IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
ROUGE INDUSTRIES, INC., et al.,[1]	)	Case No. 03-13272 (MFW)
	)	(Jointly Administered)
Debtors.	)	

DISCLOSURE STATEMENT FOR JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE OF THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

Important Dates

- Date by which Ballots must be received: _____, 2009 at 5:00 p.m. (ET)
- Date by which objections to Confirmation of the Plan must be filed and served: _____, 2009 at _____ p.m. (ET)
- Hearing on Confirmation of the Plan: _____, 2009 at _____ _.m. (ET)

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[1] The Debtors are the following entities: Rouge Industries, Inc., Rouge Steel Company, QS Steel, Inc. and Eveleth Taconite Company.

THIS IS A SOLICITATION BY ROUGE INDUSTRIES, INC. AND ITS AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION IN THESE CHAPTER 11 CASES AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS APPOINTED IN THESE CHAPTER 11 CASES (THE "CREDITORS' COMMITTEE", AND COLLECTIVELY WITH THE DEBTORS, "THE PLAN PROPONENTS"), AND IS NOT A SOLICITATION BY THEIR ATTORNEYS, FINANCIAL ADVISORS AND OTHER PROFESSIONAL ADVISORS. INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE OF THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (AS AMENDED, MODIFIED AND SUPPLEMENTED AND INCLUDING ALL EXHIBITS, SCHEDULES AND ATTACHMENTS THERETO, THE "PLAN"), A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A, AS WELL AS CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION. THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE. THE FINANCIAL INFORMATION SUMMARIES AND OTHER DOCUMENTS ATTACHED HERETO OR INCORPORATED BY REFERENCE HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THOSE DOCUMENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN, OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION INCORPORATED HEREIN BY REFERENCE, THE PLAN OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION, AS THE CASE MAY BE, SHALL GOVERN FOR ALL PURPOSES.

MOREOVER, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER, BUT RATHER SHOULD BE CONSTRUED AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

THE PLAN PROPONENTS MAKE THE STATEMENTS AND PROVIDE THE FINANCIAL INFORMATION CONTAINED HEREIN AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DATE HEREOF UNLESS SO SPECIFIED. EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE THEREFORE SHOULD CAREFULLY REVIEW THE PLAN, THIS DISCLOSURE STATEMENT AND THE EXHIBITS TO BOTH DOCUMENTS IN THEIR ENTIRETY BEFORE CASTING A BALLOT. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. ANY PERSONS DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH THEIR OWN ADVISORS.

NO PARTY IS AUTHORIZED TO PROVIDE TO ANY OTHER PARTY ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE CONTENTS OF THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS SHOULD NOT RELY ON ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE OF THE PLAN THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE PLAN.

THE PLAN PROPONENTS' PROFESSIONALS HAVE REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE PLAN PROPONENTS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT, EXCEPT WHERE SPECIFICALLY NOTED, HAS NOT BEEN AUDITED.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF ALL OF THEIR CREDITORS AND REPRESENTS THE BEST POSSIBLE OUTCOME FOR THEIR CREDITORS. THE DEBTORS AND THE CREDITORS' COMMITTEE THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN SUBMIT BALLOTS TO ACCEPT THE PLAN. WHEN EVALUATING THE PLAN, PLEASE SEE ARTICLE VIII OF THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF VARIOUS "RISK FACTORS" WHICH SHOULD BE CONSIDERED IN CONNECTION WITH A DECISION BY A HOLDER OF AN IMPAIRED CLAIM TO ACCEPT THE PLAN.

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EXHIBIT

Exhibit A- Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code of the Debtors and the Official Committee of Unsecured Creditors

I.
INTRODUCTION

On October 23, 2003, the following entities (collectively, the "Debtors") filed petitions under chapter 11 of title 11 of the United States Code (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"): Rouge Industries, Inc., Rouge Steel Company, QS Steel, Inc., and Eveleth Taconite Company.

The Debtors are continuing in possession of their respective properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

Chapter 11 of the Bankruptcy Code allows a debtor to sponsor a plan of reorganization that proposes how to dispose of a debtor's assets and treat claims (*i.e.*, debts) against, and interests in, such a debtor. A plan of reorganization typically may provide for a debtor-in-possession to reorganize by continuing to operate, to liquidate by selling assets of the estate or to implement a combination of both. The Plan is a liquidating plan of reorganization.

The Bankruptcy Code requires that the party proposing a chapter 11 plan of reorganization prepare and file with the Bankruptcy Court a document called a "disclosure statement." **THIS DOCUMENT IS THE DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") FOR THE PLAN. THE DISCLOSURE STATEMENT INCLUDES CERTAIN EXHIBITS, EACH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE.**

Please note that any terms not specifically defined in this Disclosure Statement shall have the meanings ascribed to them in the Plan and any conflict arising therefrom shall be governed by the Plan.

This Disclosure Statement summarizes the Plan's content and provides information relating to the Plan and the process the Bankruptcy Court will follow in determining whether to confirm the Plan. The Disclosure Statement also discusses the events leading to the Debtors' filing of their chapter 11 cases (the "Chapter 11 Cases"), describes certain events that have occurred in the Debtors' Chapter 11 Cases, and, finally, summarizes and analyzes the Plan. The Disclosure Statement also describes certain potential federal income tax consequences of Holders of Claims and Equity Interests, voting procedures and the confirmation process.

The Bankruptcy Code requires a disclosure statement to contain "adequate information" concerning the Plan. In other words, a disclosure statement must contain sufficient information to enable parties who are affected by the Plan to vote intelligently for or against the Plan or object to the Plan, as the case may be. The Bankruptcy Court has reviewed this Disclosure Statement and has determined that it contains adequate information and may be sent to you to solicit your vote on the Plan.

All Holders of Claims (as defined in the Plan) should carefully review both the Disclosure Statement and the Plan before voting to accept or reject the Plan. Indeed, Holders of Claims should not rely solely on the Disclosure Statement, but should also read the Plan.

Moreover, the Plan provisions will govern if there are any inconsistencies between the Plan and the Disclosure Statement.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M. (ET) ON _____, 2009, UNLESS THE BANKRUPTCY COURT OR THE DEBTORS EXTEND THE PERIOD DURING WHICH VOTES WILL BE ACCEPTED BY THE DEBTORS, IN WHICH CASE THE VOTING DEADLINE FOR SUCH SOLICITATION SHALL MEAN THE LAST TIME AND DATE TO WHICH SUCH SOLICITATION IS EXTENDED.

A. PLAN OVERVIEW/ EXECUTIVE SUMMARY

THE FOLLOWING SUMMARIZES CERTAIN KEY INFORMATION CONTAINED ELSEWHERE IN THIS DISCLOSURE STATEMENT. REFERENCE IS MADE TO, AND THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, THE MORE DETAILED INFORMATION CONTAINED ELSEWHERE IN THIS DISCLOSURE STATEMENT AND IN THE PLAN. THE PLAN WILL CONTROL IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS SUMMARY AND THE PLAN. FOR A MORE DETAILED SUMMARY OF THE PLAN, PLEASE SEE ARTICLE IV OF THIS DISCLOSURE STATEMENT.

1. Solicitation

Solicitation materials, including this Disclosure Statement and a Ballot to be used for voting on the Plan, are being distributed to all known Holders of Claims entitled to vote on the Plan. The Classes of Claims entitled to vote on the Plan are Classes 3, 4 and 5. The purpose of this solicitation, among other things, is to obtain the requisite number of acceptances of the Plan under the Bankruptcy Code from the Classes of Claims entitled to vote (the statutory requirements for Confirmation of the Plan are described in Section IV.K – "Conditions Precedent to Plan Confirmation and the Effective Date" – and Article V, herein). Assuming the requisite acceptances are obtained, the Debtors intend to seek Confirmation of the Plan at the Confirmation Hearing commencing on _____, 2009 at _____ _.m. (ET).

2. Purpose of the Plan

The Plan provides for the orderly liquidation of substantially all of the Debtors' Estates. Cash on hand, Cash generated from the disposition or collection of property, and any recovery from the Causes of Action will be used to pay Allowed Claims under the Plan.

3. Substantive Consolidation

The Plan contemplates and is predicated upon entry of an order substantively consolidating the Debtors' Estates and Chapter 11 Cases. On the Effective Date, (a) all Intercompany Claims by, between and among the Debtors shall be eliminated, (b) all assets and liabilities of the Affiliate Debtors shall be merged or treated as if they were merged with the assets and liabilities of Rouge Industries, (c) any obligations of a Debtor and all guarantees thereof by one or more of the other Debtors shall be deemed to be one obligation of Rouge Industries, (d) the Old Common Shares shall be cancelled and (e) each Claim filed or to be filed against any Debtor shall be deemed filed only against Rouge Industries and shall be deemed a single Claim against and a single obligation of Rouge Industries. On the Effective Date, and in accordance with the terms of the Plan and consolidation of the assets and the liabilities of the Debtors, all Claims based upon guarantees of collection, payment or performance made by the Debtors as the obligations of another Debtor shall be released and of no further force and effect. The foregoing shall not, and shall not be deemed to, prejudice the Causes of Action which shall

survive entry of the Substantive Consolidation Order for the benefit of the Debtors and their Estates as if there had been no substantive consolidation.

4. Establishment of the Liquidation Trust

On the Effective Date, the Liquidation Trust Agreement, in a form reasonably acceptable to the Debtors and the Creditors' Committee, shall be executed, and all other necessary steps shall be taken to establish the Liquidation Trust and the beneficial interests therein. The Liquidation Trust shall be established for the sole purpose of liquidating and distributing its assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The Liquidation Trust shall consist of the Liquidation Trust Assets. Any Cash or property whenever received by the Liquidation Trust from third parties shall constitute Liquidation Trust Assets. On the Effective Date, the Debtors shall transfer all of the Liquidation Trust Assets to the Liquidation Trust free and clear of all Liens, claims, interests and encumbrances, except to the extent otherwise provided herein.

5. Summary of Classification and Treatment of Claims and Equity Interests

The Plan provides for the classification and treatment of Claims against and Equity Interests in the Debtors. The following chart summarizes the treatment of Allowed Claims and Equity Interests under the Plan. This chart is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

Class	Description	Treatment
1	Secured Claims	***Unimpaired.*** On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Claim becomes an Allowed Secured Claim, each Holder of such Allowed Secured Claim shall receive one of the following distributions in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Secured Claim, at the option of the Debtors or the Liquidation Trustee, as applicable: (i) Cash equal to 100% of the Net Proceeds from the sale of the Collateral encumbered by the Liens of the Holder of such Allowed Secured Claim up to the unpaid allowed amount of such Allowed Secured Claim (with such payments to be made, if applicable, from accounts set up by the Debtors,

Class	Description	Treatment
		during the Chapter 11 Case, in connection with the sale of such Collateral), subject to applicable inter-creditor Lien priorities; (ii) the return of the Collateral encumbered by such Holder's Liens; or (iii) such other treatment as to which the Debtors or the Liquidation Trustee, as applicable, and such Holder have agreed upon in writing.
2	Other Priority Claims	***Unimpaired.*** On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, (i) Cash equal to the unpaid portion of such Allowed Other Priority Claim, (ii) such other treatment as permitted under the Bankruptcy Code, or (iii) such other treatment as to which the Debtors or the Liquidation Trustee, as applicable, and such Holder have agreed upon in writing.
3	Unsecured Claims	***Impaired.*** On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Unsecured Claim becomes an Allowed Unsecured Claim, each Holder of an Allowed Unsecured Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Unsecured Claim, its Pro Rata share of the Initial Class 3 Distribution Amount. On each Periodic Distribution Date, each Holder of an Allowed Unsecured Claim shall receive its Pro Rata share of the Periodic Class 3 Distribution Amount.
4	PBGC Unsecured Claims	***Impaired.*** The PBGC shall receive treatment in accordance with Option 1 or Option 2 below. The PBGC shall receive treatment in accordance with Option 1 below, unless the UAW elects Option 2 with respect to its Class 5 UAW Unsecured Rejection Claim, by

Class	Description	Treatment
		providing the Plan Proponents written notice thereof five (5) Business Days prior to the Confirmation Hearing, then the PBGC shall receive treatment in accordance with Option 2 below. [1] *Option 1*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date the PBGC Unsecured Claim or such portion of the PBGC Unsecured Claim becomes allowed in accordance with and payable under the Plan, the PBGC, and/or its designee, in whole or in part, shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such PBGC Allowed Unsecured Claim, its Pro Rata share of the Initial Class 4 Distribution Amount. On each Periodic Distribution Date, the PBGC, and/or its designee, in whole or in part, shall receive its Pro Rata share of the Periodic Class 4 Distribution Amount. The PBGC Hourly Plan Unsecured Distribution shall be capped at the lesser of (i) an amount of $10,439,000.00, or (ii) the dollar amount which equals the percentage of the PBGC Allowed Unsecured Claim with respect to the Hourly Plans which is the identical percentage being distributed to Holders of Allowed Class 3 Unsecured Claims. The PBGC will only receive the PBGC Hourly Plans Unsecured Distribution with respect to the Hourly Plans upon the actual termination, prior to assumption by an unrelated third party, of the Hourly Plans. The PBGC Salaried Plan Unsecured Distribution shall be capped at the lesser of (i) an amount of $3,861,000.00, or (ii) the dollar amount which equals the percentage of the PBGC Allowed Unsecured Claim with respect to the Salaried Plans which is the identical percentage being distributed to Holders of Allowed Class 3 Unsecured Claims. The PBGC will only receive the PBGC Salaried Plan Unsecured Distribution with respect to the Salaried Plans upon the actual termination, prior to assumption by an unrelated

[1] To the extent the PBGC Claims are not treated as set forth herein the Plan Proponents reserve the right to seek, and seek to the extent they determine to do so, as part of the Plan and its confirmation, the estimation and establishment of a reserve for the PBGC Claims.

Class	Description	Treatment
		third party, of the Salaried Plans. *Option 2*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date the PBGC Unsecured Claim or such portion of the PBGC Unsecured Claim becomes allowed in accordance with and payable under the Plan, the PBGC, and/or its designee, in whole or in part, shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such PBGC Allowed Unsecured Claim, its Pro Rata share of the Initial Class 4 Distribution Amount. On each Periodic Distribution Date, the PBGC, and/or its designee, in whole or in part, shall receive its Pro Rata share of the Periodic Class 4 Distribution Amount. The PBGC Hourly Plan Unsecured Distribution shall be capped at an amount of $3,856,055.00. The PBGC Salaried Plan Unsecured Distribution shall be capped an amount of $4,008,945.00. The Salaried Plans and the Hourly Plans shall be actually terminated and shall be deemed to have a date of plan termination of January 29, 2004. To the extent that the Hourly Plans and/or the Salaried Plans are assumed by an unrelated third party prior to termination the proportionate share of the Hourly Plans and/or Salaried Plans distribution associated with the assumption shall be paid to the assignee, or its designee, in whole or part, and the PBGC Unsecured Claims shall be deemed satisfied with respect to the part of the PBGC Unsecured Claim associated with the assumption, whether in whole or in part, and the Debtors, Debtors' Estates, Liquidating Trustee and/or Liquidation Trust shall have no further obligations or responsibilities with respect to the part of the PBGC Unsecured Claim associated with such assumption, whether in whole or in part.

Class	Description	Treatment
5	UAW Unsecured Rejection Claim	***Impaired.*** The UAW shall receive treatment with respect to the UAW Unsecured Rejection Claim in accordance with Option 1 or 2 below. The UAW shall receive treatment in accordance with Option 1 below, unless the UAW elects Option 2 by providing the Plan Proponents written notice thereof five (5) business days prior to the Confirmation Hearing. *Option 1:* On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such UAW Unsecured Rejection Claim becomes an Allowed Claim, the UAW shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed UAW Unsecured Rejection Claim, its Pro Rata share of the Initial Class 5 Distribution Amount. On each Periodic Distribution Date, the UAW shall receive its Pro Rata share of the Periodic Class 5 Distribution Amount. *Option 2:* On, or as soon as reasonably practicable after, the later of the Initial Distribution Date, the UAW shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such UAW Unsecured Rejection Claim, its Pro Rata share of the Initial Class 5 Distribution Amount. On each Periodic Distribution Date, the UAW shall receive its Pro Rata share of the Periodic Class 5 Distribution Amount. The UAW shall receive a distribution on the UAW Unsecured Rejection Claim in an amount not to exceed $6,435,000.00. The Salaried Plans and the Hourly Plans shall be actually terminated and shall be deemed to have a date of plan termination of January 29, 2004.
6	Intercompany Claims	***Impaired.*** On the Effective Date, all Intercompany Claims shall be cancelled and Holders of Intercompany Claims shall not receive any distribution on account of such Intercompany Claim under the Plan.

Class	Description	Treatment
7	Subordinated 510 Claims	***Impaired.*** On the Effective Date, all Subordinated 510 Claims shall be deemed eliminated, cancelled and/or extinguished and each Holder thereof shall not be entitled to, and shall not receive or retain any property under the Plan on account of such Subordinated 510 Claim.
8	Equity Interests	***Impaired.*** On the Effective Date, all Equity Interests shall be cancelled and the Holders of Equity Interests shall not receive or retain any distribution or property on account of such Equity Interests.

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN DO NOT YET BIND ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BIND ALL CLAIM AND EQUITY INTEREST HOLDERS.

6. Voting and Confirmation

Each Holder of a Claim in Class 3, 4 or 5 will be entitled to vote either to accept or reject the Plan. Class 3, 4 or 5 shall have accepted the Plan if: (i) the Holders of at least two-thirds in amount of the Allowed Claims in Class 3, 4 or 5 actually voting in each such Class have voted to accept the Plan and (ii) the Holders of more than one-half in number of the Allowed Claims actually voting in each such Class have voted to accept the Plan. Classes 1 and 2 are Unimpaired under the Plan and are deemed to accept the Plan. Classes 6, 7 and 8 are deemed to reject the Plan and are not entitled to vote to accept or reject the Plan. Assuming the requisite acceptances are obtained, the Plan Proponents intend to seek confirmation of the Plan at a hearing (the "Confirmation Hearing") scheduled to commence on _____, 2009 at _____ _.m. (ET), before the Bankruptcy Court. **Notwithstanding the foregoing, provided that at least one Impaired Class accepts the Plan, the Plan Proponents will seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to the Impaired Classes presumed to reject the Plan, and reserve the right to do so with respect to any other rejecting Class or to modify the Plan in accordance with Article XIV of the Plan.**

Article VI of this Disclosure Statement specifies the deadlines, procedures and instructions for voting to accept or reject the Plan and the applicable standards for tabulating Ballots. The Bankruptcy Court has established _____, 2009 at 5:00 p.m. (ET) (the "Voting Record Date"), as the date for determining which Holders of Claims are eligible to vote on the Plan. Ballots will be mailed to all registered Holders of Claims as of the Voting Record Date who are entitled to vote to accept or reject the Plan. An appropriate return envelope will be included with your Ballot, if necessary.

The Debtors have engaged a solicitation agent to assist in the voting process. The solicitation agent will answer questions, provide additional copies of all materials and oversee the voting tabulation. The solicitation agent will also process and tabulate ballots for each Class entitled to vote to accept or reject the Plan. The solicitation agent is Rust Consulting, Inc., 201 South Lyndale Avenue, Faribault, Minnesota 55021, phone: (800) 999-7940 (toll free).

TO BE COUNTED, THE SOLICITATION AGENT MUST RECEIVE YOUR BALLOT INDICATING AN ACCEPTANCE OR REJECTION OF THE PLAN NO LATER THAN 5:00 P.M. (ET) ON _____, 2009 (THE "VOTING DEADLINE") UNLESS THE BANKRUPTCY COURT OR THE DEBTORS EXTEND THE PERIOD DURING WHICH VOTES WILL BE ACCEPTED BY THE DEBTORS, IN WHICH CASE THE VOTING DEADLINE FOR SUCH SOLICITATION SHALL MEAN THE LAST TIME AND DATE TO WHICH SUCH SOLICITATION IS EXTENDED.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF ALL OF THEIR CREDITORS AS A WHOLE. THE PLAN PROPONENTS THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS SUBMIT BALLOTS TO ACCEPT THE PLAN.

(a) Deadline for Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to vote timely on the enclosed Ballot and return the Ballot in the enclosed envelope to: (a) if by U.S. Mail, Rust Consulting, Inc., P.O. Box 1689, Faribault, Minnesota 55021-1689, Attn: Rouge Industries, Inc., et al. Plan Ballot; and (b) if by hand delivery, courier or overnight service, Rouge Industries, Inc., et al. Plan Ballot, c/o Rust Consulting, Inc., 201 South Lyndale Avenue, Faribault, Minnesota 55021.

The Voting Deadline to accept or reject the Plan is 5:00 p.m. (ET) on _____, 2009, unless the Bankruptcy Court or the Debtors extend the period during which votes will be accepted by the Debtors, in which case the Voting Deadline for such solicitation shall mean the last time and date to which such solicitation is extended. Your vote must be received prior to the Voting Deadline or it will not be counted. At the Debtors' request, the Bankruptcy Court has established certain procedures for the solicitation and tabulation of votes on the Plan, which are described in Article VI of this Disclosure Statement.

(b) Deadline for Objecting to the Confirmation of the Plan

Objections to confirmation of the Plan must be filed and served on or before 4:00 p.m. (ET) on _____, 2009, in accordance with the Confirmation Hearing Notice accompanying this Disclosure Statement. **UNLESS OBJECTIONS TO CONFIRMATION ARE TIMELY SERVED AND FILED, THEY WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

7. Risk Factors

There are a variety of factors that each Holder of a Claim should consider prior to voting to accept or reject the Plan. Some of these factors, which are described in more detail in Article VIII of this Disclosure Statement, are as follows and may impact the recoveries under the Plan:

- The financial information disclosed in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and Disclosure Statement.

- Article IX of this Disclosure Statement describes certain significant federal tax consequences of the transactions that are described herein and in the Plan that affect the Debtors and others. Such consequences may include: (a) the recognition of taxable gain or loss to the Debtors; (b) the reduction of net operating loss carry forward by the Debtors; and (c) the recognition of taxable income by the Holders of Claims. Holders of Claims are urged to consult with their own tax advisors regarding the federal, state, local and other tax consequences of the Plan.

- Although the Plan Proponents believe that the Plan complies with all applicable standards of the Bankruptcy Code, the Debtors can provide no assurance that the Plan will comply with section 1129 of the Bankruptcy Code or that the Bankruptcy Court will confirm the Plan.

- The Plan Proponents may be required to request Confirmation of the Plan without the acceptance of all Impaired Classes entitled to vote in accordance with section 1129(b) of the Bankruptcy Code.

- Any delays of either Confirmation or the Effective Date of the Plan could result in, among other things, increased Claims of Professionals.

8. Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that from and after the Effective Date all Persons who have held, hold or may hold Claims against or Equity Interests in the Debtors are permanently enjoined from taking any of the following actions against the Debtors, the Estates, the Creditors' Committee, the Liquidation Trust, the Liquidation Trustee, the Plan Committee or any of their property on account of any such Claims or Equity Interests: (a) commencing or continuing, in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any Lien, claim, interest or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors; and (e) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan.

The Confirmation Order shall further provide that all Persons are permanently enjoined from obtaining any documents or other materials from current counsel for the Debtors and the Creditors' Committee that is in the possession of such counsel as a result of or arising in any way out of their representation of the Debtors and/or the Creditors' Committee, except in accordance with the Plan.

B. RECOMMENDATION

The Plan Proponents believe that the Plan provides the best and most feasible recovery for Holders of Allowed Claims against the Debtors and that accepting the Plan is in the best interests of the Holders of Allowed Claims against the Debtors. The Plan Proponents believe that the Plan will provide the Holders of Allowed Claims against the Debtors with the maximum potential recovery.

Therefore, based on the information contained herein, the Plan Proponents recommend that you vote to accept the Plan.

C. DISCLAIMER

In formulating the Plan, the Plan Proponents relied on financial data derived from the Debtors' books and records. The Plan Proponents therefore represent that everything stated in the Disclosure Statement is true to the best of their knowledge. The Plan Proponents nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Moreover, the Bankruptcy Court has not yet determined whether the Plan is confirmable and therefore does not recommend whether you should accept or reject the Plan.

The discussion in the Disclosure Statement regarding the Debtors may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analyses, distribution projections, and other information are estimates only, and the timing and amount of actual distributions to Holders of Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT IS, OR SHALL BE DEEMED TO BE, AN ADMISSION OR STATEMENT AGAINST INTEREST BY THE DEBTORS OR CREDITORS' COMMITTEE FOR PURPOSES OF ANY PENDING OR FUTURE LITIGATION MATTER OR PROCEEDING.

ALTHOUGH THE ATTORNEYS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE PLAN PROPONENTS HAVE ASSISTED IN

PREPARING THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS, AND ACCOUNTING DATA FOUND IN THE BOOKS AND RECORDS OF THE DEBTORS, THEY HAVE NOT INDEPENDENTLY VERIFIED SUCH INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY THEREOF. THE ATTORNEYS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE PLAN PROPONENTS SHALL HAVE NO LIABILITY FOR THE INFORMATION IN THE DISCLOSURE STATEMENT.

THE PLAN PROPONENTS AND THEIR PROFESSIONALS ALSO HAVE MADE A DILIGENT EFFORT TO IDENTIFY IN THIS DISCLOSURE STATEMENT PENDING LITIGATION CLAIMS AND PROJECTED OBJECTIONS TO CLAIMS. HOWEVER, NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTORS, THE LIQUIDATION TRUST, THE LIQUIDATION TRUSTEE, THE PLAN COMMITTEE AND ITS MEMBERS OR OTHER PARTIES-IN-INTEREST MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE LITIGATION CLAIMS AND PROJECTED OBJECTIONS TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

II.
GENERAL INFORMATION

A. DESCRIPTION OF THE DEBTORS' BUSINESSES

Incorporated in 1996 and headquartered in Dearborn, Michigan, as of the Petition Date, Rouge Industries, Inc. ("Rouge Industries") primarily produced, through its wholly-owned subsidiary Rouge Steel Company ("Rouge Steel"), high quality, flat-rolled carbon steel products consisting of hot-rolled, cold-rolled and galvanized steel. In addition to Rouge Steel, Rouge Industries has two other wholly-owned subsidiaries: QS Steel Inc. ("QS Steel") and Eveleth Taconite Company ("Eveleth"). As of the Petition Date, QS Steel held a 48% minority ownership interest in a Michigan-based joint venture, Spartan Steel Coating Company. Additionally, as of the Petition Date, Eveleth held a minority interest in Eveleth Mines LLC, a Minnesota-based iron ore mining and pellet producing operation, and Rouge Steel held a 50% interest in Double Eagle Steel Coating Company, a Michigan-based joint venture, a producer of electro-galvanized steel.

1. Operations

As of the Petition Date, Rouge Steel operated at an integrated single-site facility located on a 457 acre industrial site in Dearborn, Michigan. This facility included three blast furnaces (one of which had been idle since 1988), two basic oxygen furnaces, one waste oxide

reclamation facility (which was leased and had been idle since 2000), two electric arc furnaces (which had been idle since 1992), two ladle refining facilities, a vacuum degassing facility, one three-strand continuous caster, one hot strip mill, three pickle lines, one tandem mill, two annealing facilities (one of which was a hydrogen annealing facility), two temper mills, two slitters and one recoil welder.

As of October 1, 2003, the work force of Rouge Steel was comprised of approximately 2,633 employees. Hourly employees of Rouge Steel were and continue to be represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW (the "UAW").

2. The Debtors' Corporate History

Rouge Steel was founded in 1923 by Henry Ford. Rouge Steel first operated as a division and then as a subsidiary of Ford Motor Company ("Ford"). In 1989, Marico Acquisition Corp., a corporation owned by Carl L. Valdiserri, the former chairman and chief operating officer of Rouge Steel and other certain investors, acquired all of the issued and outstanding stock of Rouge Steel from Ford (the "Rouge Sale") pursuant to that certain Stock Purchase and Sale Agreement between Marico Acquisition Corp. and Ford Motor Company (the "Rouge Steel Purchase Agreement").

B. CAPITAL STRUCTURE OF THE DEBTORS AS OF THE PETITION DATE

1. Equity

Rouge Industries' Class A Common Stock, the only publicly traded securities of the Debtors, had been listed for trading on the NYSE, and was delisted on March 24, 2003.

2. Debt Constituencies

As of October 1, 2003, the Debtors allegedly had outstanding borrowings of approximately $77 million under the following credit facilities:

(a) Loan and Security Agreement

The Debtors were party to a $200 million revolving Loan and Security Agreement (together with related documents and agreements, the "Prepetition Loan Agreement"), dated as of March 13, 2001, by and among Rouge Steel, as borrower, Rouge, QS Steel and Eveleth, as guarantors, as well as certain financial institutions, as lenders, and Congress Financial Corporation ("Congress"), as agent. The Debtors' obligations under the Prepetition Loan Agreement were secured by a lien on, and security interest in, substantially all of the Debtors' property and interests in such property, including inventory and accounts receivable. The

Debtors had borrowings of $67 million under the Prepetition Loan Agreement as of September 30, 2003.

Following the closing of the Severstal Sale, as described in Section III.E herein, the Debtors fully paid all obligations under the Prepetition Loan Agreement. As of the date hereof, the Debtors have no remaining obligations under the Prepetition Loan Agreement.

(b) Cliffs Facility

Additionally, as of the Petition Date, the Debtors were party to a $10 million Subordinated Loan and Security Agreement (the "Cliffs Facility"), dated as of July 12, 2002, by and among Rouge Steel, as borrower, Rouge Industries, QS Steel and Eveleth, as guarantors, and Cleveland-Cliffs Inc., as lender. The Cliffs Facility was subordinate to the Loan and Credit Agreement, had a second security interest in the accounts receivable and inventory of the Company and contained cross default provisions with the Credit Agreement. The Debtors had borrowings outstanding under the Cliffs Facility of $10 million as of October 1, 2003.

Following the closing of the Severstal Sale, as described in Section III.E herein, the Debtors fully paid all amounts borrowed under the Cliffs Facility. As of the date hereof, the Debtors have no remaining obligations under the Cliffs Facility.

(c) Waste Oxide Facility Lease

As of the Petition Date, Rouge Steel was party to a Master Lease Agreement, dated as of May 14, 1997, between Banc One, Michigan f/k/a NBD Bank, as lessor, and Rouge Steel, as lessee, as amended on December 28, 1998 and on December 22, 1999, pursuant to which Rouge Steel leased certain equipment for use in the Debtors' Waste Oxide Reclamation Facility. Rouge Steel's obligations under the lease were secured by liens against certain of the fixtures and equipment located at the Waste Oxide Reclamation Facility.

In connection with the Severstal Sale, as described in Section III.E herein, Banc One agreed to release all rights, powers and interests granted with respect to the assets to be conveyed as part of the Severstal Sale. On November 21, 2003, the Debtors moved to reject the lease. Banc One filed a limited objection to the Debtors' rejection motion and asserted a claim for its unpaid lease obligations against the proceeds of the Severstal Sale in the amount of approximately $18 million.

By a stipulation of settlement, dated February 13, 2004, the Debtors, the Creditors' Committee and Banc One resolved the matters in dispute among them concerning the lease, the equipment and the obligations related thereto. Pursuant to the stipulation of settlement, it was agreed, *inter alia,* that equipment subject to the lease was deemed property of the Debtors' estate and that Banc One's claim would be reclassified and allowed as a Secured Claim in the amount of $8 million and an Unsecured Claim in the amount of $10 million. On February 18, 2004, the Bankruptcy Court entered an order (D.I. 432) approving the stipulation of settlement. Thereafter, in accordance with the stipulation of settlement, the Debtors paid $8 million to Banc One in full and final satisfaction of its Allowed Secured Claim.

On May 20, 2005. the Order Authorizing the Sale of Waste Oxide Reclamation Facility to Severstal North America, Inc. (D.I. 1064) was entered by the Court authorizing the sale of the Waste Oxide Facility to Severstal.

C. EVENTS LEADING TO THE CHAPTER 11 CASES

The ability to compete domestically and internationally with companies with substantially lower labor, energy and raw material costs has proven to be daunting for a great number of U.S. manufacturing firms including steel and auto companies at the time of the Debtors' bankruptcy petitions. The U.S. steel industry had been suffering financially since the late 1990s, with marked declines in profits, returns on investment and market share, and steel industry financial results generally were poor in the nine months prior to the Petition Date. As a result, as of the Petition Date, more than 35 steel-related companies had sought bankruptcy protection. Many U.S. steel producers have maintained that an increase in low-priced and unfairly traded (dumped) imports, which began approximately five years prior to the commencement of the Debtors' Chapter 11 Cases, is responsible for much of the hardship within the industry.

During the mid-1990's, the Debtors experienced an improved market environment. Then in 1998, an unprecedented amount of steel imports began entering the U.S. market causing domestic contract and spot market steel prices to decline dramatically. In 1999, an explosion and fire at the Rouge Complex Powerhouse caused a 93-day shutdown of Rouge Steel's steelmaking facilities and two years of business interruptions. In late 2001, a fire occurred at Double Eagle Steel Coating Company, the Debtor's joint venture electrogalvanizing line, which caused that facility to halt production for nine months. On June 21, 2003 the Debtors sustained significant structural damage to their "C" blast furnace auxiliary equipment, resulting in the furnace's temporary shutdown when an explosion occurred at the "C" blast furnace dust catcher.

The depressed steel prices for the major portion of the three years prior to the Petition Date, the cash drain caused by the effects of the 1999 Powerhouse incident, the 2001 Double Eagle fire, the explosion at the "C" blast furnace dust catcher, and the delayed startup and operation of the new power plant built and operated by Dearborn Industrial Generation, L.L.C. caused significant operating losses and put considerable pressure on the Debtors' liquidity.

The situation for Rouge Industries and its subsidiaries was further exacerbated by dramatically higher energy, raw material and health care costs that were difficult to pass on to the Company's customers. In addition, a sluggish U.S. economy, the inaccessibility of affordable capital and the continuing high level of imported steel into the North American markets, also contributed to the Company's financial situation as of the Petition Date. During the three years ended December 31, 2002, Rouge Industries incurred net losses of approximately $281,170,000.

Over the years immediately preceding the Petition Date, the Debtors proactively worked to reduce costs, manage their expenditures and produce a higher percentage of value

added products. The Debtors also attempted to implement a restructuring plan outside of court protection. Despite these efforts, the continuing escalation of energy and raw material costs and temporary unplanned business interruptions reduced the Debtors' liquidity to the point where voluntary court protection was the only alternative to permit the Debtors to obtain the necessary liquidity to continue to operate their business while they sought to take the necessary steps to preserve the going concern value of their business and maximize the value of their Estates for their creditors, employees and other stakeholders.

III.
THE CHAPTER 11 CASES

On the Petition Date, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On the Petition Date, all actions and proceedings against the Debtors and all acts to obtain property from the Debtors were stayed under section 362 of the Bankruptcy Code. The Debtors have continued to manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

A. FIRST DAY MOTIONS

On the Petition Date, the Debtors filed several motions seeking certain relief by virtue of so-called first day orders. The first day orders assisted the Debtors in transitioning into operating as debtors-in-possession by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior court approval. The first day orders in the Debtors' cases authorized, among other things:

- The continued maintenance of the Debtors' bank accounts, continued use of existing business forms and continued use of the Debtors' existing cash management system (D.I. 43);
- The appointment of Rust Consulting, Inc. as the claims, noticing and balloting agent in this case (D.I. 35);
- Continued utility service during the pendency of the chapter 11 cases (D.I. 42, 208);
- Payment of certain contractors in satisfaction of perfected or potential liens in the ordinary course of business (D.I. 38);
- Payment of certain pre-petition shipping, processing and warehousing charges (D.I. 39);
- Authorization to honor certain pre-petition obligations to customers and to continue certain customer programs post-petition (D.I. 75);

- Payment of pre-petition claims of regulatory compliance vendors (D.I. 40);

- Authorization to continue their workers' compensation insurance programs and to pay certain pre-petition workers' compensation claims, premiums and related expenses (D.I. 74);

- Payments to employees of accrued pre-petition wages, salaries and benefits (D.I. 37); and

- Payment of pre-petition sales, use and other taxes (D.I. 41).

B. RETENTION OF DEBTORS' PROFESSIONALS

The Debtors filed applications for the retention of certain professionals to represent and assist the Debtors in connection with the Chapter 11 Cases. These professionals include, among others:

- *Morris, Nichols, Arsht & Tunnell LLP.* On December 16, 2003, the Bankruptcy Court entered an order authorizing the employment and retention of Morris, Nichols, Arsht & Tunnell LLP to serve as bankruptcy counsel to the Debtors *nunc pro tunc* to the Petition Date.

- *Clifford Chance US LLP.* On December 30, 2003, the Bankruptcy Court entered an order authorizing the employment and retention of Clifford Chance US LLP ("Clifford Chance") as Special Counsel to the Debtors (*nunc pro tunc* to the Petition Date) to perform services with respect to corporate transactions, corporate matters, tax matters, employee and labor matters, securities matters, environmental matters and other related matters. On August 26, 2005, the Bankruptcy Court entered an order authorizing the expansion of the retention of Clifford Chance as special counsel to the Debtors (*nunc pro tunc* to June 28, 2005) to include representation of the Debtors in the Ford Adversary Proceeding (defined below) and certain matters in which the Debtors may be adverse to Ford.

- *Clark Hill PLC.* On July 21, 2004, the Bankruptcy Court entered an order authorizing the employment and retention of Clark Hill PLC as special counsel to the Debtors to perform services with respect to Michigan state law and federal employment law matters.

- *Landis Rath & Cobb LLP.* On September 23, 2005, the Bankruptcy Court entered an order authorizing the employment and retention of Landis Rath & Cobb LLP ("LRC") as Delaware Conflicts Counsel *nunc pro tunc* to July 8, 2005 with respect to the Ford Adversary Proceeding and certain matters in which the Debtors may be adverse to Ford. On July 27, 2006, the Bankruptcy Court entered an order authorizing the expanded retention of LRC to include certain other conflict matters.

- *FTI Consulting, Inc.* On December 22, 2003, the Bankruptcy Court entered an order authorizing the employment and retention of FTI Consulting, Inc. as financial advisors to the Debtors *nunc pro tunc* to the Petition Date.

- *Morgan Joseph & Company, Inc.* On December 9, 2003, the Bankruptcy Court entered an order authorizing the employment and retention of Morgan Joseph & Company, Inc. as investment bankers to the Debtors *nunc pro tunc* to the Petition Date.

- *Edward Howard & Co.* On December 16, 2003, the Bankruptcy Court entered an order authorizing the employment and retention of Edward Howard & Co. as corporate communications consultants to the Debtors *nunc pro tunc* to the Petition Date.

C. APPOINTMENT OF CREDITORS' COMMITTEE AND RETENTION OF ITS PROFESSIONALS

On or about November 7, 2003, the United States Trustee appointed the Creditors' Committee (D.I. 100) consisting of International Union, UAW, Edw. C. Levy Co., Praxair, Inc., Interlake Steamship Company, Shiloh Industries, Inc., Dearborn Industrial Generation, LLC, and Vesuvius USA Corporation.

The Creditors' Committee filed applications for the retention of the following professionals to represent and assist the in connection with the Chapter 11 Cases:

- *Reed Smith LLP.* On December 16, 2003, the Bankruptcy Court entered and order authorizing the employment and retention of Reed Smith LLP as counsel to the Creditors' Committee *nunc pro tunc* to November 5, 2003.

- *Deloitte & Touche LLP*[2]. On July 23, 2004, the Bankruptcy Court entered an order authorizing the employment and retention of Deloitte & Touch LLP as accountants, consultants and financial advisors to the Creditors' Committee *nunc pro tunc* to November 6, 2003.

D. DEBTOR-IN-POSSESSION FINANCING

On October 23, 2003, the Debtors filed Motion Of Debtors And Debtors In Possession For Entry Of Interim And Final Orders Authorizing Debtors To Obtain Interim Post-Petition Financing And Grant Security Interests And Superpriority Administrative Expense Status Pursuant To 11 U.S.C. §§ 105 And 364(c); (B) Modifying The Automatic Stay Pursuant To 11 U.S.C. § 362; (C) Authorizing Debtors To Enter Into Agreements With Congress

[2] Pursuant to its own internal restructuring and an order entered by the Bankruptcy Court on September 11, 2008, Deloitte & Touche LLP was replaced by Deloitte Financial Advisory Services LLP as accountants, consultants, and financial advisors to the Committee as of August 5, 2008.

Financial Corporation, As Agent; And (D) Scheduling A Final Hearing Pursuant To Bankruptcy Rule 4001 (D.I. 24) (the "Financing Motion") seeking interim and final orders authorizing them to obtain post-petition loans, advances and other financial accommodations from Congress Financial Corporation, in its capacity as administrative agent (in such capacity, "Agent") for the financial institutions from time to time parties to the Prepetition Loan Agreement as lenders (each, individually, a "Lender" and collectively "Lenders") by entering into a Ratification and Amendment Agreement, dated October 23, 2003 (the "Ratification Agreement"), which ratified, extended, adopted and amended the Prepetition Loan Agreement and other existing loan, financing and security agreements by and among Debtors, Agent and Lenders secured by security interests in and liens upon all of the collateral pursuant to sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code and other related relief.

On October 28, 2003, the Bankruptcy Court entered the Interim Order (A) Authorizing Debtors To Obtain Interim Post-Petition Financing and Grant Security Interests And Supepriority Administrative Expense Status; (B) Granting Additional Replacement Liens And Rights To Adequate Protection Secured Creditors; (C) Modifying The Automatic Stay; (D) Authorizing Debtors To Enter Into Agreements With Congress Financial Corporation; And (E) Scheduling a Final Hearing (D.I. 48) authorizing the Debtors to obtain interim post-petition financing from the Agent in accordance with the Ratification Agreement.

On November 21, 2003, the Ratification Agreement was amended by Amendment No. 1 to Ratification and Amendment Agreement (collectively, the "Amended Ratification Agreement") to include new Term Loans to be provided by OAO SeverStal as a Lender under the Existing Loan. Pursuant to the Amended Ratification Agreement, OAO SeverStal, as part of its Purchase Agreement (as discussed *infra* Section III.E) agreed to provide $15 million in term loans, with the possibility of another $15 million in discretionary term loans, to the Debtors, for a total potential availability under the Amended Ratification Agreement not to exceed $150 million.

On January 6, 2004, the Bankruptcy Court entered the Final Order (A) Authorizing Debtors to Obtain Post-Petition Financing and Grant Security Interests and Superpriority Administrative Expense Status; (B) Granting Additional and Replacement Liens and Rights to Adequate Protection Secured Creditors; (C) Modifying the Automatic Stay ; (D) Authorizing Debtors to Enter Into Agreements With Congress Financial Corporation, as Agent; and (E) Approving Amendment No. 1 to Ratification and Amendment Agreement (D.I. 301).

Following the closing of the Severstal Sale, as described in Section III.E herein, certain of the cash consideration received was applied to the amounts borrowed under the Amended Ratification Agreement. As of the date herein, the Debtors have no remaining obligations under the Amended Ratification Agreement.

E. SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS

Soon after the Petition Date, the Debtors filed a motion (D.I. 98) seeking to sell substantially all of their assets to OAO SeverStal (the "Severstal Sale"), subject to higher or better offers. On December 2, 2003, the Bankruptcy Court entered an Order Authorizing (I) Sale

Of Substantially All Of The Assets Of The Debtors Free And Clear Of Liens, Claims and Encumbrances, (II) Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases, (III) Assumption of Certain Liabilities And (IV) Procedures For The Rejection Of Certain Executory Contracts And Leases (D.I. 197) (the "Bid Procedures Order"). The Bid Procedures Order established OAO SeverStal as the stalking horse bidder pursuant to an Amended and Restated Asset Purchase Agreement, dated November 24, 2003, between the Debtors and OAO SeverStal (as amended, the "Purchase Agreement").

Pursuant to the Bid Procedures Order, on December 19, 2003, the Debtors held an auction for the sale of substantially all of their assets (the "Auction"). OAO SeverStal emerged as the winner of the Auction with a bid of approximately $285.5 million, which represented an increase in total consideration of nearly $100 million above OAO SeverStal's original bid. On December 30, 2003, the Bankruptcy Court entered the Order Authorizing (I) Sale Of Substantially All Of The Assets Of The Debtors Free And Clear Of Liens, Claims and Encumbrances, (II) Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases, (III) Assumption of Certain Liabilities And (IV) Procedures For The Rejection Of Certain Executory Contracts And Leases (D.I. 292) (the "Sale Order"), which approved the sale of substantially all of the Debtors' assets to OAO SeverStal or its designee. The Severstal Sale was consummated with Severstal North America, Inc. ("Severstal NA", and together with OAO SeverStal, collectively "Severstal") on January 30, 2004.

After satisfaction of various obligations at closing of the Severstal Sale, the Debtors retained net cash proceeds of approximately $109 million.

F. APPOINTMENT OF CHIEF RESTRUCTURING OFFICER AND SELECTION OF DEBTORS' NEW BOARD OF DIRECTORS

Following the Severstal Sale all of the members of the Debtors' Board of Directors had resigned or had indicated their intent to resign in the near term. Likewise, most of the Debtors' officers resigned and/or took jobs with Severstal.

In order to fill the existing and anticipated vacancies among the Debtors' officers and Board of Directors, the Debtors entered into an agreement with Development Specialists, Inc. to provide Steven L. Victor to act as the Debtors' Chief Restructuring Officer and a director. On April 12, 2004, the Bankruptcy Court entered an order (D.I. 549) authorizing the employment and retention of Development Specialists, Inc. to act as restructuring consultants to the Debtors pursuant to sections 105 and 363 of the Bankruptcy Code *nunc pro tunc* to February 27, 2004. As contemplated by the Bankruptcy Court's order, upon his appointment as a director, Mr. Victor appointed the following individuals as the additional members of the Debtors' Board of Directors: The Honorable Ronald Barliant; The Honorable William Bodoh; Larry Wolfson; and Baines Manning.[3]

[3] Mr. Wolfson was later replaced on the Board of Directors by Jay S. Geller.

G. DUKE/FLUOR DANIEL SETTLEMENT AGREEMENT

On June 30, 1999, Rouge Steel as lessor and Dearborn Industrial Generation, LLC ("DIG") as lessee entered into a Ground Lease (the "Ground Lease") for a 12.5 acre parcel on the east side of Miller Road, within the manufacturing facility known as the "Rouge Complex," in Dearborn, Michigan on which DIG would construct an electrical power plant (the "Plant" or "Project").

In November, 1998, prior to entering into the Ground Lease, DIG had entered into a contract with Duke/Fluor Daniel ("DFD") entitled Turnkey Agreement Between Dearborn Industrial Generation L.L.C. and Duke/Fluor Daniel for the Engineering, Procurement and Construction of the Dearborn Industrial Generation Project in Dearborn, Michigan (the "Turnkey Agreement") for the construction by DFD of the Plant for DIG. In return, DIG agreed to pay DFD an initial price of $213,110,000. Later, through change orders and amendments, the contract price of the Turnkey Agreement was increased.

During construction of the Project, certain disputes arose between DFD and DIG. On or about October 21, 2001, DFD filed a Claim of Lien for Contractor (the "Claim of Lien") in the office of the Register of Deed for Wayne County, Michigan. By the Claim of Lien, DFD sought imposition of a lien against some of Rouge Steel's property in the amount of $110,360,093.00, claiming priority as of November 3, 1998, allegedly the first day DFD provided labor or material to the Project. On or about October 18, 2001, DFD supplemented the legal description and property included on the previously filed Claim of Lien by adding additional parcels in the Rouge Complex.

On October 31, 2001, DFD commenced an action against DIG, Rouge Steel, Ford and others in the Circuit Court for Wayne County, Michigan seeking to collect approximately $110,000,000.00 it claimed it was owed in relation to the Project (the "Michigan Action"). DFD sought to recover from Rouge Steel based on the Claim of Lien, as supplemented, as well as on theories of breach of contract and *quantum meruit*. Rouge Steel and others moved for summary judgment to dismiss the breach of contract and *quantum meruit* claims. On December 12, 2001, DIG filed a Statement of Claim and Demand for Arbitration with the American Arbitration Association in Detroit, Michigan (the document, the "Arbitration Demand," and the resulting arbitration proceeding, the "Arbitration"). In the Arbitration Demand, DIG sought damages, which at the time were alleged to exceed $106,000,000.00.

On March 31, 2004, DFD filed a proof of claim (identified by the Debtors as Claim No. 669) against Rouge Steel asserting a secured claim of $116,081,378.03 ("Claim No. 669") based on the Claim of Lien. In Claim No. 669, DFD asserted that, pursuant to the Sale Order, the Claim of Lien attached to the proceeds of the Asset Sale (the "Remaining Proceeds"), and that it had a first priority claim to the Remaining Proceeds attributable to the property that was subject to the Claim of Lien. The Debtors and the Committee disputed DFD's assertion and the basis for Claim No. 669.

In August, 2005, the Debtors, the Committee and DFD reached an agreement that resolved their dispute regarding the Claim of Lien and Claim No. 669. Rouge Steel agreed to pay DFD $4 million and assign to DFD any and all rights and claims it has or may have against

DIG arising by reason of the Claim of Lien in full and final satisfaction of the Claim of Lien and Claim No. 669 (the "DFD Settlement"). On September 26, 2005, the Bankruptcy Court approved the DFD Settlement (D.I. 1272), and the DFD Settlement has since been consummated.

H. FORD LITIGATION AND SETTLEMENT

On June 15, 2005, Ford commenced adversary proceeding number 05-51865 (the "Ford Adversary Proceeding") against the Debtors by filing Ford Motor Company's Complaint for Declaratory Judgment, which was subsequently amended on August 5, 2005 (the "Complaint"). The Complaint sought a declaratory judgment that (a) the Debtors were in default under that certain Subordinated Loan and Security Agreement (as subsequently amended or modified, and together with related documents, the "Ford Agreement"); (b) the Debtors owe Ford all outstanding indebtedness under the Ford Agreement, which was alleged to be $75 million in principal plus interest, attorneys' fees and related expenses; (c) Ford has a valid, perfected first priority security interest in the Debtors' collateral and proceeds and was entitled to such proceeds to satisfy the outstanding obligations; and (d) that portion of the net proceeds of the sale of the Debtors' assets attributable to Ford's collateral equals or exceeds the outstanding indebtedness and related expenses allegedly owed to Ford. In the Ford Adversary Proceeding, Ford also sought to have the Debtors pay to Ford the amounts that it alleged the Debtors owed to Ford.

On or about October 3, 2005, the Creditors' Committee filed the Motion of the Official Committee of Unsecured Creditors to Intervene in Adversary Proceeding Pursuant to 11 U.S.C. § 1109(a) and Fed. R. Bankr. P. 7024, which was subsequently approved on October 26, 2005. Following its intervention, the Creditors' Committee actively participated in the Ford Adversary Proceeding.

On or about October 15, 2005, the Debtors filed the Defendants' Answer, Affirmative Defenses and Counterclaims (the "Answer") to the Complaint. Pursuant to the Answer, the Debtors raised multiple counterclaims and affirmative defenses against Ford, including, without limitation, the following: (1) objection to Ford's asserted secured claim based on an alleged failure to file a proof of claim as required by the Bar Date Order, Bankruptcy Code Sections 501 and 502 and Bankruptcy Rule 3003(c); (2) fraudulent conveyance pursuant to Bankruptcy Code Sections 544(b), 550 and 551 and the fraudulent conveyance laws of the State of Michigan; (3) recharacterization as equity of $75 million asserted by Ford to have been a loan to the Debtors made in connection with the Ford Agreement (the "Ford Payment"); (4) recharacterization of the Ford Payment as consideration for the Debtors' execution of that certain confidential settlement agreement on or about the time of the Ford Agreement (the "Confidential Settlement Agreement") and disallowance of Ford's alleged secured claim; (5) deepening insolvency; (6) equitable subordination pursuant to Bankruptcy Code Section 510(c); (7) declaratory judgment that Ford's claim was not secured by the Debtors' collateral due to Ford's junior alleged security interest in such collateral; (8) setoff of the Debtors' claims against Ford against any amounts due to Ford under the Ford Agreement; (9) a $114,017,500.73 preference action pursuant to Bankruptcy Code Sections 547(b) and 550; and (10) disallowance of any of Ford's claims pursuant to Bankruptcy Code Section 502(d) (collectively, the "Counterclaims"). Ford denied each of the Counterclaims in its answer dated November 14, 2005.

On January 11, 2006, at the request of the parties, the Court entered an order directing the parties to mediate the Ford Adversary Proceeding. The parties held an in-person mediation on March 20-21, 2006 in Wilmington, Delaware before the Honorable Francis Conrad and subsequently continued the mediation through written and telephonic communications. Ultimately, after lengthy negotiations, the parties agreed to resolve the issues raised in the Ford Adversary Proceeding pursuant to the terms set forth in the Stipulation, Settlement Agreement and Release Between the Debtors, the Official Committee of Unsecured Creditors and Ford Motor Company (the "Ford Settlement Agreement").

The Ford Settlement Agreement[4] provided, in relevant part, for (1) the Debtors to pay Ford $50 million to resolve all of Ford's claims against the Debtors' estates, including, without limitation, the Ford Payment, plus asserted accrued interest and fees for an aggregate asserted claim of approximately $92 million, Ford's asserted administrative claim in the amount of $1,054,316.00; Ford's asserted general unsecured claim in the amount of $37,683,599; (2) Ford, the Debtors, the Creditors' Committee to execute releases; (3) Ford and the Debtors to cooperate with one another with respect to any Powerhouse PI Claims (as defined in the Ford Settlement Agreement) consistent with paragraphs 5(a) and 5(b) of the Confidential Settlement Agreement; and Ford and the Debtors shall be permitted to reduce their liabilities against third parties by asserting the liabilities of such third-parties are the other parties' obligation, consistent with paragraph 3(a) of the Confidential Settlement Agreement; (4) Ford to act consistent with its historical undertakings and with its obligations under the Rouge Steel Purchase Agreement with respect to the Asbestos Claims; and (5) Ford and the Debtors to reserve the right to argue in connection with defending the Asbestos Claims (as defined in the Ford Settlement Agreement) or other claims asserted against the Debtors or Ford, that liability of such claims (if any exists) should be reduced on the ground that the other party is at fault.

The Debtors and the Creditors' Committee entered into the Ford Settlement Agreement to resolve claims that otherwise may have prevented or diminished recovery to the Debtors' unsecured creditors. The issues raised in the Ford Adversary Proceeding were extremely complex and were in the very early stages of discovery prior to the resolution. Without the settlement, the parties would have had to undergo extensive additional discovery at substantial cost to the Debtors' estates. Accordingly, the successful resolution of the Ford Adversary Proceeding paved the way for the Debtors' orderly liquidation and enhanced the recovery to general unsecured creditors.

On or about August 21, 2006, the Court entered an order approving the Ford Settlement Agreement (D.I. 1760). Shortly thereafter, the Debtors paid Ford the settlement amount of $50 million and claims asserted by Ford and the Counterclaims asserted by the Debtors were mutually released, consistent with the terms of the Ford Settlement Agreement. The Ford Adversary Proceeding has been dismissed with prejudice.

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[4] The following description of certain terms of the Ford Settlement Agreement is intended for the convenience of the parties and is qualified in all respects by the language of the Ford Settlement Agreement.

I. SHILOH LITIGATION AND SETTLEMENT

Prior to the Petition Date, the Debtors conducted business, from time to time, with one or more of the following entities: Shiloh Industries, Inc., Shiloh Corporation, Liverpool Coil Processing Incorporated, Medina Blanking, Inc., Sectional Stamping, Inc., Greenfield Die & Manufacturing Corp., Shiloh Automotive, Inc. and the Sectional Die Company (collectively, the "Shiloh Entities"). Certain of the Shiloh Entities provided various services to the Debtors and sold various goods to the Debtors for use in their business or for resale by the Debtors to others. As a result of these transactions, certain of the Debtors owed the Shiloh Entities various sums of money (such amounts, the "Shiloh Claims"). Likewise, the Debtors sold steel to certain of the Shiloh Entities for use in their business or for resale to others. As a result of these transactions, certain of the Shiloh Entities became indebted to certain of the Debtors (such amounts, the "Accounts Receivable").

Both the Shiloh Claims and the Accounts Receivable were the subjects of longstanding disputes between the Debtors and the Shiloh Entities. Prior to the Petition Date, at least three separate lawsuits were commenced between certain of the Shiloh Entities and the Debtors involving disputes arising from the parties business relationships. In this prepetition litigation, the parties each sought to recover the various amounts they claimed were owed to them and sought declaratory and other relief relating to, among other things, the Accounts Receivable and the Shiloh Claims.

Following the consummation of the Severstal Sale, Severstal sought to recover the Accounts Receivable from the Shiloh Entities. In February 2005, Severstal commenced an action in the Circuit Court for Wayne County, Michigan against the Shiloh Entities wherein Severstal sought to recover the Accounts Receivable from the Shiloh Entities and related relief.

On or about March 2, 2005, the Shiloh Entities commenced an adversary proceeding against Rouge Industries and Rouge Steel in the Bankruptcy Court captioned *Shiloh Industries, Inc., et al., v. Rouge Industries, Inc., et al.*, Adv. Proc. No. 05-50505 (the "First Shiloh Bankruptcy Action"). In the First Shiloh Bankruptcy Action, the Shiloh Entities sought various forms of declaratory relief, including (a) a declaration that the Shiloh Entities validly and properly completed setoffs against accounts receivable owed by certain of the Shiloh Entities to the Debtors prior to the Petition Date, (b) a declaration that such accounts receivable were not sold or transferred by the Debtors to Severstal and (c) a declaration that the Shiloh Entities' contract defenses, including any defense of setoff survived the closing of the Severstal Sale and remained as valid defenses against any claims asserted by the Debtors against the Shiloh Entities based upon the Accounts Receivable. On July 1, 2005, at the direction of the Bankruptcy Court, the Shiloh Entities filed an amended complaint adding Severstal as an additional defendant to the First Shiloh Bankruptcy Action. On August 15, 2005, the Debtors and Severstal filed their respective answers.

On or about October 21, 2005, Rouge commenced an adversary proceeding against the Shiloh Entities in the Bankruptcy Court captioned *Rouge Industries, Inc., et al., v. Shiloh Industries, Inc., et al.,*, Adv. Proc. No. 05-30052 (the "Second Shiloh Bankruptcy Action," and together with the First Shiloh Bankruptcy Action, the "Shiloh Bankruptcy Actions"). In the Second Shiloh Bankruptcy Action, Rouge sought (a) to avoid certain transfers of the Debtors' property, including certain setoffs allegedly effectuated by one or more of the

Shiloh Entities and certain alleged transfers of receivables between and among certain of the Shiloh Entities, (b) to recover property of the Debtors and (c) related relief.

In connection with the Shiloh Bankruptcy Actions, the Debtors and Severstal entered into a Joint Defense and Common Interest Agreement, effective as of August 12, 2005, and a term sheet, dated October 21, 2005 (together, the "Shiloh Litigation Agreements"). Pursuant to the Shiloh Litigation Agreements, the Debtors and Severstal agreed to pursue a common interest and joint defense litigation strategy in the Shiloh Bankruptcy Actions. Additionally, Severstal agreed to indemnify the Debtors, in part, for certain liabilities and expenses incurred in connection with the Shiloh Bankruptcy Actions and to share a fraction of the proceeds of the Accounts Receivable collections recovered from the Shiloh Entities.

After extensive motion and pre-trial practice and several failed mediations, the parties ultimately reached an agreement resolving the matters in dispute among them. The stipulation entered into by the parties provided, *inter alia,* that: (i) the Shiloh Entities would make a payment to Severstal in full and final resolution of any and all claims between the Shiloh Entities and Severstal and/or the Debtors with respect to the matters in dispute among the parties; (ii) Severstal would pay the Debtors $20,000 in full and final resolution of any and all claims between the Debtors, Severstal and/or the Shiloh Entities with respect to or arising in connection with the matters in dispute among the parties; (iii) the Shiloh Entities would be deemed to have withdrawn with prejudice any and all claims filed against any of the Debtors in the Chapter 11 Cases; and (iv) the Shiloh Litigation Agreements would be approved as modified by the stipulation. On August 21, 2006, the Bankruptcy Court entered an order approving the stipulation (D.I. 1765).

J. EMPLOYEE MATTERS

1. UAW Collective Bargaining Agreements And Employee And Retiree Benefits Matters

As of the Petition Date, the Debtors employed 2,633 full time employees, 2,051 of which were covered by two master and three unit collective bargaining agreements (the "CBAs") between Rouge Steel and the UAW, dated August 6, 2000. In addition, the Debtors had approximately 1307 retirees and their dependents that were eligible to receive various medical, surgical and hospital benefits, or benefits in the event of accident, disability or death under various plans offered by the Debtors and/or Ford (the "Retiree Benefits"). Of this number less than 150 received their Retiree Benefits exclusively from the Debtors.

Severstal declined to take an assignment of the existing CBAs in connection with the Severstal Sale, choosing instead to enter into new collective bargaining agreements with the UAW.[5] Beginning in November 2003, the Debtors attempted to negotiate a consensual termination of the CBAs and the Retirement Benefits effective as of the January 30, 2004 closing date of the Severstal Sale. Those discussions were not immediately successful, prompting the Debtors to move on January 30, 2004 (D.I. 381) (the "CBA/Benefits Termination Motion") to

[5] Severstal, however, assumed the Supplemental Unemployment Benefit Plan, assumed workers compensation liabilities for certain employees and agreed to pay all accrued vacation pay and personal days for transferred employees.

terminate the CBAs and the Retiree Benefits pursuant to sections 1113 and 1114 of the Bankruptcy Code. The UAW filed an objection (D.I. 421) (the "UAW Objection"), disputing, among other things, the Debtors' ability to terminate the CBAs under section 1113 of the Bankruptcy Code.

Ultimately, the Debtors and the UAW, with the input and consent of the Creditors' Committee, entered into an agreement and stipulation (the "UAW Stipulation") to resolve the CBA/Benefits Termination Motion, the UAW Objection and all other matters in dispute between the Debtors and the UAW. On March 3, 2004, the Bankruptcy Court entered an interim order (D.I. 439) approving the UAW Stipulation, and on April 7, 2004, the Bankruptcy Court entered a final order (D.I. 546) (the "Final UAW Order") approving the UAW Stipulation as modified and amended thereby (the UAW Stipulation, as modified and amended by Final UAW Order, the "Final UAW Stipulation").

When approved by the Court on April 7, 2004, the Final UAW Stipulation, among other things, (a) effectuated the rejection of the CBAs pursuant to section 1113(c) of the Bankruptcy Code, (b) provided for the continuation of certain welfare and medical benefits for certain of the Debtors' former employees for a limited period of time, (c) allowed certain administrative and general unsecured claims in favor of the UAW on behalf of retired and non-retired UAW-represented employees of the Debtors (the "UAW Represented Persons"), (d) established mechanisms to make distributions on the Allowed UAW Claims to UAW Represented Persons and (e) provided that with respect to the Rouge Steel Company – UAW Retirement Plan the Debtors' would not enter into any agreement regarding the Hourly Retirement Plan with the Pension Benefit Guaranty Corporation without the consent of the UAW and that the UAW would promptly intervene in any civil action filed by the Pension Benefit Guaranty Corporation against such plan. Subject to certain exceptions, the Final UAW Stipulation was intended to comprehensively resolve all claims of the UAW and UAW Represented Persons arising under or in connection with the CBAs and related employee benefits programs under which certain of the UAW Represented Persons formerly were covered. The Final UAW Order therefore explicitly provides that the Final UAW Stipulation is in full and final satisfaction of any and all claims, except for certain general unsecured claims as identified in the Final UAW Stipulation, that may be made by UAW-Represented Persons. Paragraph 5 of the Final UAW Order provides:

> The UAW waives and shall not assert any administrative claims other than those administrative claims set forth in the [Final UAW Stipulation]. Except for general unsecured claims as set forth in paragraphs 15 and 17(b) of the [Final UAW Stipulation], the [Final UAW Stipulation] sets forth all claims of the UAW-Represented Persons against the Debtors and shall constitute final and full settlement of all claims that may be made by the UAW and the UAW-Represented Persons against the Debtors and their estates.

UAW Order, ¶ 5.

2. Salaried Employee And Retiree Benefits Matters

As of the date of closing of the Severstal Sale, the Debtors employed 515 full time, non-union employees (the "Salaried Employees") and 41 full time UAW-represented salaried employees who received benefits under certain Salaried Benefit Plans (as defined below). In addition, as of the date of closing of the Severstal Sale, the Debtors had 334 retirees who received their benefits from certain of the Salaried Benefit Plans (the "Salaried Retirees") and 10 retirees who retired from UAW represented salaried employment. Until the date of closing of the Severstal Sale, the Salaried Employees and Salaried Retirees were eligible to receive various employee benefits under certain of the following employee and retiree benefits plans and programs: (a) Rouge Steel Insurance Program for Salaried Employees; (b) Rouge Steel Company Salaried Income Security Plan; (c) Rouge Steel Company Retirement Plan for Salaried Employees; (d) Rouge Steel Company Savings Plan for Salaried Employees; (e) Rouge Steel Profit Sharing Plan for Salaried Employees; (f) Rouge Steel Company Supplemental Executive Retirement Plan; (g) Rouge Steel Company Benefit Restoration Plan; (h) Rouge Steel Company 2004 Stock Incentive Plan; (i) Rouge Steel Company 2002 Stock Incentive Plan; (j) Rouge Steel Company Incentive Compensation Plan; (k) Rouge Steel Company 1998 Stock Incentive Plan; (l) Rouge Steel Company Outside Director Equity Plan; (m) Rouge Steel Company Tuition Assistance Plan; and (n) certain Change in Control Severance Agreements (collectively, the "Salaried Benefit Plans"). The express terms of the Salaried Benefits Plans allowed them to be unilaterally terminated by the Debtors under the conditions prevailing after the closing of the Severstal Sale.

By motion, dated March 15, 2004 (D.I. 484) (the "Salaried Plan Motion"), the Debtors requested, among other things, confirmation of their authority to terminate the Salaried Benefit Plans. In an effort to address some of the hardship caused by the Debtors' bankruptcy filing, the sale of the Debtors' assets and business and the Debtors' discontinuation of operations, the Debtors requested the allowance of certain Administrative Claims and Unsecured Claims for the benefit of the Salaried Employees and Salaried Retirees. On April 7, 2004, the Bankruptcy Court entered an order (D.I. 547) (the "Salaried Plan Order") granting the Salaried Plan Motion.[6]

3. PBGC Litigation And Claims

Certain of the UAW Represented Persons, the Salaried Employees and the Salaried Retirees were or are covered under one or more of the following defined benefit pension plans governed by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"): (a) the Rouge Steel Company Salaried Employee Retirement Plan; (b) the Rouge Steel Company Salaried Past Service Retirement Plan; (c) the Rouge Steel Company-UAW Retirement Plan; and (d) the Rouge Steel Company-UAW Past Service Retirement Plan (collectively, the "Pension Plans").

On December 18, 2003, the Pension Benefit Guaranty Corporation ("PBGC") filed a complaint before the United States District Court for the District of Michigan, Southern

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[6] In response to a subsequently filed motion by the Debtors, on December 1, 2005, the Court entered a further order (D.I. 1409) allocating the Administrative Claims and Unsecured Claims allowed pursuant to the Salaried Plan Order among the individual Salaried Employees and Salaried Retirees eligible to share in such Claims. Distributions have already been made to certain of the Salaried Employees eligible to share in the Administrative Claims allowed pursuant to the Salaried Plan Order.

Division, thereby commencing the action captioned *Pension Benefit Guaranty Corp. v. Rouge Steel Company Salaried Employee Retirement Plan, et al.,* Case No. 03-75092 (the "Michigan Pension Action"). In the Michigan Pension Action, the PBGC seeks to effectuate an involuntary termination of the Pension Plans effective as of December 18, 2003, pursuant to 29 U.S.C. § 1342. The UAW has intervened in the Michigan Pension Action and opposes the involuntary termination of the Pension Plans under the terms sought by the PBGC.

The PBGC and the UAW filed cross-motions for summary judgment in the Michigan Pension Action on the issues of whether the PBGC's involuntary terminations of the Pension Plans was proper and, if so, on what date such terminations became effective. In an opinion and order, dated January 10, 2006, the court denied both summary judgment motions, finding that the administrative record was insufficiently developed to assess whether the involuntary termination was appropriate and remanded the matter to the PBGC for further consideration of the record. Debtors are advised that the PBGC intends to proceed with involuntary termination proceedings.

The PBGC has filed a total of forty-eight (48) proofs of Claim against the Debtors. The proofs of Claim consist of twelve (12) proofs of Claim against each Debtor, which are substantially identical as to each of the four Debtors. The PBGC alleges that its Claims may have the status, in whole or in part, of Administrative Claims, Priority Claims, Priority Tax Claims or General Unsecured Claims. For each of the Pension Plans, the PBGC has asserted Claims against each of the Debtors in the following categories: (a) alleged statutory liability pursuant to 29 U.S.C. §§ 1362 & 1368 for alleged unfunded benefit liabilities (the "Unfunded Plan Liability Claims"); (b) alleged statutory liability pursuant to 26 U.S.C. § 412 and 29 U.S.C. § 1082 for contributions that may be owing (the "Plan Contribution Claims"); and (c) alleged statutory liability pursuant to 29 U.S.C. § 1309 for premiums, interest and penalties (the "Plan Premium Claims," and collectively, with the Unfunded Plan Liability Claims and the Plan Contribution Claims, the "PBGC Claims"). The Unfunded Plan Liability Claims filed against each Debtor are asserted by the PBGC to be in the aggregate amount of $117,200,000. As the date hereof, the validity, amount, priority and status of the PBGC Claims has not yet been adjudicated before the Bankruptcy Court.

In July 2007, the Debtors were able to negotiate a settlement in principle, subject to Court approval, with the PBGC regarding its claims (the "PBGC Settlement"). After extensive negotiations regarding the form of settlement agreement, on January 16, 2008, the Debtors and the PBGC agreed in principle on the form of Settlement Agreement. On the same day the Debtors sent the form of Settlement Agreement to the Committee for its review. Subsequently, in February 2008, the Debtors and the PBGC finalized the Settlement Agreement, and the PBGC obtained its necessary approvals for entry into the Settlement Agreement. The Debtors also submitted the Settlement Agreement to the Committee for its review. On or about February 25, 2008, the Debtors and the PBGC executed the Settlement Agreement.

The principle terms of the Settlement Agreement were as follows:

a. The PBGC Claims. Subject to the terms and conditions of the Settlement Agreement, PBGC Claims were to be allowed as follows: (i) an unsecured claim against the Debtors' estates in an amount of $136,000,000 (the "PBGC Allowed Unsecured Claim") and (ii) subject to reasonable documentation, an allowed administrative

expense claim for out of pocket actuarial fees incurred by the PBGC in connection with the settlement discussions between the PBGC and the Debtors, in an amount not to exceed $100,000 (the "PBGC Allowed Administrative Claim" and together with the PBGC Allowed Unsecured Claim, the "PBGC Allowed Claims").

b. The Salaried Plan PBGC Distribution. The distribution to the PBGC on account of the PBGC Allowed Unsecured Claim with respect to the Rouge Steel Company Salaried Retirement Plan and the Rouge Steel Company Past Service Retirement Plan (the "Rouge Steel Salaried Plans"), in combination (such distribution referred to hereafter as the "PBGC Salaried Plan Unsecured Distribution") was to be the lesser of (i) $3,861,000 or (ii) the dollar amount which equals, on the effective date of a plan confirmed in this case, the percentage of the PBGC Allowed Unsecured Claim with respect to the Rouge Steel Salaried Plans which is the identical percentage being distributed to other holders of allowed unsecured claims on account of such claims in this case. The PBGC Salaried Plan Unsecured Distribution was to be in accordance with the terms of any confirmed and effective plan of reorganization or liquidation in the Debtors' bankruptcy cases which allows for distributions to unsecured creditors, including the PBGC, or otherwise in accordance with section 726 of the Bankruptcy Code, to the extent applicable. Upon payment of the PBGC Salaried Plan Unsecured Distribution consistent with this settlement and in accordance with a confirmed and effective plan of reorganization or liquidation or otherwise in accordance with section 726 of the Bankruptcy Code, that portion of the PBGC Allowed Unsecured Claim with respect to the Rouge Steel Salaried Plans was to be deemed to have been paid in full and be fully and finally satisfied.

c. The Hourly Plans PBGC Distribution. The distribution to the PBGC on account of the PBGC Allowed Unsecured Claim with respect to the Rouge Steel Company UAW-Retirement Plan and the Rouge Steel Company UAW-Past Service Retirement Plan (the "Rouge Steel Hourly Plans"), in combination (such distribution referenced to hereafter as the "PBGC Hourly Plan Unsecured Distribution") was to be the lesser of (i) $10,439,000 or (ii) the dollar amount which equals, on the effective date of a plan confirmed in this case, the percentage of the PBGC Allowed Unsecured Claim with respect to the Rouge Steel Hourly Plans which is the identical percentage being distributed to other holders of allowed unsecured claims on account of such claims in this case. The PBGC Hourly Plan Unsecured Distribution was to be in accordance with the terms of any confirmed and effective plan of reorganization or liquidation in the Debtors' bankruptcy cases which allows for distributions to unsecured creditors, including the PBGC, or otherwise in accordance with section 726 of the Bankruptcy Code, to the extent applicable. Upon payment of the PBGC Hourly Plan

Unsecured Distribution consistent with the settlement and in accordance with a confirmed and effective plan of reorganization or liquidation or otherwise in accordance with section 726 of the Bankruptcy Code, that portion of the PBGC Allowed Unsecured Claim with respect to the Rouge Steel Hourly Plans was to be deemed to have been paid in full and be fully and finally satisfied.

d. Termination Condition for Distribution. With respect to the PBGC Allowed Claim, the PBGC was to only receive the PBGC Salaried Plan Unsecured Distribution, to the extent distributions were to be made, with respect to the Salaried Plans upon the actual termination of the Salaried Plans. Further, with respect to the PBGC Allowed Claim, the PBGC was only to receive the PBGC Hourly Plans Unsecured Distribution, to the extent distributions were to be made, with respect to the Hourly Plans upon the actual termination of the Hourly Plans.

e. Mutual Releases. The Debtors and PBGC agreed to mutually release all other claims arising from or related to the Pension Plans, the PBGC Allowed Claims or any other matters related to the Debtors, their estates or the Debtors' bankruptcy cases. The PBGC does not release, however, any claims it may have relating to a fiduciary breach pursuant to ERISA Sections 401 to 417.

On March 12, 2008, the Debtors filed the motion (D.I. 2288) seeking approval of the Settlement Agreement with the PBGC. As indicated in that motion, the Creditors' Committee supported the Debtors' entry into the Settlement Agreement and the motion to approve the Settlement Agreement. On March 31, 2008, the UAW filed its objection to the motion to approve the Settlement Agreement (D.I. 2299). At a hearing held on April 7, 2008, the Court continued the hearing on the Settlement Agreement to June 23, 2008. On June 17, 2008 prior to the June 23, 2008 hearing, the UAW requested that the June 23rd hearing be adjourned to allow the UAW to attempt to reach a global resolution of outstanding issues with the Debtors and the PBGC. Hearings on the motion to approve the Settlement Agreement were continued as the Debtors, the PBGC and the UAW attempted to negotiate a global resolution. As of the date hereof, the Debtors, the PBGC and the UAW have been unable to agree on a resolution. Furthermore, the Court has not ruled on the Settlement Agreement. On November 12, 2008, the Debtors filed a notice (D.I. 2452) withdrawing the motion to approve the PBGC Settlement, without prejudice.

As of the date hereof, the Plan Proponents seek to confirm a Plan which incorporates certain terms of the Settlement Agreement as an alternative treatment of the PBGC Claims in connection with confirmation of the Plan, as further explained below in Section IV.C. Additionally, the Debtors with the Creditors' Committee's input and assistance are continuing their efforts to consensually resolve the PBGC Claims, the Michigan Pension Action and other matters. The Debtors and the Creditors' Committee reserve all rights and defenses with respect to the PBGC Claims, the Michigan Pension Action and other matters.

K. SUMMARY OF CERTAIN OTHER SIGNIFICANT POST-PETITION EVENTS

Other significant post-petition events that have occurred during the course of these Chapter 11 Cases include the following:

1. Schedules of Assets and Liabilities and Statements of Financial Affairs

On February 12, 2004, the Debtors filed their Schedules of Assets and Liabilities (D.I. 401, 403, 405, 407) and Statements of Financial Affairs (D.I. 402, 404, 406, 408) with the Bankruptcy Court.

2. Establishment of Bar Date and Administration of Claims

On February 18, 2004, the Bankruptcy Court entered the Order (I) Establishing Bar Dates For Filing Proofs of Claim and Requests For Payment of Administrative Expenses, (II) Approving a Request For Payment Form, (III) Approving Bar Date Notices, (IV) Approving Mailing and Publication Procedures and (V) Providing Certain Supplemental Relief (D.I. 433) (the "Bar Date Order"). Pursuant to the Bar Date Order, all non-governmental creditors who assert a pre-petition Claim against the Debtors were required to file a proof of such Claim pursuant to the procedures set forth in the Bar Date Order on or before April 5, 2004 at 4:00 p.m. (ET), and all governmental units who assert a pre-petition Claim against the Debtors were required to file a proof of such Claim on or before April 30, 2004, at 4:00 p.m. (ET) (together, the "Bar Date"),. In addition, pursuant to the Bar Date Order, all creditors who held or asserted an Administrative Claim against the Debtors pursuant to sections 365(d)(3), 365(d)(10), 503(b), 507(a)(1) and/or any other applicable provision of the Bankruptcy Code, which Claim accrued prior to January 30, 2004, were required to file original, written requests for payment of any such Administrative Claims in accordance with the Bankruptcy Rules prior to the Bar Date.

To date, the Debtors have completed the review of the vast majority of the approximately 1,100 Claims filed in the Chapter 11 Cases. The Debtors have filed seven omnibus objections to Claims, leading to the resolution of over 350 claims. In order to further reduce the remaining number of claims to be administered, the Debtors continue to review and, where appropriate, object to Claims filed in the Chapter 11 Cases.

3. Avoidance Actions

The Debtors undertook a comprehensive review of potential Avoidance Actions and transmitted approximately 177 demand letters to Persons and entities that the Debtors believe to be the recipients of potentially avoidable transfers. Following a review of the responses to these demand letters, the Debtors negotiated with certain respondents in an effort to recover or otherwise resolve these avoidable transfers through consensual means. In addition, the Debtors commenced litigation against forty-one (41) of the avoidable transfer recipients. As

a result of these efforts, the Debtors have negotiated settlements with sixty-six (66) of the avoidable transfer recipients for total recoveries in excess of $1.65 million.

4. Lien Adversary Proceedings

The Debtors also commenced twenty-seven (27) adversary proceedings against twenty-eight (28) alleged holders of construction, warehousemen and other statutory and common law Liens to determine the validity, priority and extent of such alleged Liens. The Debtors have actively prosecuted these actions and, where appropriate, explored opportunities to consensually resolve these proceedings. As a result of their efforts, the Debtors have resolved consensually with the alleged Lien holders and/or dismissed twenty-six (26) of the actions and have sought and obtained from the Bankruptcy Court default judgments in five (5) other actions. Litigation and efforts to reach settlement are continuing in the remaining actions.

IV.

SUMMARY OF THE LIQUIDATING PLAN OF REORGANIZATION

A. OVERVIEW OF CHAPTER 11

The chapter 11 plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan and any creditor of or equity holder in the debtor, whether or not such creditor or equity holder (a) is impaired under or has accepted the plan or (b) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefore the obligations specified under the confirmed plan.

A chapter 11 plan may specify that the legal, contractual and equitable rights of the holders of claims or equity interests in classes are to remain unaltered by the reorganization to be effectuated by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the holders of claims or equity interests in such classes. A chapter 11 plan also may specify that certain classes will not receive any distribution of property or retain any claim against a debtor. Such classes are deemed not to accept the plan and, therefore, need not be solicited to vote to accept or reject the plan. Any classes that are receiving a distribution of property under the plan but are not "unimpaired" will be solicited to vote to accept or reject the plan.

THE REMAINDER OF THIS SECTION SUMMARIZES THE STRUCTURE AND MEANS FOR IMPLEMENTING THE PLAN AND HOW THE PLAN CLASSIFIES AND TREATS CLAIMS AND EQUITY INTERESTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS THEREIN).

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN THE DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD REFER TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENT OF SUCH TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN.

THE PLAN ITSELF AND THE DOCUMENTS THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE OCCURRENCE OF THE EFFECTIVE DATE, BIND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS, THE DEBTORS' ESTATES, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES–IN–INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT SHALL GOVERN.

HOLDERS OF CLAIMS OR EQUITY INTERESTS AND OTHER INTERESTED PARTIES ARE THEREFORE URGED TO READ THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

B. GENERALLY

1. Liquidating Plan of Reorganization

The Plan is a liquidating chapter 11 plan of reorganization that provides for the orderly liquidation of all of the Debtors' assets, the determination of all Claims and the distribution of the proceeds of the assets to creditors. On the Effective Date, and in accordance with and pursuant to the terms of the Plan, the Debtors shall assign and transfer to the Liquidation Trust all of their right, title, and interest in and to all of the Liquidation Trust Assets, notwithstanding any prohibition of assignability under applicable non-bankruptcy law. In connection with the transfer of the Liquidation Trust Assets, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Liquidation Trust, shall vest in the Liquidation Trust and its representatives, including the Liquidation Trustee; and the Debtors, the Liquidation Trustee and the Plan Committee are authorized to take all necessary actions to effectuate the transfer of such privileges.

2. The Liquidation Trust

The Liquidation Trust shall be established for the primary purpose of liquidating and distributing the Liquidation Trust Assets, in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The Liquidation Trust shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth in the Plan. The Liquidation Trust is intended to qualify as a "grantor trust" for federal income tax purposes with the beneficiaries treated as grantors and owners of the trust. Notwithstanding Section IV.F.15, for federal tax purposes, the transfers of assets to the Liquidation Trust shall be treated as a deemed transfer for the Debtors to the beneficiaries of the Liquidation Trust followed by a deemed transfer by the beneficiaries to the Liquidation Trust.

C. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, Confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. Except as provided in the Plan and in the Solicitation Procedures Order, a Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified, but the treatment for such unclassified claims are set forth in Article II of the Plan and Section IV.C.2 herein.

The Debtors and the Creditors' Committee believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of section 1122 of the Bankruptcy Code, but it is possible that a Holder of a Claim or Equity Interest may challenge the classification of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed.

The Plan Proponents have classified the PBGC Unsecured Claims in Class 4. This claim is a contingent claim which shall not be paid until the date of termination of the Pension Plans is fixed. Additionally, this claim arose post-petition not from a direct creditor-debtor relationship between the Debtors and the PBGC, but from the operation of federal statute, in the form of ERISA. Furthermore, the Plan Proponents are treating the claim differently than other unsecured creditors. Given the nature of the claim the Plan Proponents believe it should be separately classified.

The Plan Proponents have classified the UAW Unsecured Rejection Claim in Class 5. This claim is a disputed, contingent claim. As a matter of law, the Plan Proponents believe that the UAW is not entitled to any amounts on account of the UAW Unsecured Rejection Claim. Additionally, the UAW has asserted that it is not possible to determine damages on its claim until the fixing of the date of termination of the Pension Plans. Given the nature of the claim the Plan Proponents believe it should be separately classified.

The classification of Claims and Equity Interests and the nature of Distributions to members of each Class are summarized below. The Debtors believe that the consideration, if any, provided under the Plan to Holders of Claims and Equity Interests reflects an appropriate resolution of their Claims and Equity Interests, taking into account the differing nature and priority (including applicable contractual subordination) of Claims and Equity Interests. The Bankruptcy Court must find, however, that a number of statutory tests are met before it may confirm the Plan. Many of these tests are designed to protect the interests of Holders of Claims or Equity Interests who are not entitled to vote on the Plan, or do not vote to accept the Plan, but who will be bound by the provisions of the Plan if it is confirmed by the Bankruptcy Court. The "cramdown" provisions of section 1129(b) of the Bankruptcy Code, for example, permit confirmation of a chapter 11 plan in certain circumstances even if the Plan has not been accepted by all Impaired Classes of Claims and Equity Interests. The Debtors will seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, because of the deemed rejection of Classes 6, 7 and 8. Although the Debtors believe that the Plan could be confirmed under section 1129(b) even if the Plan has not been accepted by all of the Impaired Classes, there can be no assurance that the requirements of such section would be satisfied.

1. Schedule of Treatment of Claims and Equity Interests

Class	Claim	Status	Voting Right
1	Secured Claims	Unimpaired	Not entitled to vote – deemed to accept
2	Other Priority Claims	Unimpaired	Not entitled to vote – deemed to accept
3	Unsecured Claims	Impaired	Entitled to vote
4	PBGC Unsecured Claims	Impaired	Entitled to vote
5	UAW Unsecured Rejection Claim	Impaired	Entitled to vote
6	Intercompany Claims	Impaired	Not entitled to vote – deemed to reject
7	Section 510 Subordination Claims	Impaired	Not entitled to vote – deemed to reject
8	Equity Interests	Impaired	Not entitled to vote – deemed to reject

2. Treatment of Unclassified Claims

(a) Administrative Claims

On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Administrative Claim becomes an Allowed Administrative Claim, each Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Claim or (ii) such other treatment as to which the Debtors or the Liquidation Trustee, as applicable, and such Holder have agreed upon in writing.

(b) Priority Tax Claims

On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Priority Tax Claims becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (i) Cash equal to the unpaid portion of such Allowed Priority Tax Claim, or (ii) such other treatment as permitted under the Bankruptcy Code, or (iii) such other treatment as to which the Debtors or the Liquidation Trustee, as applicable, and such Holder have agreed upon in writing.

3. Classification and Treatment of Classified Claims and Equity Interests

(a) Class 1—Secured Claims

(i) *Classification*: Class 1 consists of all Secured Claims.

(ii) *Treatment*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Claim becomes an Allowed Secured Claim, each Holder of such Allowed Secured Claim shall receive one of the following distributions in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Secured Claim, at the option of the Debtors or the Liquidation Trustee, as applicable: (i) Cash equal to 100% of the Net Proceeds from the sale of the Collateral encumbered by the Liens of the Holder of such Allowed Secured Claim up to the unpaid allowed amount of such Allowed Secured Claim (with such payments to be made, if applicable, from accounts set up by the Debtors, during the Chapter 11 Case, in connection with the sale of such Collateral), subject to applicable inter-creditor Lien priorities; (ii) the return of the Collateral encumbered by such Holder's Liens; or (iii) such other treatment as to which the Debtors or the Liquidation Trustee, as applicable, and such Holder have agreed upon in writing.

(iii) *Voting:* Class 1 is unimpaired. Holders of Secured Claims in Class 1 are deemed to accept the Plan and therefore are not entitled to vote to accept or reject the Plan.

(b) Class 2—Other Priority Claims

(i) *Classification*: Class 2 consists of all Other Priority Claims.

(ii) *Treatment*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an

Allowed Other Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, (i) Cash equal to the unpaid portion of such Allowed Other Priority Claim, or (ii) such other treatment as permitted under the Bankruptcy Code, or (iii) such other treatment as to which the Debtors or the Liquidation Trustee, as applicable, and such Holder have agreed upon in writing.

(iii) *Voting*: Class 2 is unimpaired. Holders of Other Priority Claims in Class 2 are deemed to accept the Plan and therefore are not entitled to vote to accept or reject the Plan.

(c) Class 3—Unsecured Claims

(i) *Classification*: Class 3 consists of all Unsecured Claims, other than the PBGC Unsecured Claims and the UAW Unsecured Rejection Claim.

(ii) *Treatment*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic *Distribution* Date immediately following the date such Unsecured Claim becomes an Allowed Unsecured Claim, each Holder of an Allowed Unsecured Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Unsecured Claim, its Pro Rata share of the Initial Class 3 Distribution Amount. On each Periodic Distribution Date, each Holder of an Allowed Unsecured Claim shall receive its Pro Rata share of the Periodic Class 3 Distribution Amount.

(iii) *Voting*: Class 3 is impaired. Except as provided in the Solicitation Procedures Order, Holders of Unsecured Claims in Class 3 are entitled to vote to accept or reject the Plan.

(d) Class 4—PBGC Unsecured Claims

(i) *Classification:* Class 4 consists of the PBGC Unsecured Claims.

(ii) *Treatment:* The PBGC shall receive treatment in accordance with Option 1 or Option 2 below. The PBGC shall receive treatment in accordance with Option 1 below, unless the UAW elects Option 2 with respect to its Class 5 UAW Unsecured Rejection Claim, by providing the Plan Proponents written notice thereof five (5)

Business Days prior to the Confirmation Hearing, then the PBGC shall receive treatment in accordance with Option 2 below.[7]

1. *Option 1*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date the PBGC Unsecured Claim or such portion of the PBGC Unsecured Claim becomes allowed in accordance with and payable under the Plan, the PBGC, and/or its designee, in whole or in part, shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such PBGC Allowed Unsecured Claim, its Pro Rata share of the Initial Class 4 Distribution Amount. On each Periodic Distribution Date, the PBGC, and/or its designee, in whole or in part, shall receive its Pro Rata share of the Periodic Class 4 Distribution Amount. The PBGC Hourly Plan Unsecured Distribution shall be capped at the lesser of (i) an amount of $10,439,000.00, or (ii) the dollar amount which equals the percentage of the PBGC Allowed Unsecured Claim with respect to the Hourly Plans which is the identical percentage being distributed to Holders of Allowed Class 3 Unsecured Claims. The PBGC will only receive the PBGC Hourly Plans Unsecured Distribution with respect to the Hourly Plans upon the actual termination, prior to assumption by an unrelated third party, of the Hourly Plans. The PBGC Salaried Plan Unsecured Distribution shall be capped at the lesser of (i) an amount of $3,861,000.00, or (ii) the dollar amount which equals the percentage of the PBGC Allowed Unsecured Claim with respect to the Salaried Plans which is the identical percentage being distributed to Holders of Allowed Class 3 Unsecured Claims. The PBGC will only receive the PBGC Salaried Plan Unsecured Distribution with respect to the Salaried Plans upon the actual termination, prior to assumption by an unrelated third party, of the Salaried Plans.

2. *Option 2*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date the PBGC Unsecured Claim or such portion of the PBGC Unsecured Claim becomes allowed in accordance with and payable under the Plan, the PBGC, and/or its designee, in whole or in part, shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such PBGC Allowed Unsecured Claim, its Pro Rata share of the Initial Class 4 Distribution Amount. On each Periodic Distribution Date, the PBGC shall receive its Pro Rata share of the

[7] To the extent the PBGC Claims are not treated as set forth in the Plan the Plan Proponents reserve the right to seek, and seek to the extent they determine to do so, as part of the Plan and its confirmation the estimation and establishment of a reserve for the PBGC Claim.

Periodic Class 4 Distribution Amount. The PBGC Hourly Plan Unsecured Distribution shall be capped at an amount of $3,856,055.00. The PBGC Salaried Plan Unsecured Distribution shall be capped an amount of $4,008,945.00. The Salaried Plans and the Hourly Plans shall be actually terminated and shall be deemed to have a date of plan termination of January 29, 2004.

To the extent that the Hourly Plans and/or the Salaried Plans are assumed by an unrelated third party prior to termination the proportionate share of the Hourly Plans and/or Salaried Plans distribution associated with the assumption shall be paid to the assignee, or its designee, in whole or part, and the PBGC Unsecured Claims shall be deemed satisfied with respect to the part of the PBGC Unsecured Claim associated with the assumption, whether in whole or in part, and the Debtors, Debtors' Estates, Liquidating Trustee or Liquidation Trust shall have no further obligations or responsibilities with respect to the part of the PBGC Unsecured Claim associated with such assumption, whether in whole or in part.

Liquidating Trustee shall hold in the PBGC Reserve the amount of $14,300,000.00 until the occurrence of a termination and/or assumption of the Hourly Plans and/or the Salaried Plans in accordance with Options 1 or 2 above, at which time the Liquidating Trustee shall make in accordance with Options 1 or 2 the appropriate distribution from the PBGC Reserve.

(iii) *Voting:* Class 4 is impaired. Except as provided in the Solicitation Procedures Order, Holders of Unsecured Claims in Class 4 are entitled to vote to accept or reject the Plan.

(e) Class 5—UAW Unsecured Rejection Claim

(i) *Classification*: Class 5 consists of the UAW Unsecured Rejection Claim.

(ii) *Treatment*: The UAW shall receive treatment with respect to the UAW Rejection Claim in accordance with Option 1 or 2 below. The UAW shall receive treatment in accordance with Option 1 below, unless the UAW elects Option 2 by providing the Plan Proponents written notice thereof five (5) business days prior to the Confirmation Hearing.

1. *Option 1*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date or the first Periodic Distribution Date immediately following the date such UAW Unsecured Rejection Claim becomes an Allowed Claim, the UAW

shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed UAW Unsecured Rejection Claim, its Pro Rata share of the Initial Class 5 Distribution Amount. On each Periodic Distribution Date, the UAW shall receive its Pro Rata share of the Periodic Class 5 Distribution Amount.[8]

2. *Option 2*: On, or as soon as reasonably practicable after, the later of the Initial Distribution Date, the UAW shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such UAW Unsecured Rejection Claim, its Pro Rata share of the Initial Class 5 Distribution Amount. On each Periodic Distribution Date, the UAW shall receive its Pro Rata share of the Periodic Class 5 Distribution Amount. The UAW shall receive a distribution on the UAW Unsecured Rejection Claim in an amount not to exceed $6,435,000.00. The Salaried Plans and the Hourly Plans shall be actually terminated and shall be deemed to have a date of plan termination of January 29, 2004.

(iii) *Voting:* Class 5 is impaired. Except as provided in the Solicitation Procedures Order, Holders of the UAW Unsecured Rejection Claim in Class 5 are entitled to vote to accept or reject the Plan

(f) Class 6—Intercompany Claims

(i) *Classification*: Class 6 consists of all Intercompany Claims.

(ii) *Treatment:* On the Effective Date, all Intercompany Claims shall be cancelled and Holders of Intercompany Claims shall not receive any distribution on account of such Intercompany Claim under the Plan.

(iii) *Voting*: Class 6 is impaired. Because Holders of Intercompany Claims will receive no distributions under the Plan, Class 6 will be deemed to have voted to reject the Plan.

(g) Class 7—Subordinated 510 Claims

(i) *Classification:* Class 7 consists of all Subordinated 510 Claims.

(ii) *Treatment*: On the Effective Date, all Subordinated 510 Claims shall be deemed eliminated, cancelled and/or extinguished and each Holder thereof shall not be entitled to, and shall not receive or

[8] Prior to or on the Confirmation Date to the extent appropriate a reserve will be established for the UAW Unsecured Rejection Claim which shall be the maximum distribution the UAW Unsecured Rejection Claim shall be entitled to receive under the Plan. The Plan Proponents believe the UAW Rejection Claim is not entitled to any distribution, and, therefore the reserve should be zero for such claim under the Plan.

retain any property under the Plan on account of such Subordinated 510 Claim.

(iii) *Voting*: Class 7 is impaired. Because Holders of Subordinated 510 Claims will receive no distributions under the Plan, Class 7 will be deemed to have voted to reject the Plan.

(h) Class 8—Equity Interests

(i) *Classification:* Class 8 consists of all Equity Interests.

(ii) *Treatment*: On the Effective Date, all Equity Interests shall be cancelled and the Holders of Equity Interests shall not receive or retain any distribution or property on account of such Equity Interests.

(iii) *Voting*: Class 8 is impaired. Because Holders of Equity Interests will receive no distribution under the Plan, Class 8 will be deemed to have voted to reject the Plan.

4. Special Provision Regarding Unimpaired Claims

Except as otherwise provided in the Plan, the Confirmation Order or any other Final Order of the Bankruptcy Court, nothing shall affect the rights and defenses, both legal and equitable, of the Debtors, their Estates or the Liquidation Trustee with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to the legal and equitable defenses to setoffs or recoupments against Unimpaired Claims.

5. Allowed Claims

Notwithstanding any provision in the Plan to the contrary, the Disbursing Agent shall only make distributions to Holders of Allowed Claims. No Holder of a Disputed Claim will receive any distribution on account thereof until (and then only to the extent that) its Disputed Claim becomes an Allowed Claim. The Liquidation Trustee may, in its sole discretion, withhold distributions otherwise due hereunder to any Holder of a Claim until the Claims Objection Deadline, to enable a timely objection thereto to be filed. Any Holder of a Claim that becomes an Allowed Claim after the Effective Date will receive its distribution in accordance with the terms and provisions of this Plan and the Liquidation Trust Agreement.

6. Special Provision Regarding Insured Claims

Distributions under the Plan to each Holder of an Insured Claim shall be in accordance with the treatment provided under the Plan for the Class in which such Insured Claim is classified; provided, however, that the maximum amount of any distribution under the Plan on account of an Allowed Insured Claim shall be limited to an amount equal to: (a) the applicable deductible or self-insured retention under the relevant insurance policy minus (b) any

reimbursement obligations of the Debtors to the insurance carrier for sums expended by the insurance carrier on account of such Claim (including defense costs). Nothing in Section III.E of the Plan shall constitute a waiver of any Cause of Action the Debtors may hold against any Person, including the Debtors' insurance carriers, or is intended to, shall or shall be deemed to preclude any Holder of an Allowed Insurance Claim from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors in addition to any distribution such Holder may receive under the Plan; provided, however, the Debtors do not waive, and expressly reserve their rights to assert that any insurance coverage is property of the Estates to which they are entitled.

D. ALLOWANCE OF THE PBGC CLAIMS

Subject to and upon Confirmation of the Plan and the occurrence of the Confirmation Date and Effective Date, the PBGC's claims will be allowed as follows: (i) an unsecured claim against the Debtors' estates in an amount of $136,000,000 (the "PBGC Allowed Unsecured Claim", as further described herein), and (ii) subject to reasonable documentation, an allowed administrative expense claim for out-of-pocket actuarial fees incurred by the PBGC in connection with prior settlement discussions between the PBGC and the Debtors, in an amount not to exceed $100,000 (the "PBGC Allowed Administrative Claim" and together with the PBGC Allowed Unsecured Claim, the "PBGC Allowed Claims"). The PBGC shall not be required to amend the proofs of claim that it heretofore filed in this bankruptcy case; provided, however, the PBGC shall have no right to file or assert any other or additional proofs of claim or requests for payment of administrative expenses in the Debtors' bankruptcy cases and that any other claims it currently has on file which contradict this treatment shall be deemed withdrawn. Except as otherwise expressly provided in the Plan, the only claims the PBGC shall have against the Debtors and their estates are the PBGC Allowed Claims, and the PBGC shall have no other or further claims, including any administrative, secured, or other priority claims, against the Debtors' estates.

E. ACCEPTANCE OR REJECTION OF PLAN

1. Impaired Classes of Claims Entitled to Vote

Subject to Article III of the Plan, Holders of Claims in each Impaired Class of Claims are entitled to vote as a Class to accept or reject the Plan.

2. Acceptance by Impaired Classes

An Impaired Class of Claims will have accepted the Plan if the Holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims in the Class actually voting have voted to accept the Plan, in each case not counting the vote of any Holder designated under section 1126(e) of the Bankruptcy Code.

3. Presumed Acceptance by Unimpaired Classes

Classes 1 and 2 are Unimpaired by the Plan. Under section 1126(f) of the Bankruptcy Code, Holders of such Claims are conclusively presumed to accept the Plan, and the votes of the Holders of such Claims will not be solicited.

4. Classes Deemed to Reject Plan

Holders of Claims in Classes 6 and 7 and Holders of Equity Interests in Class 8 are not entitled to receive or retain any property under the Plan. Under section 1126(g) of the Bankruptcy Code, Holders of Claims in Classes 6 and 7 and Holders of Equity Interest in Class 8 are deemed to reject the Plan, and the votes of the Holders of such Claims and Equity Interests will not be solicited.

5. Elimination of Vacant Classes

Any Class that does not contain any Allowed Claims or Equity Interests or any allowed claims or equity interests for voting purposes, as of the date of the commencement of the Confirmation Hearing, will be deemed not included in the Plan for purposes of (a) voting to accept or reject the Plan and (b) determining whether such Class has accepted or rejected the Plan under section 1129(a)(8) of the Bankruptcy Code.

6. Nonconsensual Confirmation

The Bankruptcy Court may confirm the Plan over the dissent of any Impaired Class if all of the requirements for consensual confirmation under subsection 1129(a), other than subsection 1129(a)(8), of the Bankruptcy Code and for nonconsensual confirmation under subsection 1129(b) of the Bankruptcy Code have been satisfied. In the event that any impaired Class of Claims or Equity Interests shall fail to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtors reserve the right to (a) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code or (b) amend the Plan.

F. MEANS FOR IMPLEMENTATION

1. Substantive Consolidation

The Plan contemplates and is predicated upon entry of an order substantively consolidating the Estates and the Chapter 11 Cases. On the Effective Date, (a) all Intercompany Claims by, between and among the Debtors shall be eliminated, (b) all assets and liabilities of the Affiliate Debtors shall be merged or treated as if they were merged with the assets and liabilities of Rouge Industries, (c) any obligations of a Debtor and all guarantees thereof by one or more of the other Debtors shall be deemed to be one obligation of Rouge Industries, (d) the Old Common