

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made this ____ day of _____, 2007 by and among AK Steel Corporation ("AK Steel" or "the Company"), and International Association of Machinists, AFL-CIO, IAM Local Lodge 1943 and the Armco Employees Independent Federation, Inc. (hereafter collectively referred to as the "Union"). AK Steel will pay the sum of \$7,702,301 as a full and final resolution of all issues, disputes, claims, lawsuits, appeals, petitions, grievances, or charges existing as of the date of this Agreement.

1. Allocation: The sum of \$7,702,301 will be allocated as follows:

a. Profit Sharing: Profit sharing in the amount of \$2,600,000 for the year 2005 and \$202,301 for the year 2006 shall be paid to bargaining unit employees in accordance with the Profit Sharing Plan under the 1999 Agreement. The Union accepts these payments in full and complete resolution of any and all claims related to calendar year 2005 profit sharing (payable in 2006) and calendar year 2006 profit sharing (payable in 2007).

b. Escrow: AK Steel will deposit the sum of \$2.4 million ("Escrow Amount"), less applicable offsets as provided in paragraph 1(c) below, into an escrow account established and maintained for the sole and exclusive purpose of holding monies for payment pursuant to this Agreement. AK Steel will make payment from this escrow account to employees, as designated by the Union, in full and final resolution of all issues, disputes, claims, lawsuits, appeals, petitions, grievances or charges. Following offset of funds, if any, as provided in paragraph 5(d) below, the Union will provide AK Steel with a list of employees by name, check number, and gross amount of payment due to each. AK Steel will

make payment to each listed employee by check in the gross amount designated, less applicable withholdings.

c. Assistance Fund: The sum of \$2.5 million (hereafter "Assistance Fund") will be made available by the Company for benefits to be paid to Employees who are not returned to work during the period (Contract Effective Date) through (ninety (90) days after Contract Effective Date). For each week an Employee on the Recall List is not offered 20 or more hours of work during the period (Contract Effective Date) through (ninety (90) days after Contract Effective Date), the Employee will be paid \$150, less applicable withholding, from the Assistance Fund. All payments from the Assistance Fund cease as of (ninety (90) days after Contract Effective Date). Monies in the Assistance Fund not distributed by (ninety (90) days after Contract Effective Date) shall be retained by the Company. If the Assistance Fund is exhausted during the period of (Contract Effective Date) through (ninety (90) days after Contract Effective Date), no additional payments will be made. Payments from the Assistance Fund to an Employee shall terminate immediately and all payments made to the Employee from the Assistance Fund prior to termination shall be deducted from the Escrow Amount (paragraph 1(b)) if the Employee does not report as directed for a physical exam and Alcohol and Substance Abuse Testing, fails the Alcohol and Substance Abuse Test, or fails to return to work when instructed to do so by the Company.

2. Dismissal and/or Withdrawal of Pending Matters: All grievances are withdrawn with prejudice, except the discharge grievances of L. Alexander, M. Brown,

C. Yeary, and B. Rouster. These discharge grievances may be arbitrated by the Union under the 2007 Labor Agreement.

The parties agree to immediately file Notices of Dismissal with Prejudice in the following cases:

AEIF v. AK Steel Corp., Case No. 1-05-CV-639 (S.D. Ohio)

AK Steel Corp. v. AEIF, Case No. 1:05-CV-531 (S.D. Ohio)

AEIF v. AK Steel Corp., Case No. 05-4395 (6th Cir.)

With respect to Case No. 05-4395, the parties agree to file a joint motion to vacate the District Court's Order of September 26, 2005.

AK Steel Corp. v. Locker et al., Case No. 2006-04-1421 (Butler Cty C.P.)

With respect to Case No. 2006-04-1421, dismissal by AK Steel of its claims against the Defendants is conditional upon dismissal of all counterclaims by Defendants *Locker, et al.*

AK Steel Corp. v. International Associations of Machinists & Aerospace Workers, AFL-CIO Local 1943, et al., Case No. 2006-09-3306 (Butler Cty C.P.)

Each party agrees to bear its own costs and attorneys fees. Notices of Dismissal with Prejudice shall be complete in nature, covering all counterclaims, countersuits, appeals, petitions, requests for reconsideration, attorneys' fees, and costs.

3. Base Force/Quota Issues: The Employment Security Plan (ESP) (1999 Agreement, pages 208 through 213) is terminated and shall have no further force or effect. The Trade and Craft Quota and Service/Support Group Quota (1999 Agreement, Article XXIII, Section C, pages 175 through 176) are terminated and shall have no further force or effect. All claims, allegations, grievances, lawsuits, appeals, issues, disputes, including but not limited to the October 7, 2005 decision of Arbitrator Doering, arising under or related to these provisions are forever settled with prejudice.

4. Disciplinary Records: All disciplinary infractions/records existing on an employee's work record as of the date of this Agreement shall not be referred to, relied upon, or used for purposes of disciplinary action taken after the date of this Agreement, except the disciplinary records of L. Alexander, M. Brown, C. Yeary, and B. Rouster may be referred to during arbitration of their discharge grievances.

For AK Steel Corporation

By: _____

Its: _____

Date: _____

For the International Association of
Machinists, AFL-CIO

By: _____

Its: _____

Date: _____

For the IAM Local Lodge 1943

By: _____

Its: _____

Date: _____

For the ARMCO Employees
Independent Federation, Inc. (AEIF)

By: _____

Its: _____

Date: _____