UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF PENNSYLVANIA

CENTRAL LABORERS' PENSION FUND, Derivatively on Behalf of UNITED STATES STEEL CORPORATION, Plaintiff, vs. DAVID B. BURRITT, DAVID S. SUTHERLAND, PATRICIA DIAZ DENNIS, DAN O. DINGES, JOHN G. DROSDICK, JOHN J. ENGEL, MURRY S. GERBER, STEPHEN J. GIRSKY, PAUL A. MASCARENAS, GLENDA G. McNEAL, ROBERT J. STEVENS, PATRICIA A. TRACEY and MARIO LONGHI, Defendants, – and – UNITED STATES STEEL CORPORATION, a Delaware corporation, Nominal Defendant.	)	Civ. Action No. VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR VIOLATION OF FEDERAL SECURITIES LAW, BREACH OF FIDUCIARY DUTY AND UNJUST ENRICHMENT DEMAND FOR JURY TRIAL

OVERVIEW OF THE ACTION

1. This is a shareholder derivative action on behalf of nominal defendant United States Steel Corporation ("U.S. Steel" or the "Company") against members of its Board of Directors (the "Board") and current and former Chief Executive Officers ("CEOs") (collectively, "defendants") for violation of federal securities law, breach of fiduciary duty and unjust enrichment.

2. Founded in 1901 and headquartered in Pittsburgh, Pennsylvania, U.S. Steel is an integrated steel producer with major production operations in the United States and Central Europe. The Company manufactures a wide range of value-added steel sheet and tubular products for the automotive, appliance, container, industrial machinery, construction, and oil and gas industries.

3. U.S. Steel's Flat-Rolled Products ("Flat-Rolled") segment is its largest, accounting for over 70% of the Company's net sales in 2016. However, unfavorable market conditions, including dramatically lower oil prices, lower steel prices, a stronger U.S. dollar, global overcapacity, and an increase in foreign imports flooding the market, presented challenges to this segment in recent years.

4. To address these challenges, in 2013 defendants caused U.S. Steel to embark on a strategic initiative it coined the "Carnegie Way," after the Company's co-founder Andrew Carnegie. The stated goal of the Carnegie Way was to "add value, respond to customer needs, get leaner faster, right-size our operations and improve our performance across our core business process capabilities."

5. Towards that end, in late 2016 and early 2017, defendants repeatedly assured investors that, as part of the Carnegie Way, U.S. Steel's focus was on long-term stockholder value creation through two phases: "(1) earn the right to grow, and (2) drive and sustain profitable growth." Based on the Carnegie Way philosophy, defendants caused U.S. Steel to launch "a series

of initiatives" they claimed would "add value, re-shape the Company, and improve [its] performance across [its] core business processes, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support."

6. And according to defendants, the Carnegie Way initiatives were a major success. In U.S. Steel's 2016 Annual Report on Form 10-K that defendants caused U.S. Steel to file with the U.S. Securities and Exchange Commission ("SEC") on February 28, 2017, the Company reported $745 million in benefits associated with the Carnegie Way, despite a net loss of $440 million for the year, which purportedly reflected "significant progress toward . . . economic profit." In the Form 10-K, defendants further emphasized that "[t]he Carnegie Way has already driven a shift in the Company that has enabled us to withstand the prolonged downturn in steel prices while positioning us for success in a market recovery."

7. However, the Company's reported focus on growth and right-size operations under the umbrella of the Carnegie Way was a façade. In reality, U.S. Steel's promising financial results were the result of defendants causing U.S. Steel to engage in ill-advised cost-cutting and underspending on capital assets that pushed off necessary repairs and upgrades. This not only disguised the Company's true financial and operational condition, but jeopardized its ability to capitalize on an improving steel market.

8. The steel market recovered in the first fiscal quarter of 2017, with the average price of U.S. hot-rolled steel coil rising by more than 50% over the previous year, assisted by favorable U.S. trade cases against foreign imports. With hot-rolled steel coil making up 28% of all products sold in the Company's Flat-Rolled segment, U.S. Steel should have translated this price increase into a favorable turnaround in profitability from the domestic sales of its hot-rolled product.

9. Instead of being poised to take advantage of the pricing turnaround, however, on April 25, 2017 defendants caused U.S. Steel to report poor financial results, including a significant

decline in the Company's Flat-Rolled segment. During an earnings conference call with investors and analysts the following day, defendant Mario Longhi, U.S. Steel's then-CEO, and defendant David B. Burritt, U.S. Steel's then-Chief Financial Officer ("CFO"), revealed that the Company would need to invest in asset revitalization, exceeding $300 million for 2017 and more than $1 billion over the next several years.

10. Not surprisingly, the response to this news was swift and severe. On April 26, 2017, U.S. Steel's stock plunged more than 26%, or $8.33 per share, instantly wiping out more than $1.4 billion in once valuable shareholder equity. Worse yet, the Company has been named as a primary defendant in a costly and expensive-to-defend consolidated class action lawsuit brought by U.S. Steel shareholders for alleged violations of the federal securities laws.

11. Although U.S. Steel has been severely injured, defendants have not fared nearly so badly. In 2016, defendants collectively pocketed more than $17 million in compensation not justified by U.S. Steel's performance while under their stewardship. These payments unjustly enriched defendants at the Company's expense.

12. Nevertheless, the Board has not, and will not, commence suit against defendants for violation of federal securities law, breach of fiduciary duty and/or unjust enrichment, let alone vigorously prosecute such claims. Accordingly, by this action, plaintiff seeks to vindicate U.S. Steel's rights against its wayward fiduciaries.

JURISDICTION AND VENUE

13. Pursuant to 28 U.S.C. §1331 and §27 of the Securities Exchange Act of 1934 (the "Exchange Act"), this Court has jurisdiction over the claims asserted herein for violations of §14(a) of the Exchange Act and SEC Rule 14a-9 promulgated thereunder. This Court also has supplemental jurisdiction over the state law claims asserted herein pursuant to 28 U.S.C. §1367.

14. This Court has jurisdiction over each defendant because each defendant is either a corporation that conducts business in and maintains operations in this District, or is an individual who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the district courts permissible under traditional notions of fair play and substantial justice.

15. Venue is proper in this Court under 28 U.S.C. §1391(b) because: (i) U.S. Steel maintains its principal place of business in this District; (ii) one or more of the defendants either resides in or maintains executive offices in this District; (iii) a substantial portion of the transactions and wrongs complained of herein, including defendants' primary participation in the wrongful acts detailed herein and aiding and abetting and conspiracy in violation of fiduciary duties owed to U.S. Steel, occurred in this District; and (iv) defendants have received substantial compensation in this District by doing business here and engaging in numerous activities that had an effect in this District.

PARTIES

16. Plaintiff Central Laborers' Pension Fund is a U.S. Steel shareholder and has continuously held U.S. Steel stock since at least 2003.

17. Nominal defendant U.S. Steel is a Delaware corporation headquartered at 600 Grant Street, Pittsburgh, Pennsylvania 15219.

18. Defendant David B. Burritt ("Burritt") has served as CEO and as a director of U.S. Steel since May 2017. Burritt has also served as U.S. Steel's President since February 2017. Burritt previously served as CFO from September 2013 to May 2017. In 2016, Burritt received $4,075,589 in salary, bonuses and other incentive compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

19. Defendant David S. Sutherland ("Sutherland") has served as a director of U.S. Steel since July 2008. Sutherland has also served as Chairman of the Board since January 2014.

Sutherland is also a member of the Board's Audit Committee. In 2016, Sutherland received $250,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

20. Defendant Patricia Diaz Dennis ("Dennis") has served as a director of U.S. Steel since January 2015. In 2016, Dennis received $200,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under her stewardship.

21. Defendant Dan O. Dinges ("Dinges") has served as a director of U.S. Steel since April 2010. Dinges is also a member of the Board's Audit Committee. In 2016, Dinges received $200,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

22. Defendant John G. Drosdick ("Drosdick") has served as a director of U.S. Steel since March 2003. In 2016, Drosdick received $220,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

23. Defendant John J. Engel ("Engel") has served as a director of U.S. Steel since April 2011. Engel is also Chairman of the Board's Audit Committee. In 2016, Engel received $220,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

24. Defendant Murry S. Gerber ("Gerber") has served as a director of U.S. Steel since July 2012. Gerber is also a member of the Board's Audit Committee. In 2016, Gerber received $200,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

25. Defendant Stephen J. Girsky ("Girsky") has served as a director of U.S. Steel since April 2016. Girsky is also a member of the Board's Audit Committee. In 2016, Girsky received

$164,473 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

26. Defendant Paul A. Mascarenas ("Mascarenas") has served as a director of U.S. Steel since March 2016. In 2016, Mascarenas received $185,806 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

27. Defendant Glenda G. McNeal ("McNeal") has served as a director of U.S. Steel since April 2007. McNeal is also a member of the Board's Audit Committee. In 2016, McNeal received $200,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under her stewardship.

28. Defendant Robert J. Stevens ("Stevens") has served as a director of U.S. Steel since January 2015. In 2016, Stevens received $200,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

29. Defendant Patricia A. Tracey ("Tracey") has served as a director of U.S. Steel since April 2007. In 2016, Tracey received $220,000 in directors' fees and other compensation from U.S. Steel not justified by the Company's performance while under her stewardship.

30. Defendant Mario Longhi ("Longhi") served as CEO of U.S. Steel from September 2013 to May 2017 and as a director from September 2013 to June 2017. Longhi also served as U.S. Steel's President from June 2013 to February 2017. In 2016, Longhi received $10,923,351 in salary, bonuses and other incentive compensation from U.S. Steel not justified by the Company's performance while under his stewardship.

31. Defendants, and each of them, received U.S. Steel's earning reports before or shortly after their issuance. Nevertheless, defendants each failed to prevent their issuance or correct their false and misleading content, thereby breaching their fiduciary duties owed to U.S.

Steel and its shareholders. Moreover, defendants, and each of them, because of their positions and access to material non-public information, knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations that were being made were therefore materially false and misleading.

THE FIDUCIARY DUTIES OF U.S. STEEL'S OFFICERS AND DIRECTORS

32. Each officer and director of U.S. Steel owed the Company and its shareholders the duty to exercise a high degree of care, loyalty, and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of U.S. Steel's directors and officers complained of herein involves fraudulent misconduct – a knowing, intentional and culpable violation of their obligations as directors of U.S. Steel and the absence of good faith on their part concerning their duties to the Company and its shareholders. The misconduct of U.S. Steel's officers has been ratified by U.S. Steel's Board, which has failed to take any legal action on behalf of the Company against them.

33. By reason of their positions as officers, directors and/or fiduciaries of U.S. Steel and because of their ability to control the business and corporate affairs of the Company, defendants owed U.S. Steel and its shareholders fiduciary obligations of candor, trust, loyalty and care, and were required to use their ability to control and manage the Company in a fair, just, honest, and equitable manner and to act in furtherance of the best interests of U.S. Steel and its shareholders, so as to benefit all shareholders equally and not in furtherance of their personal interests or benefit. In addition, as officers and/or directors of a publicly held company, defendants had a duty to promptly disseminate accurate and truthful information with respect to the Company's operations, projections and forecasts: (i) so as to fulfill their duty of candor and honesty to U.S. Steel's existing shareholders; and (ii) so that the market price of U.S. Steel's stock would be based on truthful and accurate information.

34. Defendants, because of their positions of control and authority as directors and/or officers of U.S. Steel, were able to and did, directly and indirectly, control the wrongful acts complained of herein. Because of their executive and directorial positions with U.S. Steel, each defendant had access to adverse non-public information about the financial condition, operations, and future business prospects of U.S. Steel and was required to disclose it promptly and accurately to U.S. Steel's shareholders and the financial markets but did not do so.

35. U.S. Steel's Corporate Governance Principles set forth additional responsibilities for the Company's directors, including:

> The business and affairs of the Corporation are managed by or under the direction of the Board for the benefit of the stockholders in accordance with Delaware law. The directors are expected to fulfill their fiduciary duties under Delaware law. Except for matters requiring stockholder action, the Board is the ultimate decision-making body of the Corporation. One of the Board's most important responsibilities is to select the Corporation's Chief Executive Officer. Directors are expected to attend all Board meetings and annual meetings of stockholders and to review in advance the meeting materials sent to them. They should actively participate in Board and committee meetings and require full, accurate and honest answers to questions. They should act with integrity and demonstrate a commitment to the Corporation and its strategies, and to building stockholder value.
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> The Corporation has a code of ethical business conduct that complies with applicable law and New York Stock Exchange listing standards. It applies to directors, employees and officers, including senior financial officers, and is distributed to all directors and employees. It promotes honest and ethical conduct, full, accurate and timely disclosure, and compliance with law. It also addresses conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, rules and regulations (including insider trading laws), stock exchange listing standards, and the reporting of any illegal or unethical behavior. It includes not only standards governing honest and ethical conduct, but also standards governing full, fair and understandable disclosure in periodic reports.

36. The Company's Code of Ethical Business Conduct further details the responsibilities of U.S. Steel's directors and officers, including:

> We must perform our job responsibilities ethically, lawfully, and with unwavering integrity. We must always conduct ourselves in a manner that reflects

> positively on U.S. Steel and refrain from behavior that would harm the company's reputation or commercial position. We must always act in the best interests of the company when performing our duties and devote our efforts at work to achieving the company's business goals. Behavior that is motivated by, or even creates the perception that our decisions and actions are motivated by, personal relationships or personal gain violates our standards of conduct.
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> U. S. Steel is required by law to disclose accurate and complete information regarding its financial condition and results of operations. We are also required to maintain adequate processes and procedures controlling the effectiveness of accounting and financial reporting activities. We must maintain accurate books and records reflecting the business transactions and activities of the company and perform our responsibilities in compliance with the company's internal controls. Inaccurate, incomplete, or untimely recordkeeping and reporting may violate the law and result in liability to the company and individual employees. Employees, especially those involved in accounting or financial reporting activities, must understand and comply with all applicable accounting standards, laws, and regulations, including, but not limited to, U.S. Generally Accepted Accounting Principles, U.S. securities laws and regulations, and the Sarbanes-Oxley Act of 2002 (SOX).

37. The Charter of the Audit Committee of the U.S. Steel Board confirms the obligation of each defendant serving on the Company's Audit Committee to honestly and truthfully prepare and present the Company's financial results and statements. Specifically, to discharge their duties, defendants Dinges, Engel, Gerber, Girsky, McNeal and Sutherland, as current or former members of U.S. Steel's Audit Committee, were required to exercise reasonable and prudent supervision over: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; and (iii) the performance of the Company's internal audit function and independent auditors. By virtue of such duties and by the terms of the Audit Committee Charter, the Audit Committee members of the U.S. Steel Board were required, among other things, to:

> [R]eview management's quarterly report evaluating internal control over financial reporting to determine that the Corporation's administrative, operational and internal accounting controls have been periodically reviewed and examined to determine whether the Corporation is operating in accordance with its prescribed procedures and codes of conduct, whether there are any significant deficiencies or

> material weaknesses in internal controls, and whether there has been any fraud by persons significantly involved in internal controls matters.
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> [D]iscuss policies with respect to risk assessment and risk management, including:
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> i. guidelines and policies to govern the process by which the assessment and management of the Corporation's exposure to risk is handled by senior management, and
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> ii. the Corporation's major risk exposures and the steps management has taken to monitor and control such exposures.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

38. In committing the wrongful acts complained of herein, defendants pursued or joined in the pursuit of a common course of conduct and acted in concert with one another in furtherance of a common plan or design. In addition to the wrongful conduct complained of herein giving rise to primary liability, defendants further aided and abetted and/or assisted each other in breach of their fiduciary duties.

39. Each of the defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such action to substantially assist in the commission of the wrongdoing complained of herein, each defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

FACTUAL ALLEGATIONS

40. In 2013, defendants caused U.S. Steel to launch a strategic company-wide initiative they coined the "Carnegie Way." Defendants claimed that the "Carnegie Way" was a "transformational process" that would enable the Company to address changes in the market for steel, providing:

> With a more intense focus on cash flow and a strong balance sheet, and a revised approach to how we view shipment volume and production, the Corporation is

> working through a series of transformational initiatives that has enabled us to more effectively add value, get leaner faster, right-size our operations, and improve our performance across core business process capabilities, including: commercial; supply chain; manufacturing; procurement; innovation; and operational and functional support.

41. Over the next several years, defendants continued to push the initiative. During this period defendants made glowing remarks and caused the Company to issue a series of positive financial results that defendants attributed to the Carnegie Way. Beginning in late 2016, however, these positive financial results were achieved at the expense of needed expensive capital equipment upgrades. In reality, rather than positioning the Company to take advantage of an upturn in market conditions in the long-term, defendants had caused the Company to engage in cutting costs and foregoing investment in capital assets.

42. For example, on November 1, 2016, defendants caused the Company to release its financial results for the third quarter ended September 30, 2016. For the quarter, defendants caused the Company to report net income of $51 million, or $0.32 per diluted share, and operating cash flow of $264 million, representing a significant an improvement from the third quarter 2015, when the Company reported a net loss of $173 million and a $1.18 loss per diluted share, as well as the second quarter 2016, when the Company reported a net loss of $46 million, or $0.32 loss per diluted share. The Flat-Rolled segment financial results allegedly improved from the second quarter as spot and contract prices increased, and "benefits from an improving product mix and our Carnegie Way initiatives continued to grow."

43. The November 1, 2016 earning release also provided the following statements from defendant Longhi, in relevant part:

> "***Our third quarter results improved significantly from the second quarter as each of our segments improved, resulting in our highest quarterly segment income since the fourth quarter of 2014***. We faced some operational challenges that limited our ability to realize the full benefits of an improved pricing environment, but ***we continued to make progress in our Carnegie Way transformation efforts. With our very strong cash and liquidity position, we remain focused on the***

> ***investments that we need to continue to make to revitalize our facilities and deliver value-enhancing solutions for our customers***."
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> "As we move through the rest of 2016, operational issues remain a headwind for us, as we continue to recover from unplanned outages in the third quarter, while also completing our planned maintenance outages. ***We have identified the critical assets that require additional capital investment and increased maintenance spending in order to improve our reliability and quality, and to lower our costs. We plan to use our strong cash and liquidity position to expedite the revitalization of our facilities and to fund additional growth projects. This will enhance the ongoing development of the differentiated solutions that make us a strategic business partner for our customers. We continue to make progress on our Carnegie Way transformation, and we have many opportunities ahead of us***."

44. On November 2, 2016, defendants caused U.S. Steel to file with the SEC its quarterly report on Form 10-Q for the third quarter ended September 30, 2016. The Form 10-Q, which was reviewed and approved by the Board and signed by defendants Longhi and Burritt, reiterated the Company's third quarter 2016 financial results and stated:

> Net sales were $2,686 million in the three months ended September 30, 2016, compared with $2,830 million in the same period last year. The decrease in sales for the Flat-Rolled segment primarily reflected decreased shipments (decrease of 141 thousand net tons) due to operational issues across our Flat-Rolled facilities. In the last half of the third quarter of 2016 we experienced unplanned outages at several of our steelmaking and finishing facilities and our current operating configuration in 2016 extends the time it takes to recover volumes from unplanned outages. Additionally, sales in our Flat-Rolled segment decreased due to reduced coke and iron ore pellet sales to U. S. Steel Canada Inc. These decreases were partially offset by higher average realized prices (increase of $44 per net ton) due to improved spot market prices.
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> The increase in Flat-Rolled results for the nine months ended September 30, 2016 compared to the same period in 2015 resulted from decreased raw materials costs (approximately $210 million), reduced losses in 2016 after the shutdown of the blast furnace and associated steel making assets and most of the finishing operations at Fairfield Works in the third quarter of 2015 (approximately $175 million), decreased spending for repairs and maintenance and other operating costs (approximately $115 million), lower energy costs, primarily natural gas costs (approximately $55 million) and reduced costs associated with lower operating rates at our mining operations (approximately $45 million). These changes were partially offset by lower average realized prices (approximately $460 million) as a result of market conditions and higher levels of imports, higher costs for profit

> based payments (approximately $50 million) and decreased shipment volumes (approximately $10 million).
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> Gross margin for the three months ended September 30, 2016 as compared to the same period in 2015 increased primarily as a result of higher average realized prices due to improved contract and spot market prices.

45. That same day, defendants hosted a conference call with analysts and investors in which defendant Longhi reiterated the Company's strong quarterly financial results and asserted that the Company had "streamlined our operating configuration" and was investing in its facilities to achieve optimum performance. Specifically, defendant Longhi stated:

> ***We continue to make significant progress on improving our business model, lowering our breakeven point, improving our already industry-leading safety performance, and strengthening our balance sheet***. We have faced and continue to face many challenges, some at the Company level and some at the industry level. ***At the Company level, we have streamlined our operating configuration, including the temporary idling of facilities to create greater production efficiencies under today's market conditions and have made many hard decisions to permanently address unprofitable businesses and facilities***, with a final resolution of our former operations in Canada now within our sights.
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> . . . ***We are accelerating our investments in our facilities, to achieve sustainably better and more consistent operating performance, including improvement in reliability, quality, delivery, and customer service***.

46. Later in the call, defendant Longhi fielded a number of questions from analysts about the Company's Carnegie Way initiative. In one exchange, defendant Longhi assured an analyst that the Company was not underspending on the capital side as a result of the Carnegie Way, and instead was "investing appropriately and making sure that everything we know is being addressed." Specifically, defendant Longhi stated, in relevant part:

> Sure. First and foremost, thanks for describing the nature of what we are doing here as a journey because it truly is, and I would offer that no, we have not been under spending. What we have been doing is – ***we've only been able to accomplish what we have accomplished and gotten to the position that we are because we have been investing appropriately*** and making sure that everything we know is being addressed and moving to minimize the conditions that we experienced in the past quarter, which is unplanned events. So we've been able to get to this point because we've been doing all of the right things. The reality, though, is as we go into a different mix and we begin to operate under much more tight conditions,

> every single thing that impacts, we don't have the capacity to more quickly – to recover.

47. Separately, when asked about maintenance spending in 2016 and 2017, defendant Longhi and Dan Lesnak, the Company's General Manager of Investor Relations, confirmed that theCompany was not cutting back maintenance spending on its U.S. Flat-Rolled facilities, and in fact, was spending more on those facilities:

> MARIO LONGHI: Yes. Dan [Lesnak] has been working with the folks to get – we are in planning phase right now, but if you look at some of the levels of operations that we've had this year compared to history, we certainly have a much more streamlined footprint with changes of nature in which how much money you've spent. But as we learn more about the opportunities that we have to continue to improve faster, ***we're going to be allocating***. Now, we do have a much better comfortable position to go address it in a better and faster manner, which will certainly increase or pro rata what we have been doing before. And Dan is going to be in a position to provide a little more clarity on that as we go forward.
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> DAN LESNAK: And Phil, I'd just say that we did say we're going to spend more in 4Q to accelerate the improvements in the facilities. That will bring us year-over-year pretty consistent with last year, and to Mario's point, we have a lot less facilities than we did last year. ***So I think if you think about maintenance actually on a per ton of capacity that is running, we're actually spending more on our facilities this year than we did last year. So I think we're doing a pretty good job of addressing some challenges. We're not cutting back. We're getting things done a little bit faster now***.

48. Later in the call, defendant Longhi emphasized "very significant levels of improvement" the Company had realized from the Carnegie Way while downplaying operational issues associated with its Flat-Rolled facilities:

> We've had a quarter where some of the efforts had to be diverted a little bit to make sure that we addressed the unforeseen challenges that came our way. But in spite of that, we still – I think we ended the quarter with more than 300 new initiatives being completed. And I think going into the next quarter, there are probably another 500 slated to be pursued. So in the pipeline, it is even much greater than that. So I wouldn't focus so much on the actual dollars that you saw coming out of this quarter. I think there is more to come. Eventually, these things will begin to taper off, as we get closer to the point of – that we can achieve an incredibly higher level of competitive base from a cost perspective and that is the ultimate goal of what we're relentlessly pursuing.
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> On the other hand, the Carnegie Way also in contrast has very significant levels of improvement on the overall value chain. You look at the amount of cash

that we have been able to generate both from operations as well as the value chain and the logistics side of things. We are talking here about some different types of innovations and we just mentioned a couple of them here in packaging and automotive. So this whole context is what the Carnegie Way encompasses. It is not just the cost, and I think we are going to continue to show interesting results in both fronts.

49. Defendants also caused U.S. Steel to release a slide presentation dated November 1, 2016 to coincide with the conference call. The presentation contained slides with text that reasserted that the Carnegie Way was "translating into stronger financial results and better performance for our investors, customers, and employees" and that credited the Carnegie Way for "[i]mproved results despite operating challenges," stating:

> ***The Flat-Rolled segment [financial results] . . . highlights our improving earnings power despite lower average realized prices. The decisions we have made to exit unprofitable businesses, aggressively address our cost structure, optimize our facility footprint for current market conditions, and generally address the things we can control, is resulting in a more profitable business***. Our average realized price is just beginning to move towards our average levels since the financial crisis of 2008, yet our EBITDA/ton is significantly higher.
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> Our pace of progress on the Carnegie Way transformation continues to exceed our expectations. ***The continuing benefits are improving our ability to earn the right to grow and then drive sustainable profitable growth over the long-term*** as we deal with the cyclicality and volatility of the global steel industry. With over 7,500 active projects, we have many opportunities ahead of us.

50. On November 3, 2016, the *Pittsburgh Post-Gazette* published an article entitled "Analysts say U.S. Steel cost-cutting hurting operations, safety," that brought to light concerns about U.S. Steel's cost-cutting activities. Specifically, the article cited to concerns expressed by analysts that the Carnegie Way initiative had caused the Company to underspend on capital expenditures, including needed maintenance, threatening the Company's safety practices and its ability to prevent outages in facilities when the spot market rebounded. As to operational issues plaguing the Company, including unplanned outages at several facilities, the article stated:

> Axiom Capital Management analyst Gordon Johnson believes the problems occurred because U.S. Steel is spending less on taking care of its equipment.

"***They are clearly underspending on maintenance capital expenditures***," Mr. Johnson said in an interview.

"***They are understaffed and overworking workers***" to the extent that they are jeopardizing safety, he added.

Mr. Johnson cited a Sept. 30 fatality at the company's Gary, Ind., mill. Union worker Jonathan Arrizola was repairing a crane with three other crew members when he was killed. Mr. Arrizola's wife told a local television station that her husband was looking for a new job because he was working 70 to 90 hours a week at the mill.

Rodney Lewis Sr., president of United Steelworkers union Local 1014, criticized U.S. Steel for moving Mr. Arrizola and other workers around the Gary mill in an effort to cut costs.

"Our company has decided that, to save a dollar, they'll farm people out all over this mill, which only increases the chances for accidents like these happening," Mr. Lewis wrote in an Oct. 1 Facebook post. "Working with bare bones crews ain't cutting it."

It was not the first time Mr. Lewis took the company to task over cost-cutting. When U.S. Steel announced in April it was laying off 25 percent of its North American nonunion workforce, he called out the firing of two safety managers.

"There has always been a discernible line drawn between Operations and Safety. That line has now been blurred," he wrote in another Facebook post. "This is a company in flux. I wish I could tell you what the end game is with this company but truthfully speaking I doubt they have a clue."

Mr. Lewis did not return a call seeking comment.

Other workers have cited the impact that the Carnegie Way program has had on operations. ***One former operations and maintenance employee who left voluntarily described the Carnegie Way as "a big joke" in an interview with the Post-Gazette last year***.

The worker, who asked not to be identified, said purchasing managers in Pittsburgh had ordered his mill to use cheaper oils to lubricate bearings. That caused the bearings to wear out more quickly, resulting in extra costs and longer down time, the employee said.

Jefferies analyst Seth Rosenfeld told clients on Wednesday that he ***is "concerned these latest operational issues reflect assets under-investment during years of aggressive cost cutting***."

51. Yet, in the face of increased scrutiny of the Company's precarious cost cutting, defendants continued to assure investors that U.S. Steel was poised to capitalize on any market

upswing across all segments of its business. Towards that end, on January 31, 2017, defendants caused U.S. Steel to release its fourth quarter and full year 2016 financial results. For the full year 2016, defendants caused the Company to report a net loss of $440 million, or $2.81 loss per diluted share, operating cash flow of $727 million, and adjusted EBITDA of $510 million. Defendants further caused the Company to state that it realized $745 million in "Carnegie Way benefits" and that full-year Flat-Rolled segment results for 2016 "improved from 2015 largely due to lower raw material costs, lower spending, and benefits provided by our Carnegie Way efforts." For the quarter, defendants caused the Company to report a net loss of $105 million, or $0.61 loss per diluted share, compared to a fourth quarter 2015 net loss of $1.1 billion, or $7.74 loss per diluted share. The January 31, 2017 earnings release further stated, in relevant part, as follows:

> If market conditions, which include spot prices, raw material costs, customer demand, import volumes, supply chain inventories, rig counts and energy prices, remain at their current levels, we expect:
>
> - 2017 net earnings of approximately $535 million, or $3.08 per share, and EBITDA of approximately $1.3 billion;
> - Results for our Flat-Rolled, European, and Tubular segments to be higher than 2016;
> - To be cash positive for the year, primarily due to improved cash from operations; and
> - Other Businesses to be comparable to 2016 and approximately $50 million of postretirement benefit expense.
>
> We believe market conditions will change, and as changes occur during the balance of 2017, our net earnings and EBITDA should change consistent with the pace and magnitude of changes in market conditions.

52. The January 31, 2017 earning release also provided the following statements from defendant Longhi, in relevant part:

> "We entered 2016 facing very challenging market conditions, but remained focused on our Carnegie Way transformation efforts. Despite lower average realized prices and shipments in 2016, our results are better as we continued to improve our product mix and cost structure. Our focus on cash, including better working capital management and opportunistic capital markets transactions, resulted in an

> improved debt maturity profile and stronger cash and liquidity. ***We are well positioned to accelerate the revitalization of our assets to improve our operating reliability and efficiency, and deliver value-enhancing solutions to our customers***."
>
> * * *
>
> "We are starting 2017 with much better market conditions than we faced at the beginning of 2016. ***Our Carnegie Way transformation efforts over the last three years have improved our cost structure, streamlined our operating footprint and increased our customer focus. These substantive changes and improvements have increased our earnings power***. While we will benefit from improved market conditions, they continue to be volatile and we must remain focused on improving the things that we can control. Pursuing our safety objective of zero injuries, improving our assets and operating performance, and driving innovation that creates differentiated solutions for our customers remain our top priorities."

53. On February 1, 2017, defendants hosted a conference call with analysts and investors in which defendant Longhi reiterated the Company's fourth quarter and full year financial results and asserted that the Carnegie Way was initiated to "[r]educe our fixed costs, and create a more flexible cost structure[,] [i]mprove the capabilities, productivity, and reliabilities of our facilities[,] [a]nd improve our product mix by creating differentiated solutions for customers." Defendant Longhi provided additional claims about the positive impact of the Carnegie Way on the Company's financial results and its ability to capitalize on improved market conditions, stating:

> ***The hard and competent work of the Carnegie Way transformation is translating into stronger financial results. And better performance for our investors, customers and employees***. As we have demonstrated over the last couple of years, we have a robust process in place that has consistently generated benefits. Even during times of difficult market conditions.
>
> * * *
>
> We have given you regular updates on the significant progress we have made on improving our cost structure. And our increased focus on our customers through our commercial entities, which has resulted in the continuing improvement and our value added product mix. ***We have also been investing our facilities as we indicated last quarter. Increasing the base and magnitude of our efforts in this area is a priority for this year***.
>
> * * *

> Our Carnegie Way transformation efforts have improved our cost structure, streamlined our operating footprint, and increased our customer focus. ***These substantial changes and improvements have increase[d] our earnings power*** and while we will benefit from improved market conditions, they continue to be volatile. We must remain focused on improving the things that we can control.
>
> * * *
>
> ***Our blast furnace capacity is going to be capable of supplying whatever additional alternatives that we're going to find out there . . . . What we do anticipate is to be more reliable than we were so we can benefit from being able to roll more slabs***.

54. Later in the call, defendants were asked "what volume improvement we might be able to anticipate in [the Flat-Rolled segment] in 2017 under your current configuration? It was helpful you clarified that you're running, what, three blast furnaces." Defendant Longhi responded: "Our blast furnace capacity is going to be capable of supplying whatever additional alternatives that we're going to find out there . . . . What we do anticipate is to be more reliable than we were so we can benefit from being able to roll more slabs." Defendant Longhi added that he expected about 5% volume growth in 2017 compared to 2016.

55. Defendants also caused U.S. Steel to release a slide presentation dated January 31, 2017, with slides discussing the Company's fourth quarter and full year 2016 financial results. The presentation reiterated that U.S. Steel received $745 million in "Carnegie Way benefits" associated with yield improvements for raw materials, steel producing, and finishing operations, as well as improved blast furnace fuel mix and usage rates in both its Flat-Rolled and U.S. Steel Europe segments. The presentation also credited the Carnegie Way with improving earnings power, pointing to the addition of $55 per ton of "Carnegie Way Benefits" to the EBITDA of the Flat-Rolled segment. Finally, the presentation presumed promising earnings power due to the Carnegie Way efforts, stating:

> We are starting 2017 with much better market conditions than we faced at the beginning of 2016. ***Our Carnegie Way transformation efforts over the last three years have improved our cost structure, streamlined our operating footprint***

> ***and increased our customer focus. These substantive changes and improvements have increased our earnings power***.
>
> * * *
>
> ***Our pace of progress on The Carnegie Way transformation continues to exceed our expectations. The continuing benefits are improving our ability to earn the right to grow and then drive sustainable profitable growth over the long-term*** as we deal with the cyclicality and volatility of the global steel industry. With over 4,000 active projects, we have many opportunities ahead of us.

56. On February 28, 2017, defendants caused U.S. Steel to file with the SEC its Annual Report on Form 10-K for the fourth quarter and full year 2016. The Form 10-K, which was reviewed and approved by the Board and signed by defendants Longhi, Burritt, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Sutherland and Tracey, reiterated the promising financial results reported on January 31, 2017, and stated:

> "In 2013, U. S. Steel launched a transformational process called the "Carnegie Way," named after the famed American industrialist and U. S. Steel co-founder Andrew Carnegie. The Carnegie Way is a strategic, disciplined approach to transforming the Company to address the new realities of the marketplace. Through the Carnegie Way, we focus on our strengths and where we can create the most value for all U. S. Steel stakeholders, including our stockholders, employees, customers and suppliers. The Carnegie Way is a framework that helps employees address all aspects of our business and achieve sustainable improvements through process efficiencies and strategic investments. ***We have been working through a series of transformational initiatives that we believe will enable us to more effectively add value, respond to customer needs, get leaner faster, right-size our operations and improve our performance across our core business process capabilities, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support***. Key accomplishments to date include a more intense focus on cash flow, a stronger balance sheet and a revised approach to how we view shipment volume and production. In pursuing our financial goals, we will not sacrifice our commitment to our core values of safety and environmental stewardship. We also recognize that achieving this goal requires exemplary leadership and collaboration among all employees, and we are committed to attracting, developing and retaining a workforce with the talent, skills and integrity needed for our long-term success. ***The Carnegie Way has already driven a shift in the Company that has enabled us to withstand the prolonged downturn in steel prices while positioning us for success in a market recovery***.

57. Defendants' statements referenced in ¶¶42-49 and 51-56 were materially false and/or misleading when made because they misrepresented the true condition of U.S. Steel's

business by failing to disclose that, instead of reinvesting in U.S. Steel and its facilities to encourage the long-term growth and development of the Company, defendants had caused U.S. Steel to engage in ill-advised cost cutting and underspending on capital assets, including in the Flat-Rolled segment. With facilities woefully underfunded or shut down due to unplanned facility outages, the Company would be, and was, unable to capitalize when the price of hot-rolled steel coil – which makes up 28% of U.S. Steel's Flat-Rolled segment – surged more than 50% in the first quarter of 2017. As a result, defendants' statements about U.S. Steel's business, operations, and prospects were materially false and misleading and lacked a reasonable basis.

58. On March 14, 2017, defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi caused U.S. Steel to file its 2017 Proxy Statement with the SEC for the Company's Annual Meeting of Stockholders held on April 25, 2017. In the 2017 Proxy Statement, defendants solicited stockholder votes to, among other things, reelect defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi to the Board. Defendants negligently issued materially misleading statements with respect to these solicited votes. Plaintiff disclaims any claim of fraud or knowing wrongdoing in connection with the misleading statements in the 2017 Proxy Statement.

59. In support of reelecting defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi, defendants caused the 2017 Proxy Statement to provide that: (i) the Board was engaged in active risk oversight of the Company, including focusing on the risk in the Company's operations and finances; and (ii) the Audit Committee exercised oversight of the Company's financial statements, and therefore the financial statements were appropriate for the Board to approve to include in the Company's Annual

Report. In particular, the 2017 Proxy Statement stated that the Board must consider risk assessment and management, including financial results and projections:

BOARD'S ROLE IN RISK OVERSIGHT

Pursuant to its charter, the Audit Committee is responsible for reviewing and discussing the Corporation's policies with respect to the assessment of risks and risk management, including the following:

- the guidelines and policies that govern the process by which the assessment and management of the Corporation's exposure to risk are handled by senior management; and

- the Corporation's major risk exposures and the steps management has taken to monitor and control such exposures.

The Corporation's Internal Audit group provides regular reports to the Audit Committee on the results of various internal audit projects and provides recommendations for the enhancement of operational functions in order to reduce certain risks. Although the Audit Committee has primary responsibility for overseeing risk management, each of our other Board committees also considers the risks within their specific areas of responsibility. For example, the charter of the Compensation & Organization Committee gives it responsibility for assessing whether the Corporation's compensation and organization policies and practices for executives and non-executives are reasonably likely to create a risk that could have a material adverse effect on the Corporation. Pursuant to its charter, the Corporate Governance & Public Policy Committee considers the risks associated with legislative, regulatory and public policy issues affecting the Corporation's businesses and operations. Each committee regularly reports to the full Board on their respective activities, including, when appropriate, those activities related to risk assessment and risk management oversight.

The Board, as a whole, also considers risk assessment and risk management. For example, the Board annually reviews the Corporation's strategic plan which includes a review of risks related to: safety, environmental, operating and competitive matters; political and regulatory issues; employee and labor issues; and ***financial results and projections***. Management regularly provides updates to the Board related to legal and compliance risks and cyber-security matters.

The Chief Risk Officer is responsible for the Corporation's financial and business risk management, including the assessment, analysis and monitoring of business risk and opportunities and the identification of strategies for managing risk. The Chief Risk Officer provides regular reports to the Audit Committee and Board of Directors on these matters.

The Corporation believes that its leadership structure, as described above, supports the Board's role in risk oversight.

60. Moreover, the 2017 Proxy Statement included assertions that the Audit Committee reviewed and discussed with management the Company's financial statements and earnings press releases, and discussed policies regarding risk assessment and management. Based on this review, the Audit Committee recommended to the Board that the financial statements be included in the Company's 2016 Form 10-K. The 2017 Proxy Statement stated:

> **Audit Committee**
>
> Pursuant to its charter, the Audit Committee's duties and responsibilities include:
>
> - reviewing and discussing with management and the independent registered public accounting firm matters related to the annual audited financial statements, quarterly financial statements, earnings press releases and the accounting principles and policies applied;
> - reviewing and discussing with management and the independent registered public accounting firm matters related to the Corporation's internal controls over financial reporting;
> - reviewing the responsibilities, staffing and performance of the Corporation's internal audit function;
> - reviewing issues that arise with respect to the Corporation's compliance with legal or regulatory requirements and corporate policies dealing with business conduct;
> - being directly responsible for the appointment (subject to stockholder ratification), compensation, retention, and oversight of the work of the Corporation's independent registered public accounting firm, while possessing the sole authority to approve all audit engagement fees and terms as well as all non-audit engagements with such firm; and
> - discussing policies with respect to risk assessment and risk management.
>
> The charter requires the Audit Committee to perform an annual self-evaluation, review its charter each year and meet at least five times each year. During the fiscal year ended December 31, 2016, the Audit Committee held five meetings.
>
> The Audit Committee annually requests PwC to prepare a self-assessment utilizing the Center for Audit Quality, External Auditor Assessment Tool. This

best practice assists the Audit Committee in its oversight role and annual evaluation of PwC to assess the quality of the audit and to recommend the retention of PwC. Based on this assessment, we believe the quality of PwC's services, communication and interaction with the Audit Committee is of a high standard.

The charter also requires the Audit Committee to be comprised of at least three directors, each of whom is independent and financially literate, and at least one of whom must have accounting or related financial management expertise. Under the charter, no director who serves on the audit committees of more than two other public companies may serve on the Audit Committee, unless the Board determines that such simultaneous service will not impair the ability of such director to effectively serve on the Audit Committee. No member of the Audit Committee serves on the audit committees of more than two other publicly traded companies. The Board has determined that John J. Engel, the Committee's chairman, Dan O. Dinges, Murry S. Gerber, Stephen J. Girsky and David S. Sutherland meet the SEC's definition of audit committee financial expert.

* * *

AUDIT COMMITTEE REPORT

Our committee has reviewed and discussed U. S. Steel's audited financial statements for the year ended December 31, 2016 with U. S. Steel's management. We have discussed with the independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), the matters required to be discussed by Statements on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. ***We also discussed with U. S. Steel's management its assessment of the effectiveness of U. S. Steel's internal control over financial reporting as of December 31, 2016, and PwC's opinion on the effectiveness of U. S. Steel's internal control over financial reporting as of December 31, 2016***. We have received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and we have discussed with PwC its independence. Based on the aforementioned review and discussions, we recommended to the Board that the audited financial statements for U. S. Steel be included in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the Securities and Exchange Commission.

61. Defendants' statements misleadingly suggested that the Board: (i) maintained sufficient compliance, review, and reporting programs to mitigate wrongdoing and apprise the Board of significant risks; (ii) was unaware of existing material risks that could affect the Company; and (iii) maintained risk management practices. The 2017 Proxy Statement omitted any disclosures that: (i) the Company was cutting costs and delaying investments in capital assets,

rendering U.S. Steel unable to capitalize on improved market conditions; (ii) the Company's failure to upgrade capital assets increased production costs, negatively impacting its financial results; and (iii) the Company boosted short-term financial results at the expense of upgrading capital assets, causing long-term delays in improved financial performance.

62. The Board and Audit Committee did not exercise active and appropriate oversight over the Company's risk management and financial statements. Most importantly, the Company was incorrectly boosting its short-term revenues and earnings at the expense of maintaining capital assets, and therefore, its financial statements were not appropriate to include in the Company's Annual Report. Defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi were negligent in making these misleading statements in the 2017 Proxy Statement.

63. The 2017 Proxy Statement harmed U.S. Steel by interfering with the proper governance on its behalf that follows the free and informed exercise of the stockholder's right to vote for directors. As a result of the defendants' misleading statements in the 2017 Proxy Statement, U.S. Steel's stockholders voted to reelect defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi to U.S. Steel's Board.

64. Defendants' scheme continued unabated until April 2017. Then, on April 25, 2017, after they had secured their reelection, defendants announced the Company's dismal financial results for the first quarter ended March 31, 2017, despite the Company's earlier promising guidance. Specifically, defendants reported a net loss for U.S. Steel of $180 million, or $1.03 loss per diluted share, well below analysts' expectations. Defendants also announced adjusted EBITDA of $74 million, and negative operating cash flow of $135 million, associated with

previously stalled investment in working capital during the quarter. The press release further provided:

> ***First quarter results for our Flat-Rolled segment declined significantly compared with the fourth quarter***, as we expected, primarily due to higher raw material costs, increased planned outage costs, seasonally lower results from our mining operations, and restart costs associated with the Granite City hot strip mill and our Keetac iron ore mine. Also contributing to the decline in results was a $20 million charge from using the last-in-first-out (LIFO) inventory method in the first quarter, while we recognized a $40 million LIFO benefit in the fourth quarter. These factors were only partially offset by higher average realized prices and benefits from slightly increased shipments that were limited by operating challenges at our facilities.

65. Compounding the worsening first quarter financials, defendants were forced to substantially reduce U.S. Steel's 2017 guidance by more than half, cutting net earnings from $535 million to $260 million, and taking away any language reflecting a positive cash flow in 2017. After an accounting change of $175 million, the adjusted diluted EPS was approximately $0.83, which was a 72% cut from the previous EPS guidance for 2017. With regard to the dramatic change in 2017 guidance, the press release stated:

> If market conditions, which include spot prices, raw material costs, customer demand, import volumes, supply chain inventories, rig counts and energy prices, remain at their current levels, we expect:
>
> - 2017 net earnings of approximately $260 million, or $1.50 per share, and adjusted EBITDA of approximately $1.1 billion;
> - Results for our Flat-Rolled, European, and Tubular segments to be higher than 2016; and
> - Other Businesses to be comparable to 2016 and approximately $50 million of postretirement benefit expense.
>
> We believe market conditions will change, and as changes occur during the balance of 2017, we expect these changes to be reflected in our net earnings and adjusted EBITDA.

66. In the April 25, 2017 press release, defendant Longhi also acknowledged that the Flat-Rolled segment faced operating issues, stating:

"While our segment results improved by over $200 million compared with the first quarter of 2016, ***operating challenges at our Flat-Rolled facilities prevented us from benefiting fully from improved market conditions***. However, we continue to be encouraged by the strength of our European business and we are also seeing improving energy markets. Overall, improved commercial conditions more than offset higher raw materials and energy costs and increased maintenance and outage spending driven by our asset revitalization efforts. The execution of our asset revitalization program and the continued implementation of reliability centered maintenance practices are critical to achieving sustainable improvements in our operating performance and costs. We have built the financial strength and resources to move forward more aggressively on these initiatives, and remain focused on providing the service and solutions that will create value for our stockholders, customers, employees, and other stakeholders."

* * *

2017 Outlook

. . . "Market conditions have continued to improve, and we will realize greater benefits as these improved conditions are recognized more fully in our future results. We are focused on long-term and sustainable improvements in our business model that will position us to continue to be a strong business partner that creates value for our customers. This remains a cyclical industry and we will not let favorable near-term business conditions distract us from taking the outages we need to revitalize our assets in order to achieve more reliable and consistent operations, improve quality and cost performance, and generate more consistent financial results. We issued equity last August to give us the financial strength and liquidity to position us to establish an asset revitalization plan large enough to resolve our issues, and to see that plan through to completion. As we get deeper into our asset revitalization efforts, we are seeing opportunities for greater efficiency in implementing our plan. We believe we can create more long-term and sustainable value by moving faster now. ***We have made the strategic decision to accelerate our efforts to resolve the issues that challenge our ability to achieve sustainable long-term profitability.*** We believe our objective to achieve economic profit across the business cycle will result in true value creation for all of our stakeholders over the long-term."

67. On this news, the price of U.S. Steel's stock collapsed, falling $8.33 per share, or more than 26%, instantly wiping out more than $1.4 billion in once-valuable shareholder equity.

DAMAGE TO U.S. STEEL

68. As a direct and proximate result of defendants' misconduct, U.S. Steel has been severely damaged and injured. Moreover, defendants' faithless acts and/or omissions have irreparably damaged U.S. Steel's credibility, corporate image and goodwill. For at least the

foreseeable future, U.S. Steel will suffer from what is known as the "liar's discount," a term applied to the stocks of companies who have been implicated in improper behavior and have misled the investing public, such that U.S. Steel's ability to raise equity capital or debt on favorable terms in the future is now impaired. Further, as a direct and proximate result of defendants' misconduct, U.S. Steel has been named a defendant in class action lawsuits for violations of the federal securities laws. *See, e.g.*, *In re U.S. Steel Consolidated Cases*, No. 2:17-cv-00579-CB (W.D. Penn.).

DERIVATIVE ALLEGATIONS

69. Plaintiff incorporates ¶¶1-68.

70. Plaintiff brings this action derivatively on behalf of U.S. Steel to redress injuries suffered, and to be suffered, by U.S. Steel as a direct result of defendants' violation of federal securities law, breaches of fiduciary duty and unjust enrichment. U.S. Steel is named as a nominal defendant solely in a derivative capacity. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

71. Plaintiff will adequately and fairly represent the interests of U.S. Steel in enforcing and prosecuting its rights.

72. As of the date this Complaint was filed, the U.S. Steel Board had 13 members, including defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey. Plaintiff has not made a demand on the Board of U.S. Steel to institute this action because such a demand would have been a useless and futile act, and is therefore excused, particularly for reasons set forth below.

73. Any suit by the directors of U.S. Steel to remedy the wrongs complained of herein would expose defendants themselves and their friends and business allies to significant personal liability for their breaches of fiduciary duties and other misconduct. Defendants Burritt,

Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey have demonstrated their unwillingness and/or inability to act in compliance with their fiduciary obligations and/or to sue themselves and/or their fellow directors for the wrongful conduct described herein. Defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey are accused of wrongdoing and recommending, approving, and ratifying the materially false and misleading statements identified herein and, thus, face a substantial likelihood of liability thereby rendering any demand upon them futile.

74. Defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey were aware of, participated in and approved of the wrongs alleged herein. Thus, defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey have knowingly chosen not to exercise the fiduciary duties of loyalty and due care owed to the Company and protect U.S. Steel, or to rectify the illegal practices complained of herein. Defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey therefore have approved of and continue to participate in a course of corporate misconduct that includes the following:

(a) Defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey were involved in making, approving and/or condoning the materially false and misleading statements identified herein. Defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey each had the ability and/or opportunity to prevent these practices and did not take action to correct the materially false and misleading statements disseminated to shareholders regarding U.S. Steel's financial position and its ability to capitalize on a market upturn under the Carnegie Way

initiative. The Board is responsible for overseeing the Company's compliance with legal requirements and, therefore, all directors are liable for not ensuring that the officers and employees of the Company did not expose the Company to unnecessary risk. Because defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey are liable for approving and directing the illegal conduct described herein, demand upon them would be futile.

(b) Defendants Dinges, Engel, Gerber, Girsky, McNeal and Sutherland serve or served on the Audit Committee of the U.S. Steel Board during all or a portion of the wrongdoing alleged herein. Members of the Audit Committee, because of their position of control and authority over U.S. Steel, were able to, and did, directly and indirectly, control the wrongful acts complained of herein. The members of the Audit Committee failed to ensure that the Company had and maintained adequate internal financial controls and failed to ensure the integrity of the Company's public statements regarding U.S. Steel's financial position and its ability to capitalize on a market upturn under the Carnegie Way initiative. Because members of the Audit Committee had an affirmative duty to ensure that the Company's public statements regarding the Company's financial results and prospects were accurate and truthful, and failed to do so, members of the Audit Committee breached their fiduciary obligations due the Company. Accordingly, defendants Dinges, Engel, Gerber, Girsky, Mascarenas, McNeal and Sutherland cannot impartially respond to a demand, rendering demand upon them futile.

(c) Defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey are responsible for the negligently made statements in the materially misleading 2017 Proxy Statement. It is against public policy to indemnify individuals for violations of §14(a) of the Exchange Act. Accordingly, any indemnification provided by the Company to defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber,

Girsky, Mascarenas, McNeal, Stevens and Tracey does not protect them for violations of §14(a) in the 2017 Proxy Statement. Accordingly, defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey face a substantial likelihood of liability, excusing a demand.

(d) Defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey refused to put into place adequate internal controls and adequate means of supervision to stop the wrongful conduct alleged herein despite the fact that the Board knew and/or recklessly ignored such wrongful business practices. These acts, and the acts alleged in this action, demonstrate a pattern of gross misconduct, which conduct is not taken honestly and in good faith.

75. Defendants' illegal conduct is not subject to business judgment protection or subject to ratification.

76. The wrongful conduct complained of herein by defendants Burritt, Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens and Tracey amounted to breaches of their fiduciary duties of good faith, due care, and loyalty to U.S. Steel and its shareholders.

77. Moreover, despite defendants having knowledge of the claims and causes of action raised by plaintiff, the Board has failed and refused to seek to recover for U.S. Steel for any of the wrongdoing alleged by plaintiff herein.

78. Plaintiff has not made any demand on U.S. Steel shareholders to institute this action since such a demand would be a futile and useless act for the following reasons:

(a) U.S. Steel is a publicly traded company with over 174 million shares outstanding and thousands of shareholders;

(b) Making demand on such a number of shareholders would be impossible for plaintiffs who have no way of finding out the names, addresses or phone numbers of shareholders; and

(c) Making demand on all shareholders would force plaintiffs to incur huge expenses, assuming all shareholders could be individually identified.

COUNT I

For Violation of §14(a) of the Exchange Act Against Defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi

79. Plaintiff incorporates ¶¶1-78.

80. The §14(a) Exchange Act claims alleged herein are based solely on negligence. They are not based on any allegation of reckless or knowing conduct by or on behalf of defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi. The §14(a) claims alleged herein do not allege and do not sound in fraud. Plaintiff specifically disclaims any allegations of, reliance upon any allegation of, or reference to any allegation of fraud, scienter or recklessness with regard to these non-fraud claims.

81. Defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi negligently issued, caused to be issued, and participated in the issuance of materially false and misleading written statements to stockholders that were contained in the 2017 Proxy Statement. The 2017 Proxy Statement contained proposals to the Company's stockholders that they vote to reelect the members of the Board. The 2017 Proxy Statement, however, misrepresented and failed to disclose and explain that: (i) the Company was cutting costs and delaying investments in capital assets, rendering U.S. Steel unable to capitalize on improved market conditions; (ii) the Company's failure to upgrade capital assets increased production costs, negatively impacting its financial results; and (iii) the Company boosted short-

term financial results at the expense of upgrading capital assets, causing long-term delays in improved financial performance. By reason of the conduct alleged herein, defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi violated §14(a) of the Exchange Act. As a direct and proximate result of the violations, stockholders voted in favor of reelecting defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi to the Board. Defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi's reelection led the continuation of the wrongful practices described herein.

82. Plaintiff, on behalf of U.S. Steel, thereby seeks relief for damages inflicted upon the Company in connection with the improper election of defendants Sutherland, Dennis, Dinges, Drosdick, Engel, Gerber, Girsky, Mascarenas, McNeal, Stevens, Tracey and Longhi based upon the false and misleading 2017 Proxy Statement, and also seeks new director elections on the basis of a special proxy with appropriate corrective disclosures.

COUNT II

For Breach of Fiduciary Duty
Against All Defendants

83. Plaintiff incorporates ¶¶1-78.

84. By their wrongful acts and omissions, defendants breached their fiduciary duties owed to U.S. Steel and its shareholders.

85. Here, defendants violated their fiduciary duties by, among other things, making false statements and/or failing to disclose adverse material non-public information regarding U.S. Steel's business, finances, and prospects for future growth in revenues, net income and earnings in the Company's SEC filings and press releases.

86. As a result of defendants' fiduciary failure, U.S. Steel has been damaged.

87. Plaintiff, on behalf of U.S. Steel, has no adequate remedy at law.

COUNT III

For Unjust Enrichment
Against All Defendants

88. Plaintiff incorporates ¶¶1-78.

89. By their wrongful acts and omissions, defendants were unjustly enriched at the expense of and to the detriment of U.S. Steel.

90. All the payments and benefits provided to defendants were at the expense of U.S. Steel. The Company received no benefit from these payments.

91. Plaintiff, on behalf of U.S. Steel, seeks restitution from defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits and other compensation obtained by these defendants, and each of them, from their wrongful conduct and fiduciary breaches.

92. Plaintiff, on behalf of U.S. Steel, has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands judgment as follows:

A. Against defendants and in favor of the Company for the amount of damages sustained by the Company as a result of defendants' violation of federal securities law, breaches of fiduciary duty and unjust enrichment;

B. Directing U.S. Steel to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect U.S. Steel and its shareholders from a repetition of the damaging events described herein;

C. Extraordinary equitable and/or injunctive relief as permitted by law, equity and the state statutory provisions sued hereunder, including attaching, impounding and imposing a constructive trust on or otherwise restricting the proceeds of defendants' trading activities or their other assets so as to assure that plaintiff on behalf of U.S. Steel has an effective remedy;

D. Awarding to U.S. Steel restitution from defendants, and each of them, including ordering disgorgement of all profits, benefits and other compensation obtained by defendants;

E. Awarding plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs and expenses; and

F. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: October 2, 2017

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