

## SETTLEMENT AGREEMENT

This Agreement is made by and between Mohammed Ahmed, Hadeer Ahmed, Norieah Ahmed, Mahmoud Ijbara, Ibtisam Ijbara, Samira Alasbahi, and William Ali (collectively, "Named Plaintiffs") and Severstal North America, Inc. ("Severstal"). For purposes of this Agreement, the Named Plaintiffs and Severstal may be individually referred to as "Party" and collectively referred to as "Parties."

### RECITALS

A. There have been disputes and differences between the Parties, which disputes and differences are more fully set forth in the pleadings and papers filed in the lawsuit pending in the Wayne County Circuit Court, styled *Ahmed, et al v Severstal North America, Inc*, and assigned Case No. 04-438968-CE (the "Lawsuit").

B. The Named Plaintiffs brought the Lawsuit on behalf of themselves and all others similarly situated (the "Putative Class" or "Class Members"). The Named Plaintiffs claim in the Lawsuit that Severstal emits particulates and other air pollutants that fall onto plaintiffs' properties and substantially pollute the air quality in their neighborhood and homes, creating a nuisance, and impairing the air in violation of the Michigan Environmental Protection Act, MCL 324.1701, *et seq.* Severstal asserts in the Lawsuit that the Named Plaintiffs' claims are without merit, that its emissions do not unreasonably interfere with plaintiffs' property or personal rights, and that other sources are responsible for elevated levels of particulate matter in the area.

C. Severstal is an integrated steel manufacturer of flat-rolled carbon steel products. Severstal operates a steelmaking facility at 3001 Miller Road, Dearborn, Michigan (the "Facility"). Severstal's present and future business activities at the Facility are conducted

pursuant to its renewable operating permit and such additional permits as may be approved by the Michigan Department of Environmental Quality ("Severstal Business Activities").

D. Severstal has applied to the MDEQ for a Permit to Install ("PTI") certain improvements to its Facility. The improvements to be made to the Facility pursuant to the PTI include installation of a baghouse to control emissions from the C Blast Furnace casthouse and the installation of a baghouse on the Basic Oxygen Furnace (BOF) to control secondary emissions from the BOF (the "PTI Baghouse Improvements").

E. Severstal is also involved in certain enforcement proceedings with MDEQ to resolve alleged violations relating to Severstal's air emissions (the "Enforcement Proceedings").

F. In the Enforcement Proceedings, Severstal has committed to install a baghouse on the B Blast Furnace casthouse (the "B Blast Furnace Improvements") on or before June 30, 2008 or, alternatively, to shut down B Blast Furnace by June 30, 2008.

G. The Enforcement Proceedings may be resolved by a consent order that includes, among other things, Severstal's undertaking one or more "Supplemental Environmental Projects" within the meaning, and subject to the rules and restrictions, of MDEQ Policy and Procedures Number 04-002 (November 10, 1997) ("SEPs").

H. The Parties desire to settle and compromise any and all claims asserted by the Named Plaintiffs for themselves and on behalf of the Putative Class in the Lawsuit.

***NOW THEREFORE***, the Parties mutually agree as follows:

1. CONDITIONS PRECEDENT OF THIS AGREEMENT. The Conditions Precedent of this Agreement are as follows:

- A. Final Approval of Severstal's PTI in a form accepted by Severstal for implementation;
- B. Resolution of the Enforcement Proceedings on or before entry of the Final Judgment in this case;
- C. Preliminary Court Approval of the Settlement;
- D. Conditional Certification of the "Settlement Class" as defined herein;
- E. Severstal's non-exercise of Discretionary Termination;
- F. Final Court Approval following a formal Fairness Hearing; and
- G. Entry of the Final Judgment.

Failure of any of the Conditions Precedent shall render this Agreement null and void. In the event of failure of one or more Conditions Precedent, the Named Plaintiffs may proceed with the Lawsuit, and Severstal shall be entitled to contest certification of the Putative Class, as well as to assert its substantive defenses to the claims in the Lawsuit.

2. PRELIMINARY COURT APPROVAL OF THE SETTLEMENT. Within seven (7) days of the execution and delivery of this Agreement by all Parties, the Parties shall file a Joint Motion for Preliminary Court Approval of the Settlement (in the form of the attached Exhibit 1), which shall include a proposed Notice to Class (in the form of the attached Exhibit 2) and a proposed Order of Preliminary Court Approval of Settlement (in the form of the attached Exhibit 3). The Joint Motion for Preliminary Court Approval of the Settlement shall be noticed for hearing on a date within 28 days of the execution and delivery of this Agreement by all Parties.

3. SETTLEMENT CLASS DEFINITION AND CERTIFICATION. In connection with the Joint Motion for Preliminary Court Approval, the Parties shall request that a conditional Settlement Class be certified for purposes of this Agreement only, and defined as follows:

All persons that currently reside and/or own property within the geographic area of Dearborn, Michigan bound by Miller Road, Riverside Drive, the Holy Cross Cemetery, and Southern Street.

For settlement purposes only, Severstal and the Named Plaintiffs shall in good faith initiate and pursue certification of the Settlement Class. Certification of the Settlement Class shall be conditional, as well as for settlement purposes only, and shall be under the "opt-out" mechanism for certification.

4. LIST OF CLASS MEMBERS. On or before the date for hearing on the Joint Motion for Preliminary Court Approval of the Settlement, the Named Plaintiffs shall provide to Severstal and file with the Court a list of the full names and current mailing addresses of all Settlement Class members.

5. NOTICE TO CLASS OF SETTLEMENT AND FAIRNESS HEARING. Within fourteen (14) days following entry of the Order of Preliminary Court Approval of Settlement, counsel for the Named Plaintiffs shall send the Notice to Class, in both English and Arabic, by first class mail addressed as stated in the list of Settlement Class members provided by the Named Plaintiffs. The Notice to Class shall specify the date and time for the Hearing on Fairness of the Settlement ("Fairness Hearing"). The Parties will use best efforts to schedule the Fairness Hearing for a date between 42 and 49 days following entry of the Order of Preliminary Court Approval of Settlement.

6. FINAL COURT APPROVAL. Not less than five (5) nor more than ten (10) business days after the Court's approval of the settlement at the Fairness Hearing, the Parties shall stipulate to and arrange for entry of the Final Judgment attached as Exhibit 4.

7. DISCRETIONARY TERMINATION BY SEVERSTAL. Any person may opt out of the Settlement Class by sending a notice to the Named Plaintiffs' Counsel at least ten (10) days before the Fairness Hearing. Severstal may exercise a right of Discretionary Termination of this Agreement if five (5) or more members of the Settlement Class or any of the Named Plaintiffs opt out of the settlement. Severstal must exercise this right within five (5) business days after the Fairness Hearing.

8. PAYMENT OF ATTORNEY FEES BY SEVERSTAL. Upon entry of the Final Judgment, Severstal shall pay the Named Plaintiffs' attorney's fees, as approved by the Court in connection with the Preliminary Court Approval, in the amount of Two hundred fifty thousand and 00/100 dollars (\$250,000). Severstal does not object to the payment of Two hundred fifty thousand and 00/100 dollars (\$250,000). In addition, Severstal shall pay the Named Plaintiffs' costs and attorneys' fees, incurred after the date of this Agreement, up to Fifteen thousand dollars (\$15,000). Notwithstanding any provision to the contrary, final Court approval or other adjudication regarding the attorney fee payments shall not affect the other obligations in this Agreement.

9. SALINA SCHOOL GRANT. Upon entry of the Final Judgment, Severstal shall pay the sum of Fifty thousand dollars (\$50,000), in such manner as instructed by the Named Plaintiffs, to be utilized solely for improvements at the Salina Elementary and/or Intermediate schools, as designated by Named Plaintiffs in collaboration with school officials.

10. NEIGHBORHOOD PROJECT. Upon entry of the Final Judgment, the Parties shall collaborate in good faith to implement a tree-planting project to benefit the Settlement Class neighborhood ("Neighborhood Project"). In this regard, the Parties will select a mutually acceptable landscape architect and cooperate to achieve a mutually acceptable project design. The aggregate cost of the Neighborhood Project(s) shall not exceed Two hundred thousand dollars (\$200,000) (the "Neighborhood Project Grant"). The maximum amount of the Neighborhood Project Grant to be paid by Severstal shall be determined as follows: (i) The gross amount of the Neighborhood Project Grant is Two hundred thousand and 00/100 dollars (\$200,000); (ii) The gross amount shall be incrementally reduced in the amount of \$10,000 for each member of the Settlement Class who opts out of the settlement, up to a maximum cumulative reduction of Fifty thousand dollars (\$50,000). By way of illustration only, if three (3) members of the Settlement Class opt out, the Neighborhood Project Grant shall be reduced by \$30,000, yielding a net Neighborhood Project Grant of \$170,000 to be paid by Severstal. The Parties shall in good faith implement the Neighborhood Project to comply with the requirements of any consent order from the Enforcement Proceedings.

11. RELEASE. Except for the obligations contained in this Agreement, each Settlement Class member, on behalf of themselves and their respective successors, assigns and heirs, hereby waives, releases, acquits, and forever discharges Severstal and its officers, directors, shareholders, partners, agents, representatives, successors, assigns, and insurers, and all persons or entities acting by, through, under, or in concert with Severstal, of and from any and all claims, demands, damages, actions, complaints, suits, or causes of action, whether civil, criminal or administrative, liquidated or unliquidated, known or unknown, and whether at law or in equity, that each of the Settlement Class members had, has, may have, or may in the future

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possess against Severstal arising from both: (a) Severstal's Business Activities; and (b) events occurring prior to this Agreement and/or continuing through Severstal's completion of the PTI Baghouse Improvements.

This release shall be effective upon the entry of the Final Judgment. For all Settlement Class members, this release includes all claims for mental or psychological anguish and disturbances, including but not limited to loss of comfort or convenience, loss of peace of mind, and anxiety over future injury. This release does not include claim(s) by an individual Settlement Class member, who is not a Named Plaintiff, for physically-manifested personal injuries allegedly caused by Severstal's Business Activities. This release does include all claims by the Named Plaintiffs (individually and/or collectively) for injuries, physically-manifested prior to the date of this Agreement, and allegedly caused by Severstal's Business Activities. Solely for claims accruing after entry of the Final Judgment, this release is conditioned on Severstal's actual installation of the PTI Baghouse Improvements.

12. COVENANT NOT TO SUE. Each Settlement Class member hereby covenants not to sue or institute any civil, criminal or administrative proceedings against Severstal, for a period of four (4) years from the date of this Agreement, for any claim relating to Severstal's Business Activities as described in the Second Amended Complaint in the Lawsuit, with the exceptions of (a) a non-Named Plaintiff Settlement Class member's claim(s) for physically-manifested personal injuries; and (b) a Named Plaintiff's claim(s) for personal injuries that are first physically-manifested after the date of this Agreement. Each Settlement Class member further covenants that if he or she asserts a claim against Severstal for physically-manifested personal injuries, such claim shall neither be (a) joined with any other plaintiff's claim, nor (b) maintained

as a class action or putative class action. The covenant described in this paragraph shall be void in its entirety if Severstal does not install: (a) the PTI Baghouse Improvements; or (b) the B Blast Furnace Improvements in the event Severstal continues to operate B Blast Furnace beyond June 30, 2008.

13. SEVERSTAL COMMUNITY CONTACT. Within sixty (60) days after entry of the Final Judgment, Severstal shall designate, in writing to the Named Plaintiffs' counsel, the name and contact information of a Severstal representative available to receive inquiries and/or complaints from Settlement Class members.

14. REPRESENTATION AS TO CLAIMANTS WITH PHYSICALLY-MANIFESTED PERSONAL INJURIES. The Named Plaintiffs and their legal counsel affirmatively represent that each of them is unaware of any Settlement Class member who intends to file a claim against Severstal for physically-manifested personal injuries.

15. REPRESENTATION AS TO ADVERSE ACTIONS TOWARD SEVERSTAL. The Named Plaintiffs and their legal counsel affirmatively represent that none of them are planning or contemplating taking any action or position adverse to Severstal relative to the PTI, the Enforcement Proceedings, or otherwise, subject to the finalization and implementation of this settlement.

16. NO ADMISSION. The Parties agree that the acts done and evidenced hereby and the releases granted hereunder are done and granted to compromise disputed claims and, in addition, to avoid litigation cost and expense, and do not constitute any admission of liability or otherwise on the part of any of the Parties, by whom liability has been and is expressly denied. Further, the Parties agree that this Agreement is being entered into voluntarily and is not based

on any representations or statements of any kind made by any Party or their representatives as to the merits, legal liability, or value of any of the Parties' claims against any other Party.

17. NON-ASSIGNMENT WARRANTY. Each Settlement Class member represents and warrants that he or she (a) has not previously sold, assigned, or conveyed (either voluntarily or through bankruptcy) any of the claims released by that Party in this Agreement, and (b) will not sell, assign, or convey any claim that is subject to the covenant not to sue stated in paragraph 12.

18. ENTIRE AGREEMENT. This Agreement reflects the entire agreement of the Parties relative to the subject matter hereof, and supersedes any and all prior or contemporaneous oral or written agreements understandings, statements, covenants, representations, or promises.

19. GOVERNING LAW. This Agreement is governed by and shall be construed in accordance with the laws of the State of Michigan, irrespective of any conflict of laws provisions. If any portion of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

20. BINDING ON SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the Parties.

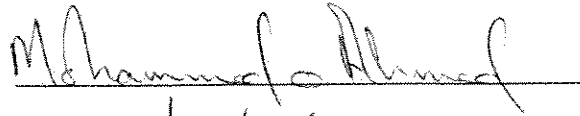
21. COUNTERPART EXECUTION/DELIVERY BY FACSIMILE. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Counterparts delivered by facsimile shall be deemed original counterparts.

22. CONSTRUCTION. The Parties acknowledge that each has been represented by counsel of his/her/its own choice throughout all of the negotiations which preceded the execution of this Agreement and in connection with the preparation and execution of this Agreement. The Parties further agree that this Agreement shall be deemed to have been drafted by all Parties.

*IN WITNESS WHEREOF*, the Parties hereunto set their hands on the dates indicated below:

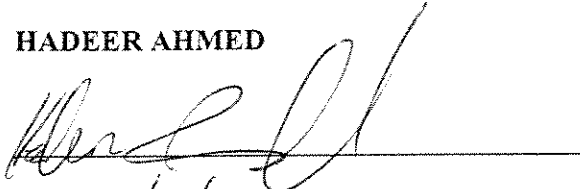
WITNESSES:

MOHAMMED O. AHMED



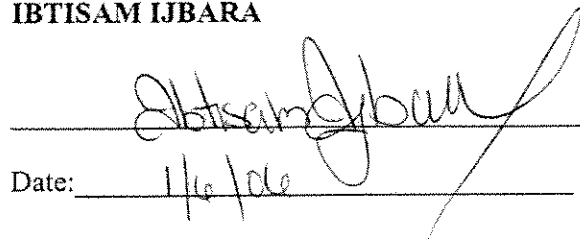
Date: 1/5/06

HADEER AHMED



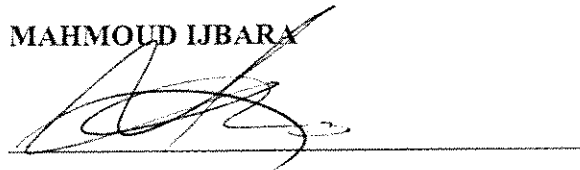
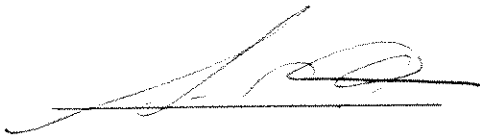
Date: 1/5/06

IBTISAM IJBARA



Date: 1/6/06

MAHMOUD IJBARA



Date: 1-5-06

WILLIAM ALI

Rita D. Levely

William Ali

Date: 1/9/06

SAMIRA ALASBAHI

[Signature]

Samira Alasbahi

Date: 1/6/06

NORIEAH AHMED

[Signature]

Norieah Ahmed

Date: 1-6-06

SEVERSTAL NORTH AMERICA, INC.

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Martin Szymanski

Title: Vice President

Date: 1/4/06