that was required by the notice of violation. No response has been received from the Ohio EPA concerning this matter.

In December 1992, the Ohio EPA issued a notice of potential violation alleging that the storage of blast furnace flue dust constitutes unlawful disposal. USS/Kobe Steel Company contests this characterization and in 1995 submitted to Ohio EPA a revised waste management plan addressing this and other issues. USS/Kobe Steel Company has not received a response from the agency.

The pipe mill lagoon, a component of the wastewater treatment system at our Lorain, Ohio facility, is used by both our operations and the operations of the new tubular steel joint venture

between USX and Kobe. Although we may be responsible for historical environmental liabilities at the pipe mill lagoon, on an on-going basis the new tubular steel joint venture and we will share the cost of the continued operation of the pipe mill lagoon on a basis proportionate to the amount of our respective discharges to that lagoon. We are under no current obligation to upgrade or replace the pipe mill lagoon, and we do not anticipate that we will do so within the next three years. However, we do anticipate that a project to upgrade or replace the pipe mill lagoon will occur after this period and the expense could be material to our business, results of operation or financial condition. The new tubular steel joint venture has agreed that if it elects to continue to use the upgraded or replaced pipe mill lagoon, it will bear a portion of the capital expense proportionate to the amount of its discharge to the shared facility.

Various federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials, or "ACMs." Such laws and regulations may impose liability for the release of ACMs and may provide for third parties to seek recovery from owners or operators of facilities at which ACMs were or are located for personal injury associated with exposure to ACMs. We are aware of the presence of ACMs at our facilities, but we believe that such materials are in acceptable condition at this time. While no assurances can be given, we believe that any future costs related to remediation of ACMs at these sites will not be material, either on an individual basis or in the aggregate.

See "Risk Factors--Our operations are subject to environmental laws and regulations that in the event of enviromental contamination at our facilities may generate significant liability."

LEGAL PROCEEDINGS

We are involved in various legal proceedings, including environmental proceedings with governmental authorities, personal injury and product liability litigation and claims by present and former employees under federal and counterpart state anti-discrimination and other laws relating to employment and pursuant to collective bargaining agreements. Except those environmental proceedings described above under "--Environmental Matters," we do not believe that any proceedings, either individually or in the aggregate, will have a material adverse effect on the our business, results of operations or financial

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condition.

INTELLECTUAL PROPERTY

We have the patents, trademarks, trade names and licenses necessary for the operation of our business as now conducted. We do not consider our patents, trademarks, trade names and licenses to be material to our business.

THE CONSOLIDATION PLAN

All statements other than statements of historical facts included in this section are forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements will prove to have been correct, we can give no assurance that our expectations will prove to have been correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the filing date of the Current Report On Form 8-K containing this information.

The Combination combined three businesses with a broad base of both complementary and overlapping operations. The Consolidation Plan intends to create a more efficient, higher quality network of production facilities operated by a smaller and more flexible workforce. The Consolidation Plan contemplates total capital investment of approximately $322 million to expand capacity, maximize operating efficiency and increase value-added product processing. The principal components of the Consolidation Plan include (1) rationalizing our production facilities and headcount, (2) enhancing the productivity of the remaining facilities through facility specialization and targeted capital investment, (3) eliminating redundant overhead costs and (4) in-sourcing more feedstock currently purchased from third parties.

- Plant Rationalization. We plan to have shut down 13 higher cost, less efficient facilities by the end of 2003, including 12 facilities by the end of 2000. The production of these facilities will be reallocated to the remaining lower-cost facilities and a new production facility we plan to finish constructing in 2002. We also intend to construct a new quality verification line inspection and shipping center and a heat treatment center. These actions are designed to significantly reduce our fixed operating costs, principally through (1) the targeted reduction of 1,942 production employees represented by the United Steelworkers union from 5,012 at December 31, 1998 to 3,070 by the end of 2003 and (2) the targeted reduction of 228 non-union salaried plant personnel from 676 at December 31, 1998 to 448 by the end of 2003.

- Enhance Productivity at Remaining Facilities. Through the use of targeted capital investment, improved product flows and facility specialization, we believe that we can realize substantial variable cost savings at our remaining facilities. Much of this variable cost improvement arises from closing outmoded shops with poor tolerances and high yield losses and shifting production to higher quality modernized operations with minimal yield losses. Also, the elimination of obsolete steelmaking equipment with higher production consumable rates will result in lower expense. Finally, targeted capital expenditures for projects like the new Lorain processing center will allow us to insource production steps and recapture variable margin.

- Elimination of Redundant Overhead Costs. By combining the overhead functions of the three companies, we plan to reduce our selling, general and administrative and plant overhead headcount by over 231 positions from 513 at December 31, 1998 to 282 through the elimination of redundant positions.

- In-sourcing Feedstock for Cold-Finishing and Bar Billets for Hot-Rolling. Republic and BarTech both have captive cold-finishing divisions which have sourced approximately 60% of their hot-rolled bar requirements from internal sources. Remaining requirements were directed to outside vendors at considerable cost, approximately $105 million in 1998. Under the Consolidation Plan, we expect that RTI will be able to self-supply approximately 90% of our cold-finishing rough stock requirements. This Combination benefit arises from the breadth of our product offerings across 3 melt sources and an extensive range of product sizes and shapes. We believe this in-sourcing will create additional margin as we will capture the margin between our external purchase price and internal production costs.

We believe that these actions will lower our labor and non-labor fixed production costs per ton, reduce our variable conversion costs per ton, improve our productivity and asset utilization and streamline our marketing and administrative functions.

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PLANT RATIONALIZATION

We intend to shut down our least efficient production facilities, enabling us to reduce significantly our production headcount and fixed costs and to reallocate production to the remaining, more efficient plants. These actions are designed to allow us to increase production levels with fewer facilities at lower conversion and variable costs per ton. The plant rationalization includes the following components:

Melt Shop Consolidation. Our melt shop facilities have benefitted from over $410 million in aggregate capital investments since 1994. As a result of these investments, the efficiency and production costs of these facilities have improved significantly. We intend to achieve further reductions in our melt shop operating costs, the highest cost component of SBQ steel production, and improve product quality, by shifting production from old, high cost facilities to, and expanding the production capacity of, our more productive, efficient plants.

- Canton Melt Shop Rationalization. We phased-out the high-cost, low productivity ingot route at our Canton, Ohio melt shop shortly after the completion of the Combination and plan to shift the steel production of this unit to our other facilities. The ingot route process was costly and inefficient because it involved an additional step to roll the ingots into blooms before being rolled into billets for bar production. We plan to transfer production formerly handled through the ingot route to our state-of-the-art CAST-ROLL(Trademark) facility in Canton and to our melting and casting facilities in Johnstown, Pennsylvania and Lorain, Ohio. In order to accommodate the increased production at the CAST-ROLL(Trademark) facility, we intend to increase its capacity from 750,000 tons of blooms per year to 925,000 tons of blooms per year by the end of 2003. We expect to achieve this capacity expansion by improving process efficiency and throughput through the consolidation of three production furnaces into a single, more efficient furnace and increasing bloom caster speeds through the installation of tundish temperature maintenance equipment.

- Johnstown Facility Capacity Expansion. In order to shift a portion of the production from the ingot route at Canton, we plan to increase melting and casting facilities capacity at our Johnstown facility from 770,000 tons per year to 980,000 tons per year by the end of 2003. The expansion will be achieved by (1) more fully utilizing a recently restarted second 180-ton electric arc furnace, (2) adding a sixth strand to the continuous billet caster and an additional ladle station and (3) utilizing a fourth production shift at the melt shop beginning in the fourth quarter of 1999. We also expect to address logistical issues to reduce internal transportation costs.

- Lorain Blast Furnace and Caster Shutdown. As part of the integration of the Lorain, Ohio facility during the fourth quarter of 1999, we intend to shut down the smaller of the two blast furnaces and the billet caster at this facility. These shutdowns will enable us to utilize fully the remaining furnace and bloom caster and continue to supply all of the material requirements for both (1) our hot-rolling operations and (2) pursuant to a long-term supply agreement, the seamless tube operations of the 50/50 tubular steel products joint venture between USX Corporation and Kobe Steel, Ltd. at Lorain and a portion of the requirements of the USX facility in Fairfield, Alabama under specified circumstances.

Hot-Rolling Mill Consolidation. A number of our hot-rolling mills have benefitted from significant capital expenditures over the last several years designed to increase capacity, lower conversion costs and improve product quality and consistency. In total, we have invested over $90 million in our Lackawanna, New York mill and the two Lorain rolling mills since 1994. In connection with the Combination, we expect to shut down our least efficient mills and replace this production with greater output from our remaining mills. We intend to allocate production at our remaining mills based on specific size and grade ranges, with each mill producing fewer sizes but with RTI offering more products than any of Republic, BarTech and USS/Kobe separately. These actions will enable us to reduce downtime due to product size changeovers by approximately 70% and increase run lengths, with average tons per product size increasing from approximately 200 in 1998 to approximately 1,160 by the end of 2003. As a result, we believe that we will be able to increase production by approximately 450,000 tons. By 2002, we intend to have shut down the Chicago, Illinois 11" and the

Canton 12" and the hot-rolling mills. We expect to finish construction of a new large bar mill in 2002 and to close the Massillon, Ohio 18" hot-rolling mill once the new large bar mill becomes operational. Once the hot-rolling mill consolidation is completed, our hot-rolling and finishing operations will be comprised of four highly-efficient mills with a combined annual production

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capacity of approximately 2.6 million tons per year, compared to the current network of six mills producing approximately 2.1 million tons per year. The remaining mills will include:

- The existing 9"/10" small bar/rod mill at Lorain, which produces rod and bar in sizes from 0.218" to 0.812";
- The existing 12" intermediate bar mill at Lorain, which produces bar in sizes from 0.812" to 2.0";
- The existing 13" intermediate bar mill at Lackawanna producing bar in sizes from 0.750" to 3.0"; and
- A new large bar mill in Ohio that will produce bar in sizes from 2.5" to 7.0".

The hot-rolling mill consolidation process will consist of the following steps:

- Transfer of Production to Lackawanna and Lorain. In the second quarter of 2000, we plan to close the 12" mill in Canton, constructed in the 1920s, and to redistribute the 333,000 tons of annual production from this mill to the Lackawanna 13" mill and the Lorain 12" mill. We expect production volumes at Lackawanna and Lorain to increase from approximately 466,000 tons and approximately 390,000 tons in 1998 to 720,000 and 650,000, respectively, in 2003. In connection with the increase in production at the Lackawanna 13" mill, we will install new quality verification line equipment and new furnace controls, as well as complete continuing process controls improvements. We plan to upgrade the Lorain 12" bar mill to world class automotive-quality standards to improve productivity. These enhancements will include the installation of a walking-beam reheat furnace, new descaling equipment and new electrics.

- Transfer of Production to Lorain 9"/10" Mill. In the fourth quarter of 1999, we plan to close the Chicago 11" mill, constructed in the 1950s, and to shift the approximately 200,000 tons of production of this facility to the state-of-the-art Lorain small-size mill, which produced at only 66% of its projected 550,000 ton annual capacity during 1998.

- Construction of the Large-Size Bar Mill. In 2002, we plan to complete construction of a new large-size bar mill with annual rolling capacity of 650,000 tons per year. This new mill will replace the Massillon 18" mill constructed in the 1920's, which had a production volume of approximately 365,000 in 1998. The new bar mill will also manufacture large size products previously run at the Lackawanna mill and the primary mill at Lorain. Our management team has significant experience in constructing and starting new rolling operations, including (1) the restart of the Lackawanna intermediate-size bar rolling mill for BarTech in 1996, (2) the construction and start-up of a billet re-rolling mill for Republic in Canton, Ohio in 1995, (3) the construction and start-up of a new hot-rolling mill in 1996 and the major rebuild and restart of a hot-rod rolling mill in 1989 for American Steel & Wire and (4) the redesign and start up of an intermediate-size hot-rolling mill for CSC Industries in 1991.

Cold-Finishing and Processing Facilities Consolidation. We currently operate eight separate cold-finishing facilities, having completed the shutdown of the Medina and Batavia facilities early in July 1999. We plan to close one additional cold-finishing facility and to implement a modernization program that will expand our finishing capabilities at our remaining facilities and further improve our operating efficiency. We expect to reposition the best equipment from the closed facilities at other operating locations while investing in new specialized finishing equipment. We also plan to construct a new central processing center by the end of 2003 to perform high value-added processing for the high end of the hot-rolled and cold-finished SBQ steel market.

The chart below displays the combined facilities and process flow that we expect will result from our Consolidation Plan; the shaded boxes are facilities that we have closed or intend to close pursuant to the Consolidation Plan.

<TABLE>
<CAPTION>

USS/KOBE BARTECH REPUBLIC

<S> <C>

No. 3 Blast Furnace No. 4 Blast Furnace[+]

No. 4(A) Electric Arc Furnace

No. 4(C) Electric Arc Furnace[+]

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```
                                        |                                        Electric              |                              |
                                        |_____________ Pig Iron                  Arc Furnace           |          No. 4(B)            |
                                        |                                            |                 |          Electric            |
                                       BOP                                           |                 |        Arc Furnace[+]        |
                                       Shop                                          |                 |              |               |
                                        |                                            |                 |______________|_______________|
                                ________|__________                                  |                         |                    |
                                |                  |                           Billet Caster         CAST-ROLL(tm)        Teeming Shop[+]
                        No. 1 Billet        No. 2 Bloom                              |                         |                    |
                           Caster[+]           Caster                                |                         |                    |
                                |                  |                                 |                         |                    |
                                |                  |                                 |                         |               Blooming Mill[+]
           Supply to Seamless   |               6 Stand                              |                         |                    |
           Tubular Facilities   |             Billet Mill                            |                         |                    |
                  |             |                  |                                 |                         |                    |
                  |             |                  |                                 |                         |                    |
                  |             |                  |              4 Stand            |                         |                    |
                  |             |                  |____________   Billet            |                         |                    |
                  |             |                  |                Mill[+]          |                         |                    |
                  |____________|_________________|_________________|                 |                         |                    |
                                                                    |                |                         |                    |
                                                              Large Rounds           |                         |                    |
    ___________________________________________________________|_____________|__________________|____________________|______
    |                  |                |                |                 |                 |                 |                |

 External            9"/10"            12"              13"              12"               18"               11"              New
 Customers          Bar Mill         Bar Mill         Bar Mill         Bar Mill          Bar Mill          Bar Mill          Large
                    (Lorain)         (Lorain)      (Lackawanna)     (Canton)[+]     (Massillon)[+]     (Chicago)[+]      Bar Mill
                      |________________|_________________|________________|_________________|________________|_________________|
                              |                                 |                                                 |
                      External Customers            Internal Cold-Finished                                 Further Processed
                  _________________________________________________|___________________________              |
                  |             |              |              |               |                |            |
                  |          Harvey        Medina[+]      Batavia[+]      Hamilton        Cartersville   External Customers
                  |
                  |
                  |_________ Massillon_______Gary__________Gary________Beaver Falls______Willimantic
                                                                                                        [+]Facilities to be Closed

                                                                                                             Facilities to Remain
```

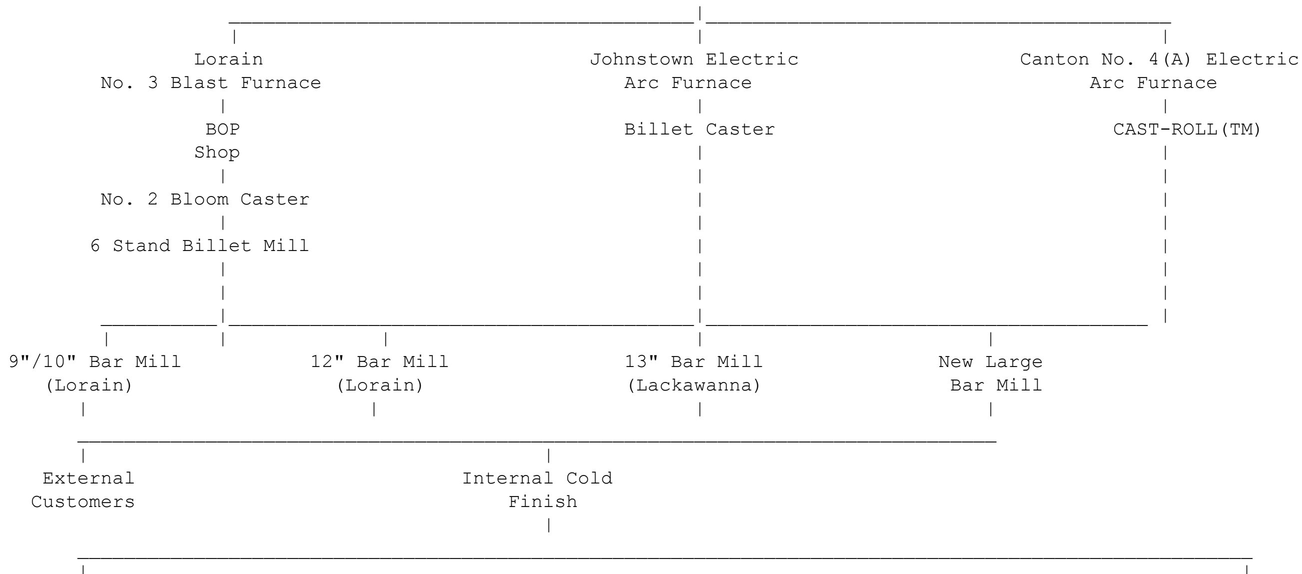
</TABLE>

____
* We intend to close one cold-finishing facility in addition to the cold-finishing facilities at Medina and Batavia, which were closed early in July 1999.

The chart below displays the combined facilities and process flow following completion of the Consideration Plan:

<TABLE>
<CAPTION>
<S> <C>

REPUBLIC TECHNOLOGIES INTERNATIONAL, LLC



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|________Harvey ____________________Hamilton____________ Cartersville________________________ Willimantic
| |
|____ Massillon___________________   Gary ___________________Gary ______________________________ Beaver Falls

</TABLE>

____
*We intend to close one of the cold-finishing facilities included in this chart as part of the Consolidation Plan.

PROJECTIONS FOR REPUBLIC TECHNOLOGIES INTERNATIONAL, LLC AND ITS SUBSIDIARIES

All statements other than statements of historical facts included in this section regarding our future financial position, business strategy, budgets, projected costs, and plans and objectives of management for future operations are forward-looking statements. The projections necessarily are based upon numerous estimates and assumptions, including principally that we will successfully implement the Consolidation Plan on a timely basis and achieve the improvements in production costs, operating efficiencies and selling, general and administrative expenses described herein. These estimates and assumptions are inherently subject to significant business, economic and competitive uncertainties, contingencies and risks, many of which are beyond our control. We include assumptions with respect to future business decisions and conditions that are likely to change. Actual results will vary from the projections and these variations may be material. There can be no assurance that any of the benefits from the Consolidation Plan or other benefits referred to below will be realized or, if realized, that such benefits will not be offset by other changes in actual results from projected results. See "Risk Factors--We may not be able to achieve the operating synergies and cost savings that we expect from the Combination" and "--Our future operational and financial performance may vary materially from the projections." Financial projections are necessarily speculative in nature. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the filing date of the Current Report on Form 8-K containing this information.

GENERAL

We do not as a matter of course publicly disclose projected financial information. These projections are qualified by and subject to the assumptions set forth below and the other information contained herein. The projections were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission, the American Institute of Certified Public Accountants or any other regulatory or professional agency or body, generally accepted accounting principles or consistency with the audited financial statements of Republic, BarTech or USS/Kobe. In addition, none of the auditors for Republic, BarTech or USS/Kobe has compiled or examined the projections and, accordingly, do not express any opinion or any other form of assurance with respect to, assumes no responsibility for, and disclaims any association with, the projections. No person other than us assumes any responsibility for the projections. The projections should be read together with the information contained under the headings "Risk Factors," "Unaudited Pro Forma Combined Financial Information for Republic Technologies International, LLC and its Subsidiaries," "The Combined Business" and "The Consolidation Plan."

We do not intend to update or otherwise revise the projections, including any revisions to reflect circumstances existing after the filing date of the Current Report on Form 8-K including this information or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not prove to be valid. Furthermore, we do not intend to update or revise the projections to reflect changes in general economic or industry conditions. The assumptions described below are those that we believe are most significant to the projections; however, not all of the assumptions used in preparing the projections have been set forth below or elsewhere herein. If we are substantially delayed or unsuccessful in implementing the Consolidation Plan, actual results will vary significantly from the projected financial information and our business, results of operations and financial condition will be adversely affected.

THE PROJECTIONS ARE BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT, WHILE PRESENTED WITH NUMERICAL SPECIFICITY AND CONSIDERED REASONABLE BY US WHEN TAKEN AS A WHOLE, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND OUR CONTROL. IN ADDITION, THE PROJECTIONS ARE BASED UPON SPECIFIC ASSUMPTIONS WITH RESPECT TO FUTURE BUSINESS CONDITIONS, SOME OR ALL OF WHICH WILL CHANGE. PROJECTIONS ARE

NECESSARILY SPECULATIVE IN NATURE AND IT CAN BE EXPECTED THAT THE ASSUMPTIONS UPON WHICH THE PROJECTIONS ARE BASED WILL NOT PROVE TO BE VALID OR WILL VARY

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FROM ACTUAL RESULTS. ACTUAL RESULTS WILL VARY FROM THE PROJECTIONS AND THE VARIATIONS MAY BE MATERIAL. CONSEQUENTLY, THE INCLUSION OF THESE PROJECTIONS IN THE CURRENT REPORT ON FORM 8-K SHOULD NOT BE REGARDED AS A REPRESENTATION BY US OR ANY OTHER PERSON OF RESULTS THAT WILL ACTUALLY BE ACHIEVED. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE PROJECTIONS.

METHODOLOGY

Product prices in the SBQ steel industry are significantly influenced by the price of raw materials because raw materials represent the principal cost of production of hot-rolled products. For this reason, we have derived prices for hot-rolled products based on a projected cash margin over raw materials ("margin over materials") principally the cost of ferrous scrap per ton.

We have based our projected labor costs on a detailed, facility-by-facility analysis of manning requirements, taking into account the terms of our new labor agreement with the United Steelworkers union. We have projected our other production costs, including variable costs and non-labor fixed costs, based on historical trends as adjusted for the anticipated effects of the Consolidation Plan.

We have provided 1998 and estimated 1999 results on a basis consistent with our projections, as well as provided the necessary adjustments to these results to reconcile them to our unaudited pro forma combined financial information presented elsewhere herein. The principal adjustment is to the cost of sales to eliminate timing differences between capitalized raw material costs and our actual current period costs. The 1999 results combine the three predecessor businesses' actual results for the three months ended March 31, 1999, their estimated results for the three months ended June 30, 1999 and our projections for the remaining six months of calendar 1999 without giving pro forma effect in the prior periods for improvements that we expect to achieve in the remaining six months of 1999. However, these projections have not been prepared in accordance with generally accepted accounting principles and reported results may differ accordingly.

ASSUMPTIONS

We have assumed that no changes occur in the U.S. macroeconomic environment and in the market conditions of our principal end-use industries during the projection period. Regarding market conditions in the SBQ steel products industry, we have assumed that the recovery in shipments that began during the first quarter of 1999 will continue, with shipments returning to levels consistent with market conditions in the first half of 1998. We have assumed that, based on industry trends, long-term growth is sustainable through the projection period. Similarly we have assumed that the recovery in SBQ steel demand will sustain a gradual improvement in margin over materials from 1999 to 2003 to a level consistent with long-term historical trends. In general, our projected shipment volume growth is lower, taken as a whole, than has been the case since 1993.

The projections assume that we successfully implement the Consolidation Plan in a timely manner, achieving all of the improvements in production costs, operating efficiencies, selling, general and administrative costs, and increases in production volumes that we discuss below.

An important assumption underlying the implementation of the Consolidation Plan is the scheduled completion and start-up of (1) the capacity expansions, (2) capital driven, efficiency and quality improvement projects and (3) a new large bar mill. We have assumed that the construction and start-up of the new large bar mill will be completed in a 15 month period. We believe that we will be able to achieve this schedule, which is shorter than the typical construction and ramp-up

period of 18 to 24 months, for the following reasons: (1) our extensive experience in mill start ups, (2) the fact that this project begins only in 2001, which gives us time to complete several initial steps in the Consolidation Plan before undertaking this large project, and (3) our plan to engage a leading engineering firm to complete the construction.

FINANCIAL IMPACT OF CONSOLIDATION PLAN

BRIDGE OF 1998 PRO FORMA EBITDA TO PROJECTED EBITDA

We believe that the Combination and the timely implementation of the Consolidation Plan will significantly improve our financial and operating performance. We have projected that we achieve improvements in five principal areas: (1) labor cost and other fixed cost eliminations from the planned closure of 13 facilities, (2) variable and fixed manufacturing unit cost improvements at remaining and new facilities, (3) corporate overhead savings, (4) in-sourcing materials previously purchased externally and (5) volume, spread and other net changes.

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The following is a summary bridge of our 1998 pro forma EBITDA to projected EBITDA for 1999 through 2003:

	PROJECTED				
	1999	2000	2001	2002	2003
	(IN MILLIONS)				
1998 pro forma EBITDA(1)	$82	$ 82	$ 82	$ 82	$ 82
Change from 1998 due to:					
Fixed cost savings from 13 shutdown facilities	23	92	104	112	133
Incremental fixed costs at remaining/new facilities	(17)	(15)	(9)	(1)	(6)
Selling, general & administrative/other cost savings	15	24	29	31	31
Variable cost improvement	22	37	53	60	74
Insourcing cold-finishing feedstock and bar billets	19	31	32	33	33
Total cost savings	62	169	209	235	265
Margin over materials	(36)	(43)	(32)	(23)	(9)
Volume/other variables(2)	(21)	(18)	2	27	65
Total change	5	108	179	239	321
Projected EBITDA	$87	$190	$261	$321	$403

----

(1) 1998 pro forma EBITDA differs from EBITDA, as defined, of $87.0 million, as set forth in note (h) in the notes to "Unaudited Pro Forma Combined Statements of Operations," as the above amount excludes certain non-recurring income required to be included in the pro forma income from operations.

(2) Includes selling price, adjustments, cold-finished bar conversion revenues, pig iron margin, and other revenue effects not captured above.

SUMMARY HEADCOUNT REDUCTION PLAN

A net headcount reduction of 2,401 is the major component of the cost reductions projected to arise from our Consolidation Plan. Reductions are projected to be realized in a number of different categories which are discussed in the following analysis in more detail. The following table

summarizes the net movement expected in headcount by (1) area of Consolidation Plan, (2) operation, and (3) category of hourly and salaried.

	SUMMARY HEADCOUNT REDUCTION PLAN		
	1998	2003	CHANGE
CONSOLIDATION PLAN			
13 shutdown plants	1,721	--	(1,721)
De-manned, continuing operations	3,256	2,566	(690)
New/expanded facilities	712	953	241
Selling, general and administrative	513	282	(231)
Total	6,202	3,801	(2,401)

	1998	2003	CHANGE
BY OPERATIONS			
Melting facilities	2,490	1,711	(779)
Hot-rolling facilities	2,257	1,113	(1,144)
Cold-finished facilities	942	695	(247)
Subtotal--production operations	5,689	3,519	(2,170)
Selling, general and administrative	513	282	(231)

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Total	6,202	3,801	(2,401)

<CAPTION>

<S>	1998	2003	CHANGE
HOURLY VERSUS SALARIED			
Hourly	5,012	3,070	(1,942)
Salaried--Plant	677	449	(228)
Salaried--Selling, general and administrative	513	282	(231)
Total	6,202	3,801	(2,401)

</TABLE>

FIXED COST SAVINGS FROM 13 SHUTDOWN FACILITIES. We intend to shut down 13 production facilities and thereby eliminate (1) approximately 1,522 hourly production and repair and maintenance positions, (2) approximately 199 non-union salaried plant positions, and (3) other fixed plant costs such as baseload utilities and fuel expense, non-labor repair and maintenance, and real estate taxes. We believe that we will generate $133 million in annual cost savings by 2003 as a result of this fixed cost reduction at the shutdown facilities, representing approximately 50% of the total cost savings contemplated in the Consolidation Plan. Of the $133 million, $101 million is due to headcount reduction, $10 million reflects baseload utility savings and $22 million is due to non-labor repair and maintenance expense and real estate taxes. The following summarizes our targeted headcount reduction at the 13 shutdown facilities:

<TABLE>
<CAPTION>

	HOURLY & SALARIED 13 SHUTDOWN FACILITIES PERSONNEL					
<S>	1998 BASE	1999	2000	2001	2002	2003
Total headcount	1,721	1,150	357	355	--	--
Cumulative headcount reduction	--	571	1,364	1,366	1,721	1,721

</TABLE>

The following summarizes the fixed plant labor savings we believe that we can achieve at the 13 shutdown facilities.

<TABLE>
<CAPTION>

	PLANT CLOSURE LABOR COSTS--13 SHUTDOWN FACILITIES					
	1998 BASE	1999	2000	2001	2002	2003
<S>			(IN MILLIONS)			
Total labor costs	$ 101	$ 84	$ 33	$ 24	$ 17	$ --
Cumulative annual savings	--	17	68	77	84	101

</TABLE>

In connection with the shutdown of selected facilities, we plan to eliminate $32 million of non-labor related fixed costs representing approximately 12% of the total cost reductions contemplated by the Consolidation Plan. These savings are comprised of two principal categories: non-labor related repairs and maintenance expense and baseload utilities and fuel. Repair and maintenance

expense includes basic materials required for on-going facilities upkeep. Baseload utilities and fuel represent the minimum demand charge to provide the facilities' power requirements.

The following summarizes the non-labor plant fixed costs we plan to eliminate by 2003 at the 13 shutdown facilities:

<TABLE>
<CAPTION>

	OTHER PLANT CLOSURE FIXED COSTS					
	1998 BASE	1999	2000	2001	2002	2003

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	-----	-----	-----	-----	-----	-----
			(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total non-labor fixed expense	$ 32	$ 26	$ 8	$ 5	$ 4	$ --
Cumulative annual savings	--	6	24	27	28	32

</TABLE>

INCREMENTAL FIXED COSTS AT REMAINING/NEW FACILITIES. We intend to reduce manning at over-staffed facilities such as the Lorain complex, heat treat, and cold-finishing facilities. Selective capital investment and a flexible new labor agreement provide an opportunity to optimize manning at certain continuing facilities. The implementation of the new agreement with the United Steelworkers union is expected to permit us to reduce union-represented headcount at our ongoing facilities by 632 positions which, combined with a salaried headcount reduction of 58, yields total savings of $43 million by 2003.

Also, we expect to incur additional fixed costs at certain expanding or new facilities including the Johnstown complex, CAST-ROLL(Trademark) facility, Lackawanna 13" mill and the new large bar mill. The increased labor flexibility provided by the new labor agreement will enable us to meet our incremental manning requirements in a cost-effective manner. We project incremental fixed costs to equal $49 million by 2003, yielding a net fixed cost increase of $6 million in 2003.

<TABLE>
<CAPTION>

	INCREMENTAL FIXED COSTS AT CONTINUING FACILITIES				
	1999	2000	2001	2002	2003
			(IN MILLIONS)		
<S>	<C>	<C>	<C>	<C>	<C>
Reduced manning	$ (2)	$ 10	$ 23	$ 36	$ 43
Fixed costs increases	(15)	(25)	(32)	(37)	(49)
Total net fixed savings (costs)	$ (17)	$ (15)	$ (9)	$ (1)	$ (6)

</TABLE>

SELLING, GENERAL AND ADMINISTRATIVE/OTHER COST SAVINGS. The overhead consolidation entails merging three stand-alone selling, general and administrative areas as well as integrating management information systems. Through this consolidation we intend to reduce our selling, general and administrative headcount by 231 from 513 in 1998 to 282 in 2003. Of the $32 million, $18 million is attributable to labor cost reductions and $14 million relates to non-labor fixed cost savings. These savings are achieved at both the corporate and plant level where we consolidate duplicative functions in areas such as finance, business planning, sales and marketing and production planning and quality control. We believe these actions should reduce our annual selling, general and administrative expenditures from $94 million in 1998 to $62 million in 2003. Selling, general and administrative cost reductions represent 12% of the total cost improvements contemplated in the Consolidation Plan.
<TABLE>
<CAPTION>

	SELLING, GENERAL & ADMINISTRATIVE/OTHER SAVINGS					
	1998	1999	2000	2001	2002	2003
			(HEADCOUNT)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total selling, general and administrative headcount	513	368	343	310	293	282
Yearly reductions	--	145	25	33	17	11
Cumulative reductions	--	145	170	203	220	231
<CAPTION>						
			(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total selling, general and administrative expense	$94	$77	$70	$65	$62	$ 62
Cumulative selling, general and administrative expense reductions	--	17	24	29	32	32
Other expense	11	13	12	12	12	12
Cumulative selling, general and administrative/other expense reduction	--	$15	$24	$29	$31	$ 31

</TABLE>

As a result of our Consolidation Plan, we project that our selling, general and administrative expenses will decline from 6% of sales in 1998 to 4% of sales in 2003, which compares to a public steel company composite average for 1998 of

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4%.

VARIABLE COST IMPROVEMENT. We intend to shut down our least efficient facilities and reallocate production to our more efficient, lower cost mills and to a new state-of-the-art large bar mill which we intend to finish constructing in 2002. The increasing use of the modernized facilities is expected to result in more efficient use of consumables, less rejects and reduced repair expenses, which is expected to reduce our variable conversion costs. We believe that we will achieve lower variable costs at the remaining facilities due to higher production yields and lower per unit fuel, utility and consumables costs achieved through longer run lengths per product size and fewer product changeovers. For example, the average yield at the Canton ingot route is 68% and, on the margin, tonnage will be absorbed by additional production at Johnstown, which has an 89% yield. The projections assume a 2.8% increase in yields in the melt shops and 1.3% in the hot-rolling mills producing approximately $29 million of savings. The reduction in consumables and supplies reflects improvements principally at the melt shops where cumulative annual savings of $26 million are projected. The savings projected to be realized principally result from the shutdown of the Canton ingot route which has significantly higher consumables and supplies unit consumption rates than our more modern facilities.

In addition, we believe that targeted capital expenditures will enable us to eliminate outsourcing costs, gain additional value-added margin and improve yields and operating efficiency at certain facilities. The installation of a new $25 million thermal treating, processing, and quality verification line center in 2000 will eliminate the need for outside processing at our Lorain hot-rolling mill, contributing $14 million in variable cost savings. We project that new equipment at our 13" mill in

Lackawanna and our cold-finishing facilities, which we project will cost $62 million, will reduce yield loss and variable unit costs. The following summarizes our targeted variable cost reductions:

<TABLE>
<CAPTION>

	VARIABLE COSTS				
	1999	2000	2001	2002	2003
	(IN MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>
Lackawanna yield gain	$ 4	$ 5	$ 6	$ 6	$ 7
Melt shop/caster yield gain	(2)	3	10	10	15
Cold-finished/other yield gain	4	5	6	5	7
Subtotal, yield gain	6	13	22	21	29
Lorain processing center	--	1	1	10	14
Melt shop consumables and supplies	11	17	24	24	26
New bar mill/cold-finished/other savings	5	6	6	5	5
Subtotal, other efficiencies	16	24	31	39	45
Total variable costs savings	$22	$37	$53	$60	$ 74

</TABLE>

IN-SOURCING COLD-FINISHING FEEDSTOCK AND BAR BILLETS. We project that the Combination will result in a company with a significantly broader product range than the individual predecessor companies and enable us to decrease our purchases from external suppliers of both hot-rolled bar for our cold-finishing facilities and semi-finished billet for our hot-rolled bar mills. Prior to the Combination, Republic and BarTech lacked the product breadth and depth to fully supply the hot-rolled bar size requirements of their captive cold-finished divisions. As a result of the Combination, we have the product range to supply nearly 90% of our needs, enabling us to recapture the margin currently being paid to outside suppliers. During calendar 1998, our cold-finishing facilities purchased 214,000 tons of hot-rolled bar, or 35% of total cold-finished inputs, from external suppliers. By 2003, we project that we will purchase only 81,000, or 15% of total inputs, from external suppliers, resulting in annual cost savings of approximately $26 million. In addition, during 1998, our hot-rolling mills purchased 34,000 tons of semi-finished billet from external suppliers. As a result of melt shop capacity increases arising from the Combination, we do not anticipate purchasing semi-finished billet from external suppliers, which we believe will result in approximately $7 million of annual cost savings. Combined, annual cost savings from internally sourcing billets and bars previously purchased from third parties represent 12% of the total cost savings contemplated by the Consolidation Plan.

<TABLE>
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	SAVINGS FROM INSOURCING				
	1999	2000	2001	2002	2003
Total hot-rolled bar in-sourced (tons in thousands)	67	123	126	134	133
Total semi-finished billets in-sourced (tons in thousands)	27	34	34	34	34
Savings from in-sourcing semi-finished billets ($/ton)	210	204	204	204	204
Savings from in-sourcing hot-rolled bar ($/ton)	204	195	195	195	195
Savings from in-sourcing hot-rolled bar ($ millions)	$ 13	$ 24	$ 25	$ 26	$ 26
Savings from in-sourcing semi-finished billets ($ millions)	6	7	7	7	7
Total savings from in-sourcing	$ 19	$ 31	$ 32	$ 33	$ 33

MARGIN OVER MATERIALS. We project a decline in margin over materials from 1998 levels resulting in a negative impact, particularly in 1999 and 2000. By 2003, we project spreads to

approximate 1998 levels and thus only a modest $9 million margin shortfall is projected through 2003.

	MARGIN OVER MATERIALS				
	1999	2000	2001	2002	2003
	(IN MILLIONS)				
Cumulative change in hot-rolled bar margin	$ (32)	$ (26)	$ (18)	$ (14)	$ (4)
Cumulative change in trade semi-finished margin	9	(4)	(9)	(8)	(9)
Cumulative change in cold-finished margin	(13)	(13)	(6)	(2)	4
Cumulative change in aggregate margin over materials	$ (36)	$ (43)	$ (33)	$ (24)	$ (9)

VOLUME/OTHER VARIABLES. Increases in volume partially offset by declines in other revenues, such as cold-finished bar conversion, sales of blast furnace pig iron and other production by-products account for a cumulative increase in projected EBITDA of approximately $65 million by 2003. The largest component of this incremental EBITDA is the increase in trade hot-rolled product shipments. Out of these savings, approximately $60 million are attributable to increases in hot-rolled bar volume largely arising from the planned completion of the high capacity, new large bar mill in 2002.

	VOLUME/OTHER VARIABLES				
	1999	2000	2001	2002	2003
	(IN MILLIONS)				
Cumulative change in volume/other	$ (21)	$ (18)	$2	$27	$ 65

PROJECTED FINANCIAL INFORMATION

	YEAR ENDED DECEMBER 31,						5 YEAR COMPOUND ANNUAL GROWTH RATE
	1998 PRO FORMA	1999	2000	2001	2002	2003	
	(IN MILLIONS, TONS IN THOUSANDS)						
SHIPMENT VOLUMES:							
Hot-rolled bars and rods	1,776	1,796	1,790	1,792	1,869	2,025	2.7%
Seamless rounds and semi-finished bars	680	439	459	475	525	575	(3.3)%
Semi-finished SBQ billet and bloom	--	14	--	139	45	--	0.0%
Cold-finished bars	486	515	530	530	535	540	2.1%
Total trade shipments	2,942	2,764	2,779	2,936	2,974	3,140	1.3%

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STATEMENT OF OPERATIONS DATA:							
Net sales	$1,568	$1,414	$1,422	$1,488	$1,530	$1,628	0.8%
Material costs	514	398	381	401	404	429	
Variable conversion costs	382	362	360	361	363	372	
Fixed plant costs	486	480	409	391	375	359	
Other(1)	3	10	12	10	5	4	
Adjustments(2)	29	10	--	--	--	--	
Total cost of goods sold	1,414	1,260	1,162	1,163	1,147	1,164	
Gross profit	154	154	260	325	383	464	
Selling, general and administrative expenses	94	77	70	65	62	62	
Depreciation and amortization	70	71	55	58	63	66	
OPEB	22	14	16	16	16	16	
Operating income (loss), per Projections	(32)	(8)	119	186	242	320	
Interest expense, net	92	87	87	82	78	72	
Other (income) loss, net	(3)	--	--	--	--	--	
Net income (before workforce reduction charges)	(121)	(95)	32	104	164	248	
Workforce reduction charges(3)	(19)	(17)	(13)	--	--	--	
Net income	$ (140)	$ (112)	$ 19	$ 104	$ 164	$ 248	
BALANCE SHEET DATA:							
Cash and cash equivalents		$ 2	$ 2	$ 2	$ 2	$ 43	
Total debt less government assisted debt		657	638	570	497	425	
Total debt		767	746	667	622	548	
OTHER DATA:							
Pro forma EBITDA(4)	$ 82	$ 87	$ 190	$ 261	$ 321	$ 403	

</TABLE>

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(1) Includes real estate use taxes and other non-plant expenses.

(2) Reflects timing differences between book value of inventories and market value at time of sale and other non-operational accounting adjustments.

(3) Reflects non-cash pension curtailment charges in connection with workforce reduction program.

(4) 1998 Pro Forma EBITDA excludes certain non-recurring income which is included in EBITDA, as defined. Projected EBITDA equals operating income (loss) plus OPEB, depreciation and amortization, and adjustments.

PROJECTIONS ANALYSIS

SHIPMENTS

The following table represents our projections of shipments to third parties:

<TABLE>
<CAPTION>

	SHIPMENTS						5 YEAR COMPOUND ANNUAL GROWTH RATE
	1998	1999	2000	2001	2002	2003	
	(IN THOUSANDS OF TONS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Hot-rolled bar and rod	1,776	1,796	1,790	1,792	1,869	2,025	2.7%
Seamless rounds and semi-finished bar	680	439	459	475	525	575	(3.3)%
Semi-finished billet and bloom	--	14	--	139	45	--	0.0%
Cold-finished bar	486	515	530	530	535	540	2.1%
Total trade shipments	2,942	2,764	2,779	2,936	2,974	3,140	1.3%

</TABLE>

Hot-Rolled Bar and Rod. We project that from 1998 to 2003 our total shipments of hot-rolled SBQ steel bar and rod will increase by 249,000 tons, representing a compound annual growth rate of 2.7%, as compared to historical

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annual domestic shipment growth rates of 3-5%, as a result of growth in large bar and small bar and rod shipments. We believe that we have sufficient production capacity to accommodate increased shipments, despite plant closures, due to increased productivity at our remaining mills resulting from (1) reduced mill downtime and lower yield loss due to fewer size changeovers, as each mill will produce a specific range of product sizes, (2) increased capacity utilization, and (3) expanded production capacity through selected capital expenditures. We project large bar sales volume growth to result from both underlying industry growth and our belief that we will be able to capture incremental market share from the less competitive participants in this market. We believe that the small bar and rod market represents a growth opportunity for us because a significant portion of the high-quality segment of this market is currently served by foreign capacity at a high cost. We have already had late stage discussions with three large fastener manufacturers who have expressed interest in replacing a portion of their current domestic supply, as well as their high-cost foreign supply, with a high-quality domestic producer. We believe that we can increase our shipment volumes of small products by approximately 160,000 during the projected period.

Seamless Rounds and Semi-Finished Bar. As described earlier, we entered into a long-term agreement with the tubular joint venture between USX Corporation and Kobe Steel, Ltd. to supply seamless rounds and semi-finished bars to the tubular joint venture and, in specified circumstances, to USX's Fairfield, Alabama operations. Over the last five years, our Lorain facility has supplied on average approximately 776,000 tons per year to these operations. Seamless tubes are used in oil and gas exploration and production and historically have tracked activity in this sector. The significant downturn in oil prices during the second half of 1998 and the first quarter of 1999 and the subsequent curtailment of drilling activity adversely impacted seamless tube shipments. We believe that short-term seamless tube demand will recover from depressed levels in 1999 and stabilize at shipment levels slightly below 1998 levels. Additionally, we anticipate selling a small quantity of semi-finished products to existing trade customers, approximately 40,000 tons per year, consistent with historical volume levels.

Semi-Finished Billet and Bloom. Historically, we have operated our melt shop production at levels exceeding our internal hot-rolling production and have sold the surplus billets and blooms as semi-finished products to other hot-rolled bar manufacturers and to other large diameter bar manufacturers. Consistent with this experience, we have projected, in future years in which our melt shop production exceeds our hot-rolling mill production, that we will sell semi-finished products to third parties, including competitors.

Cold-Finished Bar. We plan to continue to grow our cold-finishing business from the 1998 level of 486,000 tons to 540,000 tons, an increase of 2.1% per year during the projection period. Our projected volume growth is driven principally by increases in our market share and underlying industry demand growth. We believe that our ability to supply substantially all of our internal hot-rolled product requirements for cold-finishing will allow us to improve our cost position, which in turn will enable us to compete more aggressively. The expected market growth is based on our expectations of automotive and industrial equipment manufacturers' requirements for increased SBQ steel product quality and performance.

PRODUCT SELLING PRICES AND ASSUMED MARGINS

The following table represents the projected selling prices and margins over cash material costs:

	YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	2003
	(WEIGHTED AVERAGE SELLING PRICE PER TON)					
PRODUCT PRICES:						
Hot-rolled bar and rod	$529	$488	$496	$500	$503	$508
Seamless rounds and semi-finished bar	358	362	332	327	330	333
Semi-finished SBQ billet and bloom	--	341	--	340	435	--
Cold-finished bar	769	721	720	732	742	752
	(WEIGHTED AVERAGE MARGIN PER TON)					
PRODUCT MARGIN OVER MATERIALS:						
Hot-rolled bar and rod(1)	$387	$365	$367	$372	$375	$380
Seamless rounds and semi-finished bar(2)	224	246	216	209	209	209
Semi-finished SBQ billet and bloom	--	222	--	219	319	--
Cold-finished bar(3)	601	575	565	577	587	597

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(1) The margin for hot-rolled bar shown represents a weighted average of the costs of production for the electric arc and basic oxygen process routes that we employ. In addition, the margin over materials includes other items including cold-finished tolling revenues, pig iron sales, and various selling price adjustments to reflect claims and allowances. These adjustments total less than $10 million during any one year.

(2) Includes margin earned on shipments of semi-finished bar to existing trade customers

(3) Material costs for cold-finished bar equal gross scrap costs plus $23 per ton of freight costs incurred to transport hot-rolled bar or rod from the hot-rolling mills to the cold-finishing mills.

Hot-Rolled Bar and Rod. We have projected a flat average margin over materials for SBQ steel products at the long-term historical average for the industry during the projection period. We believe that SBQ steel product industry margin over materials have fluctuated around an average of $379 per ton during the past 10 years. From recent lows, we have projected that our average hot-rolled product margin over materials will recover over the projection period to the historical average. The principal cause of the recovery is improvement in our product mix. For example, we anticipate reorienting shipments of our billet-based product from lower value-added products to automotive applications, which have historically commanded higher selling prices.

Seamless Rounds and Semi-Finished Bar. The terms of the long-term supply agreement with the tubular joint venture establishes prices at our cash cost of production plus $40 per ton for annual purchases of up to 400,000 tons and cash cost of production plus $80 per ton for purchases in excess of the base 400,000 tons up to an additional 200,000 tons. While the margin over material decreases over the projection period as our cash conversion costs decline due to our improving

efficiency and cost structure, the cost-plus pricing methodology will result in a constant gross margin per ton.

Semi-Finished SBQ Billet and Bloom. The average margin over materials for semi-finished products reflects a change in product mix. We intend to increase sales of higher value-added semi-finished blooms produced at the Canton facility that our customers can use to manufacture finished products without further processing.

Cold-Finished Bar. We have projected a gradual recovery in prices for our cold-finished products to normalized levels over the next five years based on the recovery in hot-rolled product prices. Specifically, the recovery reflects the expected decline in low priced imported hot-rolled large bar which have pushed down cold-finished large bar prices. In addition, we believe that we will be able to increase our production and sales of heat-treated cold-finished products, which have higher selling prices than our average cold-finished products.

Scrap Prices. We believe that average scrap costs for an equivalent product mix over the past five years have ranged from about $118 per ton to as high as $151 per ton and have averaged $132 per ton. We project scrap rising from $123 per ton in 1999 to $133 per ton by 2003 as prices recover from the low levels that resulted from the market disruptions in the third and fourth quarter of 1998. Nevertheless, we do not anticipate a return to scrap price levels reached during the first half of 1998. We base this projection on our view that the speculative buying that affected scrap prices and increased SBQ steel product inventory levels in early 1998 will not reoccur during the projection period. In addition, the increasing production of alternative materials such as hot briquetted iron, direct reduced iron and pig iron is expected to have a dampening effect on scrap prices.

Iron Pellets and Coke. We have entered into long-term supply agreements with USX Corporation to purchase iron pellets and coke, the primary raw materials that we require for our basic oxygen process route. These requirements agreements guarantee a consistent supply of quality materials to our company going forward at prices that will be most favorable as compared to market prices due to the "most favored nations" status in the agreements. This "most favored nations" provision guarantees us a price matching the lowest price offered by USX. We also assume that the market demand over the projection period will be dampened by the increasing availability and consumption by other producers of alternative iron units such as direct reduced iron, iron carbide and lump iron ore. We assume that the price for these raw materials over the projection period will be flat with year-to-year fluctuations of no more than 5%.

Coal. The Lorain blast furnace consumes pulverized coal to offset higher price metallurgical coke and reduce the material cost for hot metal production. We purchase this coal under a long-term tolling agreement with Ohio Edison Power Company. The price over the life of the agreement is fixed. As a result, we have

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assumed that the price for this material remains flat over the projection period.

COST OF GOODS SOLD

We have projected significant reductions in our fixed and variable conversion costs. These reductions, which result from the rationalization of our operating facilities, reflect not only the elimination of headcount and other fixed non-labor costs at the 13 closed facilities but also the efficiency and productivity gains achieved at the remaining facilities.

Fixed Conversion Costs

We have projected improvements in fixed costs throughout the projection period due largely to the implementation of our headcount reduction program, which anticipates the net elimination of 2,170 positions through the closure of 13 facilities including two melt shop facilities, three hot-rolling

mills and two cold-finishing facilities and headcount reductions at our remaining facilities pursuant to the new collective bargaining agreement. Additional fixed cost reduction at the shutdown facilities consists of non-labor related repairs and maintenance, baseload utilities and fuel and real estate taxes.The combined effect of reducing our fixed costs and increasing our production volumes is expected to significantly lower our per unit cost by $51 per ton or 31% by 2003. The following table represents selected information relating to fixed conversion costs.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	2003
			(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Melt shops	$ 265	$ 262	$ 223	$ 219	$ 216	$ 215
Hot-rolling mills	162	157	126	122	117	107
Cold-finishing	59	61	60	50	42	37
Total fixed production costs	$ 486	$ 480	$ 409	$ 391	$ 375	$ 359
Cumulative net total fixed cost reduction	--	6	77	95	111	127
Memo: Labor fixed costs	320	315	256	241	221	204
Memo: 13 shutdown plants fixed cost savings	9	23	92	104	112	133
Memo: Incremented fixed costs at continuing facilities	--	(17)	(15)	(9)	(1)	(5)
Production headcount at end of period	5,689	4,834	3,953	3,876	3,504	3,519
Man-hours per shipped ton	4.0	3.9	3.3	2.8	2.6	2.2
Total fixed cost per shipped ton	$ 165	$ 174	$ 148	$ 134	$ 126	$ 114
Fixed cost savings per shipped ton		(9)	17	31	39	51
Memo: Labor fixed cost per shipped ton	$ 109	$ 114	$ 92	$ 82	$ 74	$ 65
Memo: Labor fixed cost savings per shipped ton	--	(5)	17	27	35	44

</TABLE>

Melt Shops. We project that our fixed expenses will decline as a result of the improvements in labor costs achieved through the closure of the teeming shop and blooming mill in conjunction with the shutdown of the Canton ingot route. We plan to eliminate 779 positions from the melt shops yielding cumulative labor cost reduction of $44 million by 2003. Non-labor related reductions total $7 million.

Hot-Rolling Mills. The shutdown of the Chicago, Canton, and Massillon hot-rolling mills during the projection period results in headcount reduction, as well as a decline in other fixed costs. We intend to reduce our labor expense by approximately 43%, or $54 million, between 1998 and 2003, as we reduce positions by 1,144. The anticipated start up of our new large bar mill and the concurrent shutdown of Massillon contribute substantially to the cost savings between 2002 and 2003.

Cold-Finishing. We have projected that our labor expense in the cold-finishing operations will decline by $19 million during the projection period, as we reduce headcount by 247.

Variable Conversion Costs

We project continued improvement in variable costs throughout the projection period, reflecting the impact of our Consolidation Plan and other improved efficiencies through targeted capital expenditures. We intend to leverage the specific operating advantages at each of the modernized facilities through "sweet spot" volume loading and increased utilization of available capacity and shop-hours. Production shift from obsolete plants to our new modernized operations and further gains from efficiency enhancements and capital

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expenditures are projected to result in variable cost

improvement through lower yield loss and variable costs per ton. The table below summarizes the per unit improvements we project at our operations.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	2003
	(AVERAGE COST PER SHIPPED TON)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Consumables and supplies..................................	$ 45	$ 44	$ 42	$ 40	$ 40	$ 39
Yield loss..	39	38	37	36	36	35
Fuels and utilities.......................................	21	23	22	21	21	20
Other variable costs......................................	21	23	23	21	19	17
Other...	3	3	5	6	6	7
Total unit variable cost.............................	$ 129	$ 131	$ 129	$ 124	$ 122	$ 118
Total shipments (tons in thousands)........................	2,942	2,764	2,779	2,936	2,974	3,140
Total variable cost (in millions).....................	$ 382	$ 362	$ 360	$ 361	$ 363	$ 372

</TABLE>

We intend to shut down our least efficient facilities and reallocate production to our more efficient, lower cost mills and to a new state-of-the-art large bar mill which we intend to finish constructing in 2002. The increasing use of the modernized facilities is expected to result in more efficient use of consumables, less rejects and reduced repair expenses, which is expected to reduce our variable conversion costs. The reduction in consumables and supplies reflects improvements principally at the melt shops. The projected savings principally result from the shutdown of the Canton ingot route which has significantly higher consumables and supplies unit consumption rates than our more modern facilities.

In the remaining rolling mills, we believe that we will achieve lower variable costs due to higher production yields and lower per unit fuel, utility and consumables costs achieved through longer run lengths per product size and fewer product changeovers. Similar improvements occur in the melt shops as we intend to maximize heats per sequence to reduce fuel and utilities expense and eliminate delay.

In addition, we believe that targeted capital expenditures will enable us to eliminate outsourcing costs, gain additional value-added margin and improve yields and operating efficiency at certain facilities. The installation of a new $25 million thermal treating, processing, and quality verification line center in 2000 will eliminate the need for outside processing at our Lorain hot-rolling mill. We project that new equipment at our 13" mill in Lackawanna and our cold-finishing facilities, which we project will cost $62 million, will reduce yield loss and variable unit costs as well.

CORPORATE OVERHEAD SAVINGS

The following table represents our headcount reduction and principal selling, general and administrative costs by category:
<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
HEADCOUNT (END OF PERIOD)	1998	1999	2000	2001	2002	2003
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Administrative...	275	213	192	168	157	148
Sales and marketing..	154	93	91	84	79	79
Plant overhead...	84	62	60	58	57	55
Total..	513	368	343	310	293	282

<CAPTION>

EXPENSE	(IN MILLIONS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Administrative...	$58	$52	$46	$43	$40	$ 40
Sales and marketing..	18	13	12	11	11	11

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Plant overhead	18	12	12	11	11	11
Total	$94	$77	$70	$65	$62	$ 62

We anticipate savings across all areas of our selling, general and administrative functions as these corporate functions for each of our predecessor companies are combined into one organization. This consolidation will permit us to eliminate 231 positions, or 45% of the total selling, general and administrative headcount, which will reduce selling, general & administrative expense from $94 million to $62 million over the projection period.

OPEB

Accruals for FAS 106, or Other Postretirement Employee Benefits, which relate principally to retiree health and medical benefits, were projected in conjunction with actuarial experts based on estimated mortality rates, the headcount reduction programs, medical cost inflation factors and evaluation of the existing retiree population. OPEB cash costs are projected to rise as the retiree population increases. The following table summarizes the accounting accrual as well as the actual cash payments made during the projection period:

	YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	2003
			(IN MILLIONS)			
OPEB accruals	$22(A)	$14	$16	$16	$16	$ 16
OPEB cash payments	10	12	14	15	16	17

(A) 1998 includes $6 million transition obligation accrual and $2 million ESOP charge that is excluded from future periods.

INTEREST

We have projected our interest expense using the applicable current interest rates pursuant to our new credit facility which is priced at LIBOR plus 3.25% or 8.75%. For purposes of our projections, cash interest on the Notes is reflected at 13.75% of the aggregate principal amount of the Notes per year. In addition, we have assumed a weighted average interest rate of 9.00% on the aggregate principal amount of the industrial revenue bonds and other retained debt. We have assumed that LIBOR will remain flat throughout the projection period at 5.50%.

SEVERANCE AND PENSION CURTAILMENT CHARGES

The new labor agreement signed with the United Steelworkers union enables us to significantly reduce our production headcount by offering qualifying employees early retirement buyouts or voluntary severance packages. Early retirement buyouts enable eligible workers to receive early,

unreduced pension benefits and a supplemental payment until age 62. A voluntary severance plan enables non-early retirement buyout eligible employees to receive a lump sum payment upon termination. Through a combination of early retirement buyouts, a voluntary severance plan and regular retirements and attrition, we intend to reduce our United Steelworkers headcount by approximately 1,942 positions. These early retirements will result in incremental cash or actuarial costs as follows:

- Pension Curtailment Charge--increased pension liability as measured by the FAS 87 pension benefit obligation resulting in non-cash pension "curtailment charges" recognized in the period in which the early retirements occur.

- Pension Plan Funding--reflects both our base pension plan funding and the increased funding required in connection with accelerated benefit payments and underlying benefit improvements associated with the new labor agreement.

- Extra-Plan Funding--incremental cash costs in connection with one-time payments to early retirement buyouts and voluntary severance plan lump sum payments, which are funded outside the pension plan.

In addition to the items stated above, we recognize annual pension-related accruals for our current workforce. These accruals, known as FAS 87 accruals,

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are implicit in the wage rate and are part of the operating expenses included in projected EBITDA. The table below summarizes these various charges and cash costs:

	YEAR ENDED DECEMBER 31,				
	2ND HALF 1999	2000	2001	2002	2003
	(IN MILLIONS)				
RECOGNIZED EXPENSE:					
Pension curtailment charge (1)	$ 17	$13	$--	$--	$ --
Ongoing pension accrual (FAS 87)	5	9	6	4	1
Total recognized expense	$ 22	$22	$ 6	$ 4	$ 1
CASH PAYMENTS:					
Pension plan funding	21	36	47	46	28
Extra-plan funding	13	8	4	2	9
OPEB/FAS 106 cash funding	6	15	14	16	17
Unallocable ongoing pension accrual (FAS 87)	(5)	(9)	(6)	(4)	(1)
Total cash funding	35	50	59	60	53

----

(1) Republic incurred pension curtailment charges related to changes implemented to its collective bargaining agreement of September 1998 of $11.5 million during the year ending December 31, 1998 and $54.5 million during the first half of 1999.

SUMMARY STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,				
	2ND HALF 1999	2000	2001	2002	2003
	(IN MILLIONS)				
CASH FLOW FROM OPERATIONS					
Projected EBITDA	$ 60	$190	$261	$321	$403
Cash interest	(44)	(87)	(82)	(78)	(72)
Severance and early retirement funding	(35)	(50)	(59)	(60)	(53)
Distributions for tax liabilities	(2)	(2)	(13)	(30)	(73)
Non-recurring items	--	--	--	--	--
Changes in working capital	19	16	28	5	(2)
Net cash provided by (used in) operating activities	(2)	67	135	158	203
CASH FLOW FROM INVESTING ACTIVITIES					
Capital expenditures	(17)	(48)	(56)	(113)	(88)
Sale of specialty steel division	35	--	--	--	--
Net cash provided by (used in) investing activities	18	(48)	(56)	(113)	(88)
CASH FLOW FROM FINANCING ACTIVITIES					
Principal repayments	(6)	(2)	(11)	(2)	(2)
New large bar mill revenue bonds	--	--	--	30	--
Asset sales/cash management	7	2	--	--	--
Net borrowings (repayments) under new credit facility	(17)	(19)	(68)	(73)	(72)
Net cash provided by (used in) financing activities	(16)	(19)	(79)	(45)	(74)
Net increase (decrease) in cash and cash equivalents	--	--	--	--	41
Beginning cash balance	2	2	2	2	2
Ending cash balance	2	2	2	2	43
Borrowing base(1)	368	347	309	283	268
Drawn new credit facility	(232)	(213)	(145)	(72)	--
New credit facility availability	136	134	164	211	268
Total cash and new credit facility availability	$138	$136	$166	$213	$311

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----

(1) Reflects a borrowing base equal to the sum of (a) eligible accounts receivable and inventory at advance rates of 85% and 60%, respectively, and (b) the lesser of (1) 67% of the "liquidation value in place" of the CAST-ROLL(Trademark) facility and (2) $125 million as reduced by scheduled amounts, subject to certain limitations, less reserves ranging from $35 million to $50 million, and less outstanding letters of credit.

PROJECTED LIQUIDITY AND CAPITAL RESOURCES

Our liquidity will be primarily from our $425 million new credit facility, for which availability is based on an advance rate on the book value of accounts receivable and inventory and the liquidation value in place of our CAST-ROLL(Trademark) facility. Additional sources of liquidity in the projection period include:

- the receipt of expected funding for the construction of our new large bar mill from government agencies or authorities. This amount is estimated to be $30 million and is expected to be received in 2002.

- the proceeds from the planned sale of our specialty steel division during the second half of 1999. We estimate that the liquidation value of the current and fixed assets is approximately $35 million, of which approximately $25 million represents the liquidation value of current assets.

We are obligated to repay a portion of our industrial revenue bonds each year in the projection period. Furthermore, we are obligated to redeem $5.5 million of RTI Series A preferred stock in 2000 and $9 million of environmental bonds in 2001. No other prepayments of outstanding indebtedness are assumed until 2003. In addition, the projections assume that our new credit facility, which amortizes and matures in 2004, will be available to us under the current terms and conditions throughout the projection period.

Capital Expenditures Our capital expenditure assumptions reflect the $322 million facility modernization and capital investment program that we have already begun to implement. This investment plan can be broken down by the primary areas:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	2ND HALF 1999	2000	2001	2002	2003	CUMULATIVE
	(IN MILLIONS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Projects:						
Rationalize production facilities:						
Melt shops	$ 5	$14	$ 7	$ 6	$21	$ 53
Hot-rolling mills	8	19	35	75	27	164
Cold-finishing and processing facilities	--	4	6	20	27	57
Information systems upgrade	2	4	1	--	--	7
Project total	15	41	49	101	75	281
Unallocated maintenance and other	2	7	7	12	13	41
Total capital expenditures	$ 17	$48	$56	$113	$88	$322

</TABLE>

The largest component of our capital expenditure plan is the construction of a new large bar mill, scheduled to be completed in 2002 at an estimated cost of $90 million. Additionally, we intend to invest $53 million in melt shop repair and upgrade programs, which include the addition of the sixth strand at the Johnstown billet caster, the consolidation of the Canton furnaces from three to one and repair and upgrade of the Lorain furnace, primary mill and billet yard. About $74 million is forecast to be invested in hot-rolling mill upgrades, including improvements at the Lorain 12" mill, upgrades at the Lackawanna 13" mill, a new bar processing center in Medina and a new billet inspection, grinding and shipping center. The planned state-of-the-art cold-finishing processing center and various other cold-finishing facility upgrade projects will require total expenditures of approximately $57 million. Other projects include a new processing center near our Canton facility and investment in management information systems upgrades. We believe maintenance capital expenditures will not exceed approximately $10 million per year.

Working Capital. Year-on-year improvement in working capital is forecast largely due to reductions in inventory which are partially offset by reductions in payables. The improvement in inventory levels results from lower days

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shipments of finished hot-rolled and cold-finished product which we increased during the fourth quarter in anticipation of the current resurgence in demand. The inventory reduction yields cumulatively $80 million of cash flow between 2000 and 2003, which is partially offset by $19 million of lower payables.

Tax Distributions. Republic Technologies International Holdings, LLC, our parent, will be required to make cash distributions to its members, as provided for in the limited liability company agreement of our parent, sufficient to pay tax liabilities arising regarding members' investment in us. To the extent our parent is required to make these tax distributions, we will be required to make equivalent cash distributions to our parent. For the purposes of our projections we assumed these distributions to be minimal in the first several years of operation since we do not expect to generate significant distributable income in that time period. In years where distributable income is generated we have estimated the amount of the corresponding distribution.

ANNEX A

[LOGO] USS/KOBE

ASSESSMENT OF
REPUBLIC ENGINEERED STEELS, INC.,
BAR TECHNOLOGIES INC.,
AND THE BAR DIVISION OF
USS/KOBE STEEL COMPANY
CONSOLIDATION PLAN

[LOGO] 6215 Sheridan Drive
Buffalo, New York, U.S.A. 14221-4884
Tel.: (716) 632-7200 o Fax: (716) 632-7209

July 21, 1999

Assessment of
Republic Engineered Steels, Inc.,
Bar Technologies Inc., and the
Bar Division of USS/Kobe Steel Company
Consolidation Plan

Independent Engineer's Report

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1. Executive Summary

Beddows & Company, Hatch Management and Technology Consulting ("Beddows/Hatch"), has been engaged to evaluate the technical and operational components of the Consolidation Plan for the proposed combination of Republic Engineered Steels, Inc. ("Republic"), Bar Technologies, Inc. ("Bar Tech"), and the Bar Division of USS/Kobe Steel Company ("USS/Kobe"), to form Republic Technologies International ("RTI" or the "Company"). The evaluation encompasses the following areas:

- Production volumes.
- Operating cost reductions including changes in yield and manpower.
- Product line rationalization, facility configuration and utilization, ramp-up, and timing of consolidation.
- Appropriateness of capital spending.
- Maintenance related issues.
- Overview of interplant supply and shipping plans.

Our analysis excluded an evaluation of the market assumptions (volumes, sizes, prices) whereas in that regard we assumed that the volumes and sizes associated with the production forecast could be sold as projected. We also did not audit the financial plan for consistency nor verify the cash flows included in the financial plan.

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Beddows/Hatch had previously performed various evaluations of Republic and USS/Kobe and as a result, have working knowledge of the facilities and capital plans of the companies. Nevertheless, specialists in steelmaking, rolling, and operating costs made site visits to the major production facilities - Canton, Ohio; Lorain, Ohio; Johnstown, Pennsylvania; and Lackawanna, New York; as well as Corporate Headquarters to update our knowledge of recent operations and facilities.

Consolidation Plan/Business Plan

A summary of the consolidation plan follows.

The consolidation plan is a logical extension of the combination of the companies. The plan retains and improves, where appropriate, the best facilities and shutters the oldest and least efficient facilities (the Republic bar mills in Chicago, Canton and Massillon) and eliminates the costly ingot pouring process.

It has long been recognized in the industry that Republic's bar rolling facilities, while operated to their optimum efficiency and quality capability, severely suffer from a lack of modernity and need replacement. The 9"/10" and 12" mills at USS/Kobe eliminate the necessity for RTI to build a new small bar mill, thereby saving the capital associated with that installation (approximately $90 million). The 9"/10" mill at USS/Kobe also provides RTI with the capability to produce small sizes.

A new large bar mill will be constructed, which will replace the Massillon 18" mill and provide the company with modern, efficient, quality bar capability over the large bar size range. The steel production facilities will utilize both the integrated steel route (USS/Kobe) and electric furnace melting route (Canton and Johnstown) and will provide 100% continuous casting. Some steel production capacity at the Canton and Lorain melting facilities will be idled as a result of the consolidation, thereby providing back-up to accommodate unforeseen circumstances.

Raw steel production, which is defined as first solid (ingot, bloom or billet cast prior to conditioning or rolling), is planned to increase from 3.1 million tons in 1998 to 3.4 million tons in 2003. Bar production is expected to increase from 2.1 million tons in 1998 to 2.5 million tons in 2003. A 33% overall reduction in manpower is key to the projected operating cost savings. Other operating cost reductions associated with the capital plan, the increased production volumes, and other efficiency improvements are significant. Total production costs of hot rolled bar including melting, casting, freight, and bar rolling are projected to be reduced by: $17/t (Lackawanna 13"), $108/t (Lorain 12") and $120/t (Lorain 9"/10"). Other significant savings occur due to the shutdown of the old Republic rolling mills.

The proposed capital spending of $321 million is consistent on a per ton basis with value added steel producers in the U.S. More than half of the spending is ear-marked for the rolling mills. The capital certainly appears to be appropriated to the logical areas and are reasonable estimates for planning purposes. The timing of the capital spending and the consolidation plan are linked to the overall production program and are reasonable.

Keys to the Plan

The key aspects (important components) of the plan are:

- The consolidation of the rolling mills and the reduction in the number of sizes rolled at each mill increases the tons per size for each rolling. This has a significant impact on delay time in the mills and is a very important factor allowing the three rolling mills (Lorain 9"/10" and 12" and Lackawanna 13") to achieve high production levels. Interplant shipping volume and costs will increase as a result, but the benefits far outweigh the added costs.

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- The increase in production, particularly in the rolling mills and at the Johnstown melt shop, results in significant operating cost reductions. This is due to both dilution of fixed costs (per ton) and to reduction of variable cost (consumption per ton) naturally associated with large increases in production.

- Continued improvement in operating efficiencies, beyond those naturally expected from the increase in production, are expected as well. RTI has entered a four year technical agreement with Sanyo of Japan to provide assistance to the RTI facilities. This assistance should help RTI reach its production and cost goals at these facilities.

- Reductions in manpower due to closure of facilities and to labor-management negotiations, particularly at USS/Kobe, are a major factor in the cost reductions. Last year, Republic and Bar Tech entered into a collective bargaining agreement applicable to their facilities, permitting the contemplated headcount reductions there. The workers at USS/Kobe are expected to ratify such an agreement and such ratification is a condition to financings related to the combination.

- The streamlined steel producing facilities (Canton, Johnstown, Lorain) will be 100% continuous cast and more than 70% bloom cast. Bloom casting is a prime component for the production of high quality steel bars, placing the new company in a strong competitive position in that regard.

- The capital spending plan provides for appropriate and judicious use of capital. The synergies among the combined companies reduce the capital otherwise necessary for the stand-alone companies to achieve similar results.

Comments on Plan

The combination and the associated consolidation plan are well conceived and have a very high likelihood of resulting in a successful company. The projected production volumes and operating costs are aggressive targets. It is likely that the company will approach their projections but fall slightly short on both aspects (production volume and costs). The impact of the shortfall which we are projecting is $19.5 million in 2003, increasing to $22.9 million in 2004. As a first approximation, the shortfall would be proportionately less in years 2000 through 2002. Conversely, there may be other operating cost savings associated with the increased purchasing power of the new company, which have not been considered in our analysis due to the very subjective nature of such opportunities.

The timing of the production increases in the 9"/10", 12", and 13" mills coincides with the shut down of the 11" mill in Chicago and the 12" mill in Canton.

As indicated, the 3" to 6" size capability of the new bar mill will complete the requirement for efficient, high quality capability across a wide size range. We believe that the ramp-up time to achieve full production will be 18 to 24 months (which is more typical for a mill of this nature) rather than the 15 months which the company is projecting. If a longer time is required to ramp up the new mill, the production and shipment plans can be achieved by operating the 18" mill for a longer period than planned. The additional costs associated with operating the 18" mill for this longer period of time is estimated (by Beddows/Hatch) at $5.5 million (18 months) to $16.5 million (24 months). These additional costs would only occur in 2003 and 2004.

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Concerns also exist on our part over the improvements required to the Lorain primary mill (where cast blooms are rolled to billets needed for the bar mills), particularly improvements to the reheat furnace. We feel that investigation may reveal that additional, modest, capital (of the order of a maximum of $3 million) is required to achieve the projected tonnage.

Management Considerations

The proposed management team of the new company is regarded as one of the strongest in the steel industry. The track record of success of the team and of the individuals within the team is noteworthy. The personal experience of this consultant with these individuals confirms the high regard in which they are held.

Certification

We certify that the attached report titled "Technical and Operational Evaluation of Combination of Republic Engineered Steels, Inc., Bar Technologies Inc. and Bar Division of USS/Kobe Steel Company" is, to the best of our knowledge, accurate and complete with regard to our defined scope of work. Beddows/Hatch consents to the inclusion of the above report in the Offering Memorandum financings related to the combination. The information contained in the report represents Beddows/Hatch's best judgement based on available information as of the report date. Projections of future performance necessarily involve considerations that are subject to uncertainty. The ability to successfully negotiate manning concessions and to achieve operating efficiencies and cost reductions are among the most subjective considerations.

Beddows/Hatch is an internationally recognized consulting company specializing in the metallurgical industries for over 44 years. The activities undertaken in this evaluation are well within the range of services and capabilities offered by Beddows/Hatch. Neither Beddows/Hatch nor any person acting on its behalf i.) makes any warranty, express or implied, with respect to the use of any information provided by the company which is disclosed in the report or, ii.) assumes any liability with respect to the use of information provided by the company which is described in the report. The Beddows/Hatch review of information relating to the Consolidation Plan in no way serves to transfer to Beddows/Hatch the responsibility for the correctness and/or accuracy of such information or modeling.

2. Introduction and Scope of Work

Beddows & Company, Hatch Management and Technology Consulting, has been engaged to evaluate the technical and operational components of the Consolidation Plan for the proposed combination of Republic Engineered Steels, Inc., Bar Technologies Inc., and the Bar Division of USS/Kobe Steel Company. The evaluation encompasses the following areas:

- Production volumes.
- Operating cost reductions including changes in yield and manpower.

- Product line rationalization, facility configuration and utilization, ramp-up, and timing of consolidation.
- Appropriateness of capital spending.
- Maintenance related issues.

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o   Overview of interplant supply and shipping plans.

Our analysis excluded an evaluation of the market assumptions (volumes, sizes, prices) whereas in that regard we assumed that the volumes and sizes associated with the production forecast could be sold as projected. We also did not audit the financial plan for consistency nor verify the cash flows included in the financial plan.

Beddows/Hatch had previously performed various evaluations of Republic and USS/Kobe and as a result, have some working knowledge of the facilities and capital plans of the companies. Nevertheless, site visits were made by specialists in steelmaking, rolling, and operating costs to the major producing facilities - Canton, Ohio; Lorain, Ohio; Johnstown, Pennsylvania; and Lackawanna, New York, as well as Corporate Headquarters - to update our knowledge of recent operations and facilities.

The spreadsheet package titled "RTI Historical Operating Results and the Five Year Financial Plan", dated July 20, 1999, provided a basis of data for our analysis. Information obtained during a visit to RES Headquarters as well as during and subsequent to the site visits, was also used in our analysis. Although the assessment of the Consolidation Plan focuses through year 2003, we often also note production in year 2004 since the planned production level does not stabilize until 2004.

Excellent and complete cooperation was provided by Republic, Bar Tech, and USS/Kobe management throughout our evaluation.

3.   Facility Configuration

3.1 Current

The current facility configuration of the three companies, Republic and Bar Tech and USS/Kobe is depicted in Figure 3.1. The steelmaking and casting facilities are: USS/Kobe in Lorain, Ohio which utilizes the integrated steel production route (blast furnace and oxygen steelmaking), Republic's facilities in Canton, Ohio, and Bar Tech's facility in Johnstown, Pennsylvania. Both the Canton and Johnstown facilities utilize electric arc furnace for steel production.

USS/Kobe utilizes both billet continuous casting and bloom continuous casting. Bar Tech utilizes billet casting and Republic, Canton utilizes bloom casting (their new cast roll facility) and ingot casting.

Blooming/billet mills are used at USS/Kobe and Republic, Canton for rolling either blooms or ingots to the size required for feeding the bar mills.

There currently are 6 bar rolling mills: 9"/10" and 12" at USS/Kobe, the 13" at Lackawanna, New York, the 12" mill at Canton, the 18" mill at Massillon, Ohio, and the 11" mill at Chicago. There is much overlap and redundancy in the sizes which these mills roll, particularly in the 0.75" to 2.0" range. Each bar mill is currently supplied from one particular melt shop: the USS/Kobe mills by their own melt shop, the Lackawanna 13" by Johnstown, and the Republic mills by the Canton melt shop. This will change in the future as there will be much more interplant shipment of billets. Interplant shipment of billets is addressed in Section 8 of this report. Ten cold finishing plants currently exist to serve the cold finished bar market although two of these plants were closed at the beginning of July, 1999.

<TABLE>
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```
                 USS/KOBE                                BAR TECH             REPUBLIC
                 --------                                --------             --------

  NO.3 Blast Furnace    NO. 4 Blast Furnace
        |                      |
        -------------------------                          EAF             NO.4(A)   NO.4(B)   NO.4(C)
                    |--------------  Pig Iron               |                EAF       EAF       EAF
```

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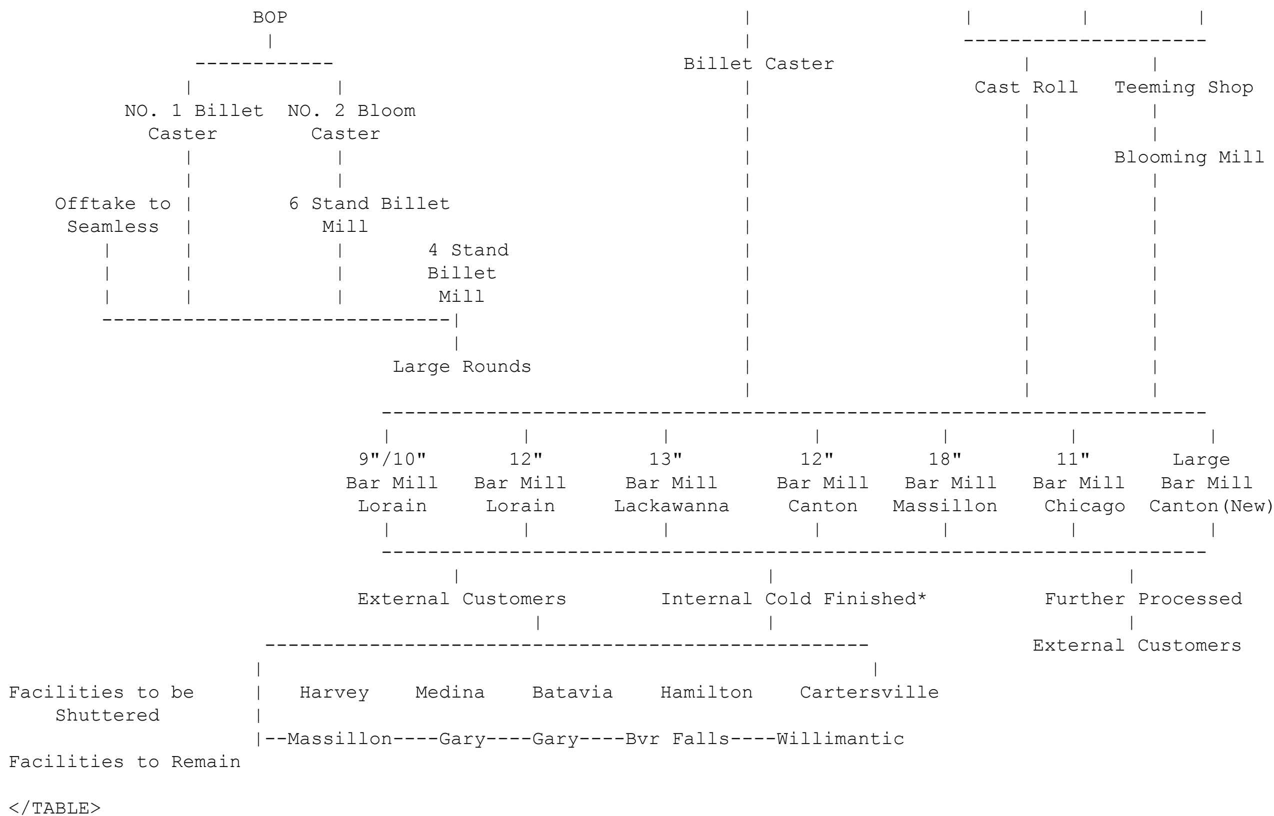

</TABLE>

Figure 3.1

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* In addition to closing the two cold finishing plants indicated, the company intends to close one additional cold finishing plant

3.2 Future

The planned future facility configuration is shown in Figure 3.2. The proposed facility configuration utilizes the best and most modern of the facilities among the companies, allowing less efficient, less productive facilities to be shut down. The size range rolled in each rolling mill will be consolidated, thereby greatly increasing the tons rolled per size and reducing the roll changing time significantly. The major facility changes are:

- USS/Kobe will shut down the smaller of its two blast furnaces and reduce production capacity through its oxygen steelmaking shop (BOP). The billet caster at USS/Kobe will also be shut, with more production earmarked for their bloom caster. USS/Kobe will also shut down a portion of their billet mill.

- In the Republic, Canton melt shop ingot pouring and rolling will be eliminated. All of the existing Republic bar mills will ultimately be shut down - 12" Canton, 11" Chicago, and 18" Massillon. A new large bar mill with a size range of 3" to 6" will be installed somewhere in Ohio.

- An existing second electric arc furnace at Johnstown will be utilized as production volume at Johnstown will be increased significantly. A sixth strand will be added to Johnstown's billet caster if needed (capital is allocated for it).

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o New bar processing facilities and Quality Verification lines will be installed.

o Two cold finishing plants have been closed and one other facility will be closed. In addition, a new processing facility will be constructed.

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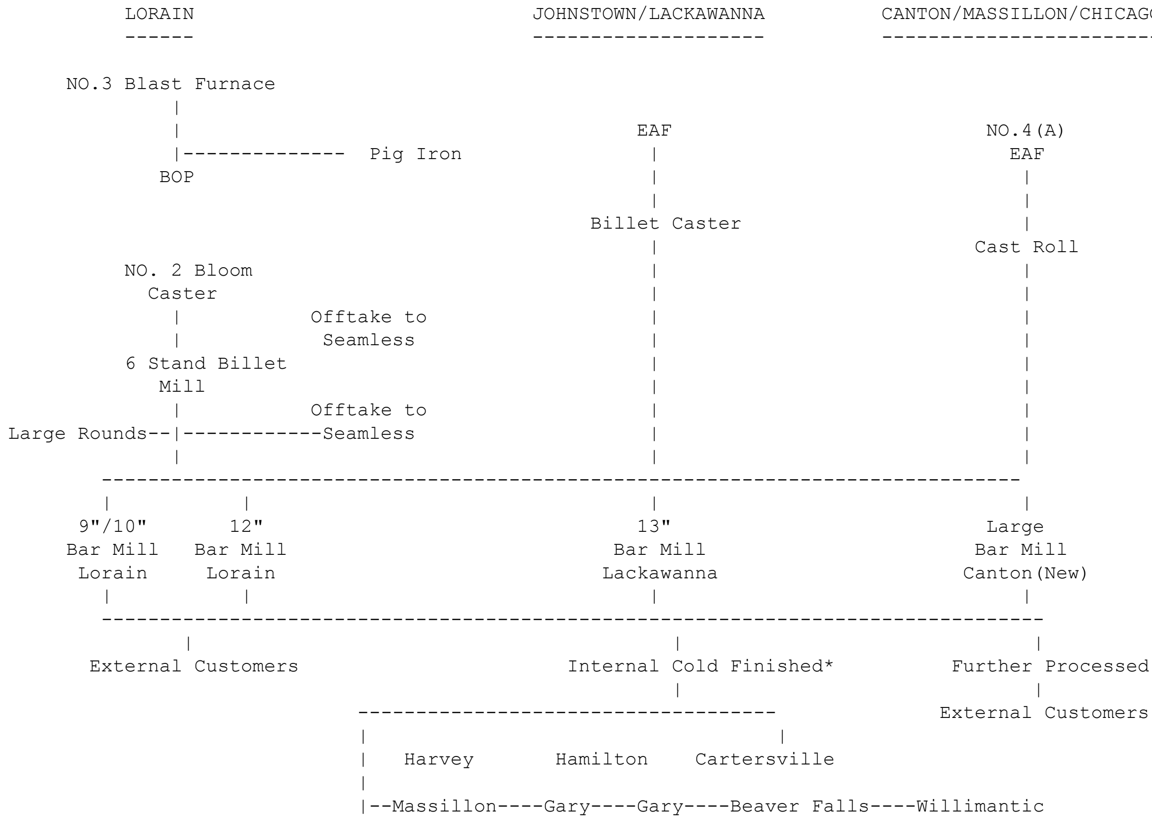

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Figure 3.2

* In addition to closing the two cold finishing plants indicated, the company intends to close one additional cold finishing plant

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4. Production Volume Summary

4.1 Melting and Casting

Increases in bloom/billet production are projected in order to meet bar production requirements. A summary of actual production (cast/roll and rolled from ingot at Canton, cast billet or bloom at Johnstown and Lorain) in 1998, and projections for 2003 is shown in Table 4.1 below.

Table 4.1

Melt Shop	1998 Production (tons x 1,000)	2003 Projection (tons x 1,000)
Canton, Ohio	991	932
Johnstown, Pennsylvania	490	964
Lorain, Ohio	1,643	1,504
Total	3,124	3,400

The largest increase in production will be at Johnstown, which already has melting capacity but is under-utilized due to weak market demand.

Sufficient steelmaking capacity will exist in the new company to achieve the projected levels. Additional reserve capacity also exists at each of the facilities as a back-up for unforeseen circumstances. We (Beddows/Hatch) have some concern whether the expectations for the bloom caster at Lorain are too optimistic despite the modifications planned for it. This will be discussed in more detail in Section 5.

4.2 Rolling

Under the Consolidation Plan, each rolling mill will roll fewer sizes with significantly more tonnage rolled on the remaining sizes. The result is that significant increases in production are projected from the rolling mills as summarized in Table 4.2.

Table 4.2

Mill	1998 Production (tons x 1,000)	2003 Projection (tons x 1,000)
Lorain 9"/10"	362	550
Lorain 12"	389	650
Canton 12"	333	0
Massillon 18"	365	0
Chicago 11"	199	0
Lackawanna 13"	466	720
New large mill	---	591
Total	2,114	2,511

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As will be discussed in more detail in the next section, it is our opinion that the production expectations for the Lorain 9"/10", Lorain 12", and the new large bar mill are overly optimistic and will fall short of annual expectations by 25,000 tons (starting in 2001), 30,000 tons (starting in 2002), and 22,600 tons (starting in 2004) respectively, for a total reduction of hot rolled bar shipments of 77,600 tons (starting in 2004) (or 3.0% of 2,567,000 tons). The financial implications of this reduction in shipments is discussed in Section 9.

5. Facilities and Facility Plans

5.1 Canton Melting and Casting

The electric furnace melt shop at Canton currently utilizes two furnaces - #7 and #9. A third furnace, #6, is currently mothballed. Ladle furnaces and vacuum degassers are present and extensively utilized for both productivity and quality purposes. Ingot pouring and rolling is currently used, but is planned for a third quarter, 1999 shut down. Continued productivity improvements through the cast-roll facility have made the termination of ingot pouring possible.

The cast-roll facility is quite new, 1998 start-up, and casts a 10" x 13" bloom which is then rolled to the various billet sizes required for the bar mills.

Assessment
Generally speaking, the technology employed is considered to be "state-of-the-art". The operation was running smoothly during the visit. There is a new EAF vessel for furnace #9 on site, of the EBT design concept, however the installation has been delayed by one year. This design is considered to be the best available technology for an efficient operation.

The scrap is of good quality and handling is relatively efficient. However, the EAF requires three (3) charges to optimize heat size. This does not present a problem, though, as there are ample scrap loading canes, six scrap bucket transfer cars, and two charging cranes to do the work. Logistics is not a problem relative to handling scrap in the melt shop.

The EAF operation utilizes a good "foamy slag' practice with a long arc and low current that is reflected in their good (low) electrode consumption numbers. The AMI regulator and hydraulic systems are well synchronized and very responsive. However, it appears that a lack of stabilizing components in the electrical system may be responsible for a higher than expected electrical power consumption (410 kWh/ton). Electrical consumption could be reduced by upgrading the electrical.

The heats are tapped excessively hot mostly because of the large alloy additions that are required. The power profiles are changed regularly to suit the changes in scrap recipes. The B.S.E. manipulator lance appears to be working well and accomplishes the intended purpose. The average power is higher than most shops at levels ranging from 70 to 78 MW.

The ladles average about 50+ heats per lining which is respectable for a large heat size shop and the downstream processes that they encounter. They are also equipped with porous plugs for argon stirring.

The cast/roll complex averages 12 to 13 heats per day with an average liquid weight of 210 tons. The caster routinely performs tundish fly's (30+ per week) which allows them to maximize the caster availability. The capacity of this machine is easily 16+ heats per day, which would generate more than 1,000,000 tons per year of bloom. The caster is readily available for production with the exception of a 1 week annual shut down and a 10 hour maintenance period every 10 days. The cast time for one heat is approximately 1-1/2 hours (140 tons per hour). With these considerations, the machine should be available to cast more than 8,100 hours per year. With a typical uptime of 90%, the tonnage will more than exceed requirements. The average number of sequences is 3.6 heats, dictated by grade-specific tonnage restrictions. Dissimilar grades are separated by the utilization of the "tundish-fly" practice.

The billet mill portion of the cast-roll is a 9-stand, continuous mill of heavy

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construction. Space has been allocated for two additional stands in the future, if desired. It is situated in-line with the casting machine and is hot-charged about 99% of the time. The 10" x 13" blooms are reduced to 8-1/4" square in the first 3 stands, 6-1/4" square through 5 stands, and 4" square after 9 stands. The billets can be sheared as the length increases dramatically from the original bloom length of 40 feet. The additional two stands could produce a 3' round for direct sale if desired in the future.

The ladle furnace in the cast/roll complex has been well designed and is complete with the required alloy and flux systems. It has sufficient power and is capable of processing a heat in about 45 minutes.

The VD (vacuum degasser) is utilized about 98% of the time and is very effective. This equipment ensures the ability to control the low gas levels required for the O.E.M. applications of the special bar quality steels that are produced.

With the technology employed, this facility will not have any trouble meeting the quality requirements and the cast/roll tonnage projection of 932,000 tons per year. The only issues revolve around the costs of production, where with minimal investment the company could achieve additional cost savings. The cost saving opportunities revolve primarily around the ability to increase in tonnage through the caster and the ability to decrease the consumable costs by longer sequences. The new plasma torch is presently being commissioned and was justified for tundish temperature control so that the crews can comfortably cast closer to liquidus temperatures, thereby gaining temperature homogeneity, strand reliability, and more consistent quality relative to cast structure.

From the tonnage perspective, the melt shop plans to utilize both #9 and #7 EAFs to ensure the plan volume requirements. It is technically possible to produce all the required production with #9 EAF only, especially in light of the available electrical and chemical energy. Given a rationalization of scrap, it is possible to reduce the electrical energy required per ton which in turn will reduce the power-on times and increase production. The facility will need to operate

around 140 tons per hour for 7,200 hours per year. To accomplish this while utilizing only one EAF, the heat cycle will have to average 90 minutes (75 minutes power-on, and 15 minutes power-off). The new EBT should facilitate this as the average EBT power-off times in the U.S. is about 15 minutes today.

5.2 Johnstown Melting and Casting

The electric furnace melt shop at Johnstown was previously owned by Bethlehem Steel Corporation's bar division and more recently by Bar Tech. The shop consists of two electric furnaces, a ladle furnace, a vacuum degasser, and a five stand billet casting machine (6-3/4" x 6-3/4" billets).

Assessment

This facility has the appearance of a shop that was designed in the early 1980's. The technology employed is adequate, but certain key areas have been upgraded for cost and quality reasons. The two operating EAFs (#10 and #20) appear to be similar in design and are operated one at a time as dictated by the tonnage demand. The shop was running well with no apparent problems. The equipment seemed to be well maintained and reliable. The EAFs were segregated from the ladle aisle by well constructed walls to contain the dust generated by the EAF during operations.

The volume of scrap was not abundant, however the quality appeared to be good given the product mix and the handling is very efficient. The top of the scrap buckets are at the same elevation as the top of the rail cars which minimizes hoisting operations and loading time; a well engineered layout. The loading capacity well exceeds the demand of the production plan for the next 4 years. The EAFs have relatively tall shells that is actually in vogue today because it allows for improved post combustion and minimum number of charges. Bar Tech's EAFs require 2 charges to optimize heat size. As long as both EAFs are not operated simultaneously, scrap supply should not be a concern. The number of transfer cars and cranes will serve the facility well to generate the volume required.

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The EAFs are fitted with "buss tube" type arms typical of a high impedance system however, they are operating at reasonable power levels averaging about 56 MW. The "outdated" cable-winch drives and modified Robicon regulator limits the ability of the EAF to increase its production rate by increased power levels under stable conditions. This restriction is mitigated by the present plan which is to operate one EAF 24 hours per day and the other one 16 hours per day.

The EAFs are fitted with an efficient water-cooled supersonic oxygen lance that is very capable of delivering the oxygen required for decarburization. The wall burners seem to be efficient and well utilized for preheat and post combustion. Like Republic, operations utilize a good "foamy slag" practice with a long arc and low current that is reflected in their good electrode consumption numbers.

The ladle practice appears to be good with no apparent weaknesses. The ladles are equipped with porous plugs for argon stirring. The lining life is now averaging about 52 heats.

The 5-strand (expandable to 6) Rokop billet caster is a 9.9 meter radius machine that is equipped with electromagnetic stirring from JME (Inverpower). This is particularly important given the qualities that are produced. The pouring practice utilizes a stopper rod and submerged entry nozzle S.E.N. for reoxidation control that minimizes internal cleanliness deterioration. Presently, the casting speeds are a little conservative at about 68 to 72" per minute. The production rate is 27 tons per hour per strand. The productivity of the caster presently stands at around 135 tons per hour, requiring about 66 minutes to cast a heat of steel. The design weaknesses of this caster historically are in the oscillators and the straighteners. These components do not appear to be robust enough for continuous use, utilizing only preventive maintenance techniques. The load on the oscillator, due to the weight of the mold assembly, the EMS coil, and the billet-to-mold friction will take its toll and frustrate the ability to perform the tundish fly practice. The consolidation plan includes the capital expenditures necessary to make changes to the caster which address these problems.

The plan to add an additional ladle furnace and the sixth strand may not be necessary from a production perspective. From a capital and operating cost perspective, it is our opinion that the required tonnage of 964,000 tons of cast billets in 2003 could be accomplished by mechanically and electrically upgrading one EAF to produce at the effective rate of 135 tons per hour in which case it would have to realistically be on line about 7,200 hours annually (90% of 8,000). The present capacity, before improvements of the existing 5-strand caster, is already 135 tons per hour which if operated 7,200 hours annually (actual uptime by using a "tundish fly" practice), the production requirement can be met. This scenario balances the production rates of the EAF and the caster so that the production becomes more steady state and consistent.

5.3 USS/Kobe Melting and Casting

USS/Kobe, Lorain is an integrated steel producer, reducing and melting iron ore through a blast furnace followed by the basic oxygen steelmaking process (BOP) for production of liquid steel. Coke for the blast furnace is supplied from other USS coke production facilities. Currently, two blast furnaces are in operation, with plans to shut down the smaller of the furnaces (#4). Two BOP vessels are utilized. Ladle furnaces are utilized for productivity and quality purposes. A billet caster and a bloom caster are currently utilized.

Assessment
The #3 blast furnace, which will continue to operate, has a furnace volume of 50,945 cubic feet. The projected future requirement of 3,978 tons per day can be achieved provided the charge (or burden) to the furnace utilizes more scrap than current practice. This should present no problem other than a slight increase in operating cost ($.28 per ton of hot metal or $400,000 per year).

The blast furnace was last relined in 1992 and is scheduled for its next major reline in 2005. A mini reline is planned and budgeted for year 2000.

The #4 blast furnace, which will be shut down, will remain in operable condition and could be used in emergency situations.

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The casting of pigs for merchant sale or for use at the RTI electric furnaces is possible if excess blast furnace metal is available. Plans call for pig casting of 12,500 tons per year, but ending in 2004 due to lack of availability of hot metal.

The BOP Shop is a standard, two vessel shop, tapping 220 tons of liquid steel per heat. In the past, liquid steel production far exceeded the future plan levels of RTI (1,676,000 liquid tons per year). The plans are to operate only one vessel which will require 21.1 heats per day. The second vessel will be available if needed to augment production from the one vessel. No problems are foreseen in the capacity to produce the liquid steel required.

Ladle furnaces are utilized in the process.

As indicated, the existing billet caster will be shut down.

The bloom caster currently utilizes a "tundish fly" practice successfully. Production through the machine will increase from a historical high of 104,000 tons per month to a planned 125,000 tons per month in 2003. Although the bloom caster has historically been under-utilized, changes are planned in order to increase its capability. Some changes to the bloom runout system have already been made and have reduced delays on the machine.

The capital plan has recently been modified to include $7 million for further changes to the bloom caster ($5 million in 2003 and $2 million in 2004). The change will involve increasing the cast bloom size to 12.9" x 17.5" (from 12.2" to 14.6"). Nonetheless, it is our opinion that the caster will be hard pressed to achieve its requirements of 125,000 tons per month in 2003. We have stated elsewhere in this report that the Lorain bar mills and the new large mill may not meet their expected production levels. We feel that any bloom caster shortfall in production will not exceed the shortfall of the bar mills, therefore no additional reduction in revenues should be associated with the shortfall of the bloom caster.

5.4 Bar Rolling

5.4.1 9"/10" Mill, Lorain, Ohio

This is an 18 stand, 2-high mill, arranged in horizontal-vertical configuration, with a single strand rod outlet. The bar and rod products can be finished in coil form, in the size range of 7/32" to 1-1/16"; large diameter bars in pouring reels and small diameter rods through the rod outlet. The rod outlet is new and equipped with the latest technology, and consists of a 10 stand No-Twist Mill followed by a 4 stand Reducing and Sizing Mill and 300' long Stelmor Conveyor. This provides the flexibility to produce small diameter coils. The 130 ton per hour reheat furnace is a walking beam type and is suitable for uniform heating to produce quality product. The overall mill layout and the equipment

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configuration are very flexible to achieve high mill availability. A brief comparison of key present and projected production parameters is as follows:

	1998 Actual	Future (2003)
Annual production (000's)	362	550
Product range	7/32" - 1-1/16"	7/32" - 3/4"
Scheduled hours	7,920	8,100
Operating hours	4,340	5,670
Delays	45.2%	30%
Tons per size	229	1,000
Yield	91.8%	94.5%
Prime tons per operating hour	83.4	97.0

The proposed improvements in mill yield, a reduction of delays, an increase in tons per size and limiting the product range are feasible and will enhance the production capability of this mill. These improvements are based on changing to a four week rolling schedule from two week rolling schedule, electrical upgrades to the mill controls before the rod outlet, implementation of one common size for 12 stands and use of carbide rolls. Furthermore, it is proposed that the billet size will be increased from 6" x 6" to 6-1/4" x 6-1/4" which will further improve mill utilization and production.

The proposed rate of production of 97.0 prime tons per hour, with a gap time of 5 seconds and over 50 sizes to be rolled in each rolling cycle, may be optimistic and should be maintained at a lower level for planning purposes. Therefore, the projected production of 550,000 tons per year may be slightly optimistic, perhaps by 5%, reducing production by 25,000 tons per year.

The 9"/10" mill can be compared favorably to modern rolling mills. The maximum tonnage of 525,000 tons per year which we anticipate, is within the range of capability of this mill and of other mills of this design.

5.4.2 12" Mill, Lorain, Ohio

The 16 stand, 2-high mill is arranged in horizontal-vertical configuration, with finishing outlets through pouring reels for coiled products and through a 420' long cooling bed for cut-to-length products. A 150 tons per hour, pusher type, reheat furnace is provided for heating billets. The collection, tying, and bundling arrangement for cut to length products is manual. The mill electrical control system is old. A brief comparison of present and projected production parameters is as follows:

	1998 Actual	Future (2003)
Annual production (000's)	389	650
Product range	13/16" - 3-1/16"	13/16" - 2"
Scheduled hours	5,712	7,900
Operating hours	2,909	5,135
Delays	49.3%	35.0%
Tons per size	273	1,000
Yield	91.5%	92.9%

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Prime tons per operating hour	133.8	126.6

The proposed improvements in mill yield and reduction of delays are achievable. Furthermore, reduction in product range and number of sizes to be rolled will also improve mill productivity. The upgrades to the mill controls, new reheat furnace, mechanical upgrades to the mill and the bundling equipment are essential to achieve the desired improvements and mill productivity. Tonnage projections appear slightly optimistic; we believe 620,000 tons per year is a more realistic figure and in line with other mills in Japan and North America.

5.4.3 13" Bar Mill, Lackawanna, New York

The mill consists of 22 stands arranged in horizontal-vertical configuration with outlets for coiled products through pouring reels and cut to length products through a 400' long cooling bed. A walking beam type, 180 tons per hour, reheat furnace is provided for heating billets. At present, the billet size rolled in this mill is 6-3/4" x 6 -3/4". At one time (early 1980's) this was the most modern bar mill in North America. With the proposed modernization program and recent upgrades to the electrical control system this mill can still be viewed as a modern mill. The installation of 1 - QVL (quality verification line) is in progress and the second line will be installed by next year. A brief comparison of present and projected production parameters is as follows:

	1998 Actual	Future (2003)
Annual production (000's)	466	720
Product range	9/16" - 3-1/4"	1" - 3"
Scheduled hours	6,681	7,900
Operating hours	3,561	5,310
Delays	46.7%	32.8%
Tons per size	687	1,200
Yield	90.0%	91.0%
Prime tons per operating hour	130.8	135.6

Deletion of smaller sizes from the rolling program and restricting the product mix from 1" - 3" will provide improved production capability. Proposed yield improvement is achievable and perhaps can be further improved. Reduction of delays and improvements to the production rate are slightly optimistic. Due to limited pass life, perhaps in the range of 650 - 800 tons per pass, the gain in operating time due to increased tons per size may not be achievable. In summary, the production target of 720,000 tons per annum is slightly optimistic, but achievable for a suitable product mix. The proposed mill modifications to reduce delays and minimize rejections are essential to achieve the improvements in productivity. Additional hours (perhaps 200 per year) could be scheduled if necessary to achieve the projected tonnage.

This mill is competitive and comparable productivity-wise to the best mills in the world.

5.4.4 New Large Bar Mill

The new large bar mill will essentially replace the Massillon 18"mill. The product mix of the Canton and Chicago mills will be redistributed to the Lorain and Lackawanna Mills. This will complete the plan to provide modern, efficient bar and rod rolling capabilities from 7/32" to 6" size range. The projected key production parameters are as follows:

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[LOGO]

	Future (2003)
Annual production (000's)	591
Product range	3" - 6"
Scheduled hours	7,900
Operating hours	6,715
Delays	15%
Tons per size	1,500
Yield	92.4%
Prime tons per operating hour	88.0

The plan calls for the mill to operate at capacity in 2004 at a level of 646,625 tons at a rate of 963 tons per hour.

Since the detailed product mix and mill technical details were not available, the comments are based on experience of similar mills. First of all, the proposed learning curve of 15 months to reach full production level is aggressive; even with good automation, quick pass change and stand change system, and the well trained workforce, it may take 18 to 24 months to reach capacity. The expected yield of 92.4% and delays at 15% are aggressive assumptions; 90% yield and 20% delays may be more realistic assumptions. The net result is likely a decrease in capacity to approximately 624,000 tons per annum, 22,600 less than projected.

The impact of the longer start-up time which we are estimating can be mitigated by operating the 18" mill for a slightly longer period of time. This will impact operating costs but not projected bar shipments. The financial impact of a longer start-up time is elaborated in Sections 6 and 9 of this report.

5.4.5 Primary Rolling Mill, Lorain, Ohio

The Primary Rolling Mill consists of 2-high, 40" breakdown mill, followed by an inline scarfer, and 2-high, 6 stand continuous mill to roll billets and round products. The reheat furnace is rated at 190 tons per hour for hot charged blooms, size 12.2" x 14.5". The additional 4 stands after the 6 stands will be removed. The key present and projected production parameters are as follows:

	1998 Actual	Future (2003)
Annual production (000's)	720	1,166
Product range		
Billets	6" x 6"	6" x 6", 6-1/4" x 6-1/4"
Rounds	7", 6-3/4"	7", 6-3/4"
Scheduled hours	5,889	7,128
Operating hours	4,278	5,779
Delays	27.4%	18.9%
Yield	90.9%	90.8%
Tons per operating hour	168.3	201.8

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The plan calls for the mill to operate at a production level of 1,220,000 tons in 2004.

This mill rolls cast blooms down to sizes which fit the requirements of the bar mills and seamless mills of USS/Kobe. Several changes are contemplated to improve productivity and reliability. The proposed improvements include new saws, mechanical upgrades to the breakdown mill, and electrical automation. It appears that in the 2000 when changes to the mill are in progress, a significant increase in production volume from this mill is projected. Since this mill is essential in the rolling and billet supply chain, a detailed analysis of its capability and required changes is warranted. Furthermore, this mill will receive larger cast blooms (12.9"x 17"), to improve caster and mill productivity. To accommodate bigger blooms the reheat furnace would likely need upgrading (capital expenditure of $1- $3 million) which is not included in the capital plan. It may be optimistic to achieve the projected tonnage through the mill, however, alternative supply of billets may be possible.

5.5 Cold Finishing

There currently are eight cold finishing plants in operation. In 1998 shipments totaled 485,000 tons and are expected to reach 515,000 tons in 1999. The plan for year 2003 is 540,000 tons of shipments. During that time frame, plans are to shut down one additional plant and to construct a processing center. In addition, some equipment will be transferred from the shut down plants to the remaining facilities. Other existing equipment in the remaining plants will be replaced or upgraded. Forty-four (44) million dollars will be spent on the cold finishing facilities over the next 4-1/2 years.

6. Timing/Ramp Up

As indicated in Section 4, bloom/billet production increases from 3,124,000 tons in 1998 to a projected 3,400,000 tons in 2003, stabilizing at a projected 3,468,000 tons in 2004. Hot rolled bar production rises from 2,114,000 tons (1998) to a projected 2,511,000 tons in 2003, stabilizing at a projected 2,567,000 tons in 2004. The increases in production are gradual throughout the plan and are consistent with the timing of capital spending.

The detailed production plan for the bar mills is consistent with the consolidation plan where certain mills are shut down and others have increased throughout due to the consolidation of sizes or capital improvement. The Lorain mills and the Lackawanna 13" mill increase production as the Chicago 11" mill and Canton 12" mill are shut down by the end of year 2000.

The new large bar mill replaces tonnage from the Massillon 18" mill. In our opinion, the planned production for the new bar mill ramp up, 15 months to reach capacity, is overly aggressive for a bar mill. An 18 to 24 month ramp up is more in-line with industry performance. A ramp up time longer than 15 months can be mitigated by prolonging the operation of the 18" mill during this period. Our estimate of the additional costs associated with the longer start-up is approximately $1.85 million per month (the fixed costs of the 18" mill) or $5.5 million (18 month start-up), to $16.5 million (24 month start-up).

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7. Capital Spending

The major capital projects for the time period - second half 1999 through 2003 - are shown in Table 7-1.

Table 7-1
Major Capital Projects

Project(s)	$ Millions	
RTI Melting and Casting	26.7	
Lorain #3 Blast Furnace Repair	5.0	
Lorain Bloom Caster Upgrade	5.0	
Lorain Environmental	9.0	
Lorain Blooming/Billet Upgrade	3.5	
Lorain Billet Yard Improvements	5.0	
Subtotal - Melting, Casting, Billet Production		54.2
New Large Bar Mill	89.5	
Lorain 10" Mill Upgrade	3.4	
Lorain 12" Mill Upgrade including Reheat Furnace	25.0	
Lorain Processing Center (New)	15.0	
Lackawanna Quality Verification Line (QVL)	7.0	
Lackawanna 13" Upgrades	9.6	
QVL and Shipping Center for New Bar Mill	13.6	
Subtotal - Bar Rolling		163.1
Cold Finishing	38.8	
New Processing Center	19.0	
Management Information System (MIS)	6.0	
RTI Maintenance	19.0	
USS/Kobe Maintenance	21.3	
Subtotal - Other		104.1
TOTAL	321.4	

The plan enhances the production capabilities of the most modern facilities (Lorain bar mills, Lorain bloom caster, Lackawanna bar mill, and Canton melting and casting) allowing the least modern facilities to be shut down. In addition to increasing production capability, the capital plan also contributes to reducing manning levels, improving quality and quality control and reducing operating costs.

Independent Engineer's Report

The budget estimates for many of the individual projects have been previously

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reviewed by Hatch and are reasonable. The budget for projects which had not been previously reviewed are, in general, reasonable for planning purposes. One minor exception is that upgrades to the Lorain blooming/billet mill reheat furnace are likely to be required to allow the increased production level through that facility. Definition of the upgrade requirements for the reheat furnace has not been completed. It is uncertain whether the capital budget is sufficient to accommodate the upgrade, however the cost is likely to be relatively minor (less than $3 million).

The planned spending of $321 million over this 4-1/2 year time period is consistent with that of integrated and other value added steel producers.

The plan obviates the need for RTI to construct a new small bar mill, saving capital and the costs associated with starting up a new facility and is less than the companies would logically spend as stand-alone operations.

8. Interplant Supply and Shipping

One of the key components of the plan is the optimization of scheduling and production in the melt shops, casting, and rolling mills. The Lorain bar mills and the Lackawanna bar mill will all be capable of accepting the same billet size (6-1/4" or 6-1/2" are likely). This will aid steel production greatly and will allow longer sequence lengths on the casters. The consolidation of sizes among the bar mills will aid their productivity by reducing roll change time.

The down side of these synergies is that interplant shipment of billets will increase drastically from 1.06 million tons in 1999 (37% of production) to 2.03 million tons in 2003 (60% of production).

The interplant shipment costs in the plan are reasonable and remain constant per ton throughout the plan period. It may be possible to reduce unit transportation costs (cost per ton of billet) in the future due to the increase in volume shipped. However, reductions have not been incorporated into the plan at this time.

9. Operating Costs and Cash Flow Implications

9.1 Operating Costs

Reductions in operating cost, particularly conversion costs, are planned for each of the facilities. The cost reductions are due to:

- Capital spending

- Manpower reduction

- Operating practice improvements

- Reduction in unit consumptions associated with efficiencies gained through increased production volumes

- Reduction of fixed costs per ton due to increased production volumes

A summary of the fully loaded costs (including materials, freight, and conversion) at the major process steps comparing second quarter 1999 to year 2003 is shown in Table 9-1.

Table 9.1
Operating Cost Comparison

	Q2, 1999 ($ per ton)	2003 ($ per ton)
Johnstown billet (direct cast)	244	230

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Canton billet (through cast-roll)	306	298
Lorain billet (rolled from cast bloom)	356	287
Hot rolled bar - Lorain 9"/10" mill	461	341
Hot rolled bar - Lorain 12" mill	468	360
Hot rolled bar - Lackawanna 13" mill	370	353
Hot rolled bar - new bar mill	---	368

</TABLE>

The higher cost of billets from Canton and Lorain compared to Johnstown reflect the cost associated with rolling of billets from cast blooms (Canton and Lorain) compared to direct casting of billets (Johnstown). The hot rolled bar costs consider the weighted average cost of billets from the planned sources (Canton, Johnstown, Lorain) and include the transportation costs of the billets to the mill.

The plan includes a $10 per gross ton increase in purchased scrap between second quarter 1999 and year 2001. This increase could be understated however, further increases in scrap prices could be offset by scrap surcharges built into bar selling prices, negating the effect of higher scrap prices. The changes in conversion cost included in the plan, although significant in several processing units, are generally reasonable. In our opinion, some reductions in conversion cost are overestimated, primarily "Support and Services" and "Non-Labor Repair and Maintenance". Conversely, we feel that reductions in conversion costs for "Consumables/Supplies" and "Fuel/Utilities" are understated in some areas.

Additionally, other adjustments to operating costs which we feel are appropriate are explained below.

o For blast furnace output to achieve the necessary 3,900 tons per day, scrap charge per ton of hot metal must increase above planned numbers (minimal impact of $0.28 per ton of hot metal or $0.4MM per year).

o $4.7MM annual manpower savings is explicitly shown in the plan associated with contracting out 88 positions at Lorain. However, the additional costs associated with contracting out have not been included. This could reduce the savings to approximately $1.3MM annually or $3.4MM less savings than expected.

o If the new large bar mill only achieves 90.0% yield instead of the expected 92.4%, the additional cost would be approximately $4.80 per ton or $3.1 million per year.

These adjustments (conversion costs and others) to operating cost total $11.3 million per year, and are itemized in Table 9-2.

Table 9-2
Operating Cost Adjustments
<TABLE>
<CAPTION>

Area	Savings Overstated ($ million per year)	Savings Understated ($ million per year)	Net Operating Cost Adjustment ($ million per year)
<S>	<C>	<C>	<C>
Lorain billet mill - Conversion Cost	5.3	3.1	+ 2.2
Lorain bar mill - Conversion Cost	1.2	2.4	- 1.2

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Johnstown billet - Conversion Cost	3.6	1.9	+ 1.7
Lackawanna bar mill - Conversion Cost	1.7	---	+ 1.7
Lorain blast furnace - Additional scrap required	0.4	---	+ 0.4
Lorain manpower - Contracting out costs not explicitly stated	3.4	---	+ 3.4
New large bar mill - Yield	3.1	---	+ 3.1
Total			+ 11.3

</TABLE>

Other factors could reduce operating cost. However, we have not considered them due to their subjectiveness and difficulty to quantify. These factors include:

- o Reduction in repair and maintenance expense that may result from increased effectiveness of predictive maintenance activities.

- o The plan incorporates input cost savings derived through increased purchasing power, while our more conservative analysis only considers improvements in unit consumptions.

- o The plan is conservative in its transportation cost estimates by assuming no efficiency savings in future years.

9.2 Impact of Volume Reductions on Cash Flow

As indicated earlier in our report, we feel that the eventual production volumes expected from the Lorain 9"/10" mill, Lorain 12" mill, and new large bar mill are slightly overstated. Using weighted average costs and prices from the plan for these mills, we estimate an annual reduction of EBITDA of $11.6 million as a result of the reduced volume of bar shipments as summarized in Table 9-3. EBITDA as used herein has the same meaning as that referred to in the Offering Memorandum.

Table 9-3
Summary of Bar Mill Volume Adjustments
<TABLE>
<CAPTION>

Mill	Projected Tons (per year)	Starting in Year	Beddows/ Hatch Opinion	Difference (tons per year)	Annual EBITDA Reduction
<S>	<C>	<C>	<C>	<C>	<C>
Lorain 9"/10"	550,000	2001	525,000	25,000	3.7
Lorain 12"	650,000	2002	620,000	30,000	4.5
New large bar mill	646,600	2004	624,000	22,600	3.4
Total	1,846,600		1,769,000	77,600	11.6

</TABLE>

9.3 New Large Bar Mill Ramp Up

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As previously indicated, we feel that the new large bar mill will require 18 to 24 months to reach capacity rather than 15 months as stated in the plan. The planned production volumes for 2003 and 2004 can be maintained by operating the 18" mill for a longer period of time prior to shutting it down. At an approximate monthly fixed cost of $1.85 million for the 18" mill (Republic values), the added costs would be $5.5 million for an 18 month start-up or $16.5 million for a 24 month start-up. This reduction would occur only over years 2003 - 2004.

9.4 Cash Flow Implication Summary

In summary, we expect EBITDA to be decreased by $19.5 million and $22.9 million in 2003 and 2004 respectively, as shown in Table 9-4.

Table 9.4
Summary of Recurring EBITDA Reductions

Reason	Year 2003 EBITDA Reduction ($ million)	Year 2004 EBITDA Reduction ($ million)
Operating costs	11.3	11.3
Production volume	8.2	11.6
Total	19.5	22.9

Additionally, we expect an EBITDA reduction of between $5.5 million and $16.5 million occurring only over the 2003 - 2004 time period due to a longer ramp-up period required for the new large bar mill.

The EBITDA reductions shown here are based on our judgement of the technical and operational aspects of the business plan. Certainly, new decreased production levels due to a downturn in RTI steel markets could have significant impact on revenues and operating costs. Such market related sensitivities were outside of our scope of work.

Beddows & Company
Hatch Management and Technology Consulting

/s/ Gerald A. Karelus

By: Gerald A. Karelus
Director

GAK:ml

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