

SUMMARY

Proposed Agreement

between

Allegheny Ludlum Corp

and the

United Steelworkers



Effective July 1, 2007

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Dear USW Member;

As you know, your Union has been bargaining a new labor agreement with Allegheny for the past month or so. We chose this opportunity to attempt to reach an early new agreement because of the strength in the stainless and titanium markets and because it's to all our advantages to avoid the disruption that naturally comes with taking these issues to the deadline. That process usually involves building unnecessary inventory and expenditures on strike preparation when instead that money could have best been used to achieve a good labor agreement.

We believe we have accomplished our goals by entering into early negotiations. As is the case at all bargaining tables across our country, we have faced the tough and complex issues related to retiree health care and have established a trust with a funding mechanism that we are confident will carry us well into the future at a good level of benefits, and with contributions that are affordable. We have faced the Company and made our case on the staffing issues at our plants and have added new hiring requirements. We have also been forceful about our share of the good economic times the Company has enjoyed since we last bargained with them and we have gained our rightful share of that pie.

Much of Allegheny's ability to prosper during the past few years is as a result of the foundation we laid in our 2004 negotiations and the hard work you have done in the mills to deliver high quality products to the market on time. This proposal is the result of those efforts and the hard work by your Local Union Bargaining Committees together with the International. The tentative agreement we reached has been approved unanimously for ratification by all your Local Union Presidents. We, too, submit it to you with the recommendation for its approval. It is the result of your solidarity and determination and is a demonstration that, together, we are stronger than steel.

Yours in Solidarity,

Leo Gerard
International President

Tom Conway
International Vice President
Chair, ALC Bargaining Comm.

Bill Pienta
Director, District 4

David McCall
Director, District 1

Jim Robinson
Director, District 7

John DeFazio
Director, District 10

Terry Bonds
Director, District 12

Highlights

Condition and Term of Agreement

The proposed agreement will take effect July 1, 2007 and is scheduled to expire on June 30, 2011. Benefits agreements, including health care, remain in force 150 days beyond the expiration date.

Master Language

We made significant progress towards aligning the various plants under Master Contract Language resulting for the first time in uniformity in layout of the articles in the agreement and significant language improvement in numerous locations.

Wage Increases

Wage increases were gained for every location in each year of the agreement.

Incentives

As part of these negotiations, \$2.00 in “trapped wages” from the previous agreement were added to the IRC rate and various improvements were made at several locations to existing incentive plans.

Signing Bonus

A \$3,500 signing bonus, payable within one month of the ratification date.

VEBA

A trust fund was created to protect present and future retiree healthcare benefits. The trust will be funded by a profit sharing stream up to 20 million dollars.

Neutrality

Improvements include a new expedited card check procedure with first contract interest arbitration at an anticipated new location.

Pension

Across the board improvements have been made to the existing pension plan.

Bereavement

Two additional bereavement days for certain relatives.

Hiring Commitment

The Company has agreed to hire an additional 64 employees at various locations.

Exton Closing

The Union has negotiated a safety net for members at the Exton location.

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Local Issues

Progress was made at every location in the resolution of local issues including reassessment of job classifications and improvements to incentive plans.

Wages and Job Classifications

Wage Rates

Wage increases were negotiated for every location. All wage increases in this contract are included in the Incentive Calculation Rate.

Production & Maintenance Hourly Base Rates of Pay						
Labor Grade	Job Descriptions	Current Rate	Effective Date			
			7/1/2007	7/1/2008	7/1/2009	7/1/2010
1	Utility Person	\$18.33	\$19.08	\$19.68	\$20.28	\$20.88
2	Utility Technician	\$19.29	\$20.04	\$20.64	\$21.24	\$21.84
3	Operating Technician I	\$20.24	\$20.99	\$21.59	\$22.19	\$22.79
4	Maintenance Technicians (Mechanical and Electrical) Operating Technicians II	\$21.19	\$21.94	\$22.54	\$23.14	\$23.74
5	Senior Operating Technician	\$22.15	\$22.90	\$23.50	\$24.10	\$24.70

Office & Technical (1196-1) Bi-weekly Salary Rates of Pay					
Job Class	Current Rate	Effective Date			
		7/1/2007	7/1/2008	7/1/2009	7/1/2010
1	\$1,202	\$1,242	\$1,282	\$1,322	\$1,370
2	\$1,310	\$1,350	\$1,390	\$1,430	\$1,478
3	\$1,394	\$1,434	\$1,474	\$1,514	\$1,562
4	\$1,482	\$1,522	\$1,562	\$1,602	\$1,650
5	\$1,589	\$1,629	\$1,669	\$1,709	\$1,757
6	\$1,705	\$1,745	\$1,785	\$1,825	\$1,873
7	\$1,828	\$1,868	\$1,908	\$1,948	\$1,996
8	\$1,961	\$2,001	\$2,041	\$2,081	\$2,129

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Laboratory Employees (1138-1) Bi-Weekly Salary Rates of Pay						
Labor Grade	Job Descriptions	Current Rate	Effective Date			
			7/1/2007	7/1/2008	7/1/2009	7/1/2010
1	Clerical I	\$1,466.40	\$1,526.40	\$1,574.40	\$1,622.40	\$1,670.40
2	Clerical II	\$1,543.20	\$1,603.20	\$1,651.20	\$1,699.20	\$1,747.20
3	Analytical/Technical I	\$1,619.20	\$1,679.20	\$1,727.20	\$1,775.20	\$1,823.20
4	Analytical/Technical II	\$1,695.20	\$1,755.20	\$1,803.20	\$1,851.20	\$1,899.20
5	Analytical/Technical III	\$1,772.00	\$1,832.00	\$1,880.00	\$1,928.00	\$1,976.00

Incentive Plans

Over the course of the agreement, “trapped” wage increases from the previous contract will be included in Incentive Wage Rate calculations. On July 1, 2007 the first dollar will be rolled into the “ICR” and on July 1, 2009, the remaining dollar will be added. On average, this change will add \$0.16 per hour to our pay checks for each of the two dollars.

Service Bonuses

Effective July 1, 2008, the Service Bonus for 1196-01 will be \$0.50/hour.

Effective July 1, 2008, the Service Bonus for 1138-01 will be \$0.80/hour.

Quarterly Bonus Payment

The guaranteed Quarterly Bonus of \$1.20 will become **\$1.50** on July 1, 2007. All Allegheny Ludlum Production and Maintenance employees as well as members of USW Local 1196-01 and USW Local 1138-01 will receive the Quarterly Bonus.

Signing Bonus

A \$3,500 signing bonus is payable to all employees of Allegheny Ludlum with ongoing continuous service at Allegheny Ludlum, payable within one month of ratification.

Pension Benefits

Pension Multipliers

The Master Pension Agreement covers the bargaining unit employees at the Brackenridge, Exton, Houston, Latrobe, Lockport, New Castle, Wallingford, Washington Plate Mill,

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Waterbury, West Leechburg Works, Midland and Louisville facilities as well as the Chemical Laboratory and Alloy Test Laboratory (1138-01).

Effective January 1, 2008 the Pension multipliers for employees with a hire date on or before June 1, 2004 will be as follows:

Years of Continuous Service	Multipliers	
	Multipliers at Effective Date of the Agreement	Multipliers as of 1/1/08
Not over 30	\$65.00	\$65.00
In excess of 30	\$80.00	\$85.00
In excess of 35	\$90.00	\$100.00

Effective January 1, 2009 the Pension multipliers for employees with a hire date on or after June 2, 2004 will be as follows:

Years of Continuous Service	Multipliers	
	Multipliers at Effective Date of the Agreement	Multipliers as of 1/1/09
Not over 30	\$50.00	\$56.25
In excess of 30	\$60.00	\$75.00

USW Local Union 1196-1 will not receive the above referenced multiplier increases. The current pension multipliers will remain in effect for the term of the Labor Agreement. The current pension multipliers applicable to Local Union 1196-1 are \$56.25 for 30 and fewer years and \$75.00 for years in excess of 30.

Percent Formula

Effective January 1, 2009, the Percent Pension Formula will be calculated based on the participant's highest consecutive thirty-six (36) months of average monthly earnings rather than his highest consecutive sixty (60) months.

Personal Retirement Account (PRA)

Currently not all bargaining unit employees eligible to participate in the PRA receive a Company contribution to their account. Effective July 1, 2009, all bargaining unit employees will receive a Company PRA contribution of \$.50 per hour.

Surviving Spouse Cash Payment

Annual cash payments to Surviving Spouses will continue through the term of this Agreement. Effective January 1, 2010, the Surviving Spouse annual cash payment will be increased by \$50.

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Total Cash Payment	Pre-1974 Surviving Spouses	Post-1974 Surviving Spouses
July 1, 2007	\$1,450	\$1,050
July 1, 2008	\$1,450	\$1,050
July 1, 2009	\$1,450	\$1,050
July 1, 2010	\$1,500	\$1,100

In addition, both retirees and surviving spouses of record on July 1, 2007 will receive a one time Lump Sum Payment of \$500. That payment will be made in July of 2007.

Active Insurance Modifications

Your Negotiation Committee fought off Company demands for significant changes to our Program of Insurance Benefits (PIB) as well as the Company's demand for significant employee contributions to the cost of active health care.

The parties did agree on a few changes.

Effective July 1, 2009, active life insurance currently \$20,000 will be increased to \$40,000.

Effective January 1, 2008, the following PIB-Preferred Provider changes will be implemented.

Copays

Primary Care Physician and Specialist Office Visit Copays for active employees will move from \$10 to \$15.

Prescription Drugs

Prescription drug co-payments are increased as follows:

Prescription Drug Copays		
Prescription Drugs	Retail (30-day supply)	Mail Order (90-day supply)
Generic	\$7.00	\$10.00
Formulary Brand	\$12.00	\$17.00
Non-Formulary Brand	\$17.00	\$22.00

Retiree Insurance Modifications

Allegheny Technologies is committed to offering retiree health care plans. However their commitment to the cost of providing that coverage will be limited to \$8,250 per pre-Medicare eligible participant and \$3,076 per Medicare eligible participant effective January 1, 2008.

Current and future retirees and their dependents will continue to receive their retiree health care benefits through Company administered plans. A voluntary employee benefit association (VEBA) will be created to assist retirees with the payment of their future health care premiums.

Voluntary Employee Benefit Association

A VEBA is a special tax-exempt entity, in our case a trust, created to fund for the payment of life, sick, accident or medical benefits, to its members and their designated dependents and beneficiaries, participating in the trust. Medical benefits are the most common benefit funded through a VEBA. In this case the VEBA will assist current retiree's and employees retiring after the date of ratification with the cost of retiree health care benefits.

A VEBA operates as an independent entity with financial reporting and auditing requirements. Participating employer(s) and/or employees may fund a VEBA. In this current situation the primary source of VEBA funding will be Employer contributions. At this time there are only two contribution exceptions. The Latrobe Parity Fund balance will be transferred to the VEBA on January 1, 2008 and the employees of Oremet will contribute ten cents (\$.10) per hour of active employee COLA payments to the Trust.

Assets of the VEBA are distributed from the trust as required to meet the plan's financial obligations such as the payment of benefits, insurance premiums and administrative expenses associated with its operation. VEBA assets are insulated from creditors and may not be distributed to the contributing employer upon termination of the VEBA trust. VEBA funds will be used solely for USW eligible retirees.

The primary advantages of the VEBA are the tax-exempt treatment of investment income and the increased security of benefit payment for participants.

Trustees will administer the VEBA. An equal number of Trustees will be designated by the USW and by the Company. These Trustees will hold and invest the assets of the Trust and make benefits payments or purchase health insurance and pay related VEBA expenses.

The VEBA will be funded with Company contributions of up to \$20,000,000 during the four (4) year term of the proposed Labor Agreement.

Company contributions are tied to the profitability of Allegheny Technologies Flat-Rolled Products Segment. Profit Sharing Income for purposes of VEBA contributions will be defined as Allegheny Technologies Incorporated Flat-Rolled Products Segment operating profit less \$100 million calculated in accordance with United States Generally Accepted Accounting Principles (GAAP).

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Beginning with the calendar year starting January 1, 2007 and payable within 60 days of the end of each full or partial calendar year during the term of the 2007 Basic Labor Agreement, 10% of the annual Allegheny Ludlum Profit Sharing Income up to a maximum annual contribution of \$10 million will be contributed to the VEBA. If profit sharing exceeds \$10,000,000 in any one year, then the excess amount will be carried over to the succeeding year(s). Over the term of the four (4) year Labor Agreement the Company will not contribute more than \$20,000,000.

The Union has the right to review and audit the information used to determine the Company's contribution as well as the calculation of the contribution amount. The Company has agreed to provide the Union with any reasonable information requested in connection with such review.

The VEBA in combination with the Company's contractual commitment to providing retiree health care will provide an additional layer of health care security to our retired members.

Plan and Premium Uniformity

A major goal of these negotiations was to establish as much as is possible, PHMB uniformity. This goal will be accomplished through mandating that all retirees participate in a managed care plan.

Retirees, surviving spouses and their eligible dependents who are not Medicare eligible will participate in the existing PHMB Preferred Provider Organization Plan (PPO). Non-Medicare eligible participants may also participate in available regional HMOs. An example of such a regional HMO is the Keystone HMO currently offered.

Pre-Medicare Eligible Participants - Plan Design Outline		
Main Features of PPO	In Network Benefit	Out of Network Benefit
Annual Deductible	None	\$150 Individual \$300 Family
Out of Pocket Maximum	Not Applicable	\$1,500 Individual \$3,000 Family
Medical Plan Pays	100% after \$10.00 PCP/Specialist Co- payment	80% after Plan Deductible is satisfied
Maximum Benefit	Unlimited	\$1,000,000
Preventive Care	Yes	Not Covered
Retail Prescription Drugs - Up to a 30 day supply -	Generic - \$5 Copay Formulary Brand - \$10 Copay Non-formulary Brand \$15 Copay	
Mail Order Prescription Drugs- Up to a 90 day supply	Generic - \$7.50 Copay Formulary Brand - \$15 Copay Non-formulary Brand \$20 Copay	

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Effective January 1, 2008 the PHMB Traditional Base/Major Medical Plan will no longer be available to Pre-Medicare eligible retirees, surviving spouses or their dependents.

Retirees, surviving spouses and their eligible dependents who are Medicare eligible will participate in a Medicare Advantage PPO. If a Medicare eligible participant does not live in an area where a Medicare Advantage PPO is offered that participant may remain in the Traditional Base/Major Medical Plan. It is also the intention of the Company to continue to offer regional HMOs. Medicare eligible participants may enroll in available plans.

Medicare Eligible Participants	
Main Features of PPO Plan	In Network Benefit
Annual Deductible	None
Out of Pocket Maximum	Applicable to Durable Medical Equipment Only - \$500 - DME is paid at 80%
Medical Plan Pays	100% after \$15 PCP/\$20 Specialist Co-payment
Inpatient Hospital	100% (no limit)
Skilled Nursing Facility	100% (limit of 100 days per benefit period, not required to have hospital stay.
Retail Prescription Drugs - Up to a 30 day supply -	Generic - \$15 Copay Formulary Brand - \$15 Copay Non-formulary Brand \$25 Copay
Mail Order Prescription Drugs- Up to a 90 day supply	Generic - \$30 Copay Formulary Brand - \$30 Copay Non-formulary Brand \$40 Copay

The Medicare Advantage PPO will include an out of network benefit. The out of network will include a comprehensive deductible and benefits after the deductible is satisfied will be paid at 80%. It will also include an out of pocket maximum. Once the out of pocket maximum is reached, out of network benefits will generally be paid at 100%.

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Fixed Premiums Contributions for the Term of the Agreement

A primary benefit of this arrangement will be the establishment of fixed premiums for the term of the Labor Agreement. Retirees will pay the following monthly premiums contributions beginning January 1, 2008 and continuing through December 31, 2011.

Monthly Managed Care Premium Categories	Pre Medicare Eligible Participants	Medicare Eligible Participants
Retiree or Surviving Spouse	\$40	\$20
Retiree or Surviving Spouse and Child(ren)	\$40	\$20
Retiree and Spouse	\$80	\$40
Retiree, Spouse and Children	\$80	\$40

Monthly Traditional Base/Major Medical Premium Categories	Medicare Eligible Participants
Retiree or Surviving Spouse	\$100
Retiree or Surviving Spouse and Child(ren)	\$100
Retiree and Spouse	\$200
Retiree, Spouse and Children	\$200

Other Economic Issues

Employment Security

Employees with over three years of continuous service will be protected by a new "Layoff Minimization Plan" language. The language compels the Company to develop a plan to minimize extended layoffs and their impact on covered employees. The plan will undergo review by the Union and disputes regarding the plan or the need for the layoff will be subject to expedited arbitration.

Hiring Commitment

The Company has committed to hiring at least 64 new employees at various locations, in part to alleviate high overtime rates and to minimize the use of contractors. The hiring will begin

immediately following ratification of the agreement and will take place at a rate of approximately 6 to 8 new employees per month.

Corporate Issues

Justice and Dignity

Justice and Dignity protections were improved at all locations and we were able to establish consistency throughout the corporation.

Neutrality

Improvements include a new expedited card check procedure with first contract interest arbitration at an anticipated new location the Company intends to build to meet the needs of the Titanium market.

Other Workplace Protections

Safety and Health

Safety Coordinator

To expand the joint undertakings between the parties, the Company recognizes as part of the proposed agreement the value of a Union-appointed Safety Coordinator.

From among bargaining unit employees, the Chairperson of the Union Negotiating Committee will select and direct that Coordinator, who shall be responsible for coordinating the plant safety coordinators and safety committee members. The Company will compensate the Coordinator according to the wages, benefits, and fringes that he or she would have earned but for this assignment.

Because the Coordinator will be expected to visit each of the locations of the Company, the Company must pay travel expenses (airfare, hotel and per diem) provided they were pre-approved by both the Company and the Union.

Safety Shoe Allowance

The Union secured an increased safety shoe allowance (**\$160**). New hires will receive a voucher for safety shoes when he/she begins employment with the Company.

Language Improvements

Allegheny Ludlum has been built through a number of acquisitions, each bringing along separate labor agreements with them. Your Union has taken this opportunity to create some standardization of our labor agreements. Articles now appear in the same order in all agreements. The following articles are now Master Language in all agreements:

Parties to the Agreement

Article 1 Section 1. Recognition and Coverage

Article 2. Management

Article 3. Prohibition of Strikes and Lockouts

Article 4. Union Membership and Checkoff

Article 5. Adjustment of Grievances

Article 6. Suspension and Discharge

Article 12. Health Safety and Environment

Article 13. Military Service

Article 16. Supplemental Unemployment Benefit Plan

Article 17. Insurance Grievances

Article 18. Other Agreements

Appendix A-1 Labor Grades

Appendix A-2 Job Descriptions

Appendix A-3 Learner Rate

Appendix D Expedited Arbitration

Appendix F Alternative Work Schedules

Appendix G Justice and Dignity on the Job

Appendix H Family Medical Leave Act

Appendix K Substance Abuse Policy

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Appendix L-2 Public Policy Activities

Appendix L-3 Stand Up for Steel

Appendix L-4 Contract Coordinator

Appendix M Union Security

Appendix M-1 Successorship

Appendix M-2 Neutrality

Appendix M-3 February 7, 2001 Side Letters

Appendix M-4 Non-neutral card check exhibits

Appendix N Corporate Governance

Appendix N-1 Board of Directors

Appendix N-2 Investment Commitment

Appendix N-3 Right to Bid

Appendix N-4 Lean Management

Appendix N-5 Arms Length Transactions

Appendix O Work Force Training Program

Appendix S Letters **Signing Bonus**

ICF-Wage Increases

Co-op Fund

Shoe Vouchers

Safety Awareness Fund

Safety Conference

Safety Coordinators

EMT Letter

Hourly Involvement Safety

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In Plant RR & Fixed Rail
HS&E Committee to Receive Workplace Violence Training
ICD
ICD Funds for Job Related Training
ICD Selection of Vendors
ICD Unused Funds
Workplace Harassment Awareness and Prevention
Work & Family Needs
New Employee Orientation
Union Identified Benefits
Leaves for International Union
No Deduction from Back Awards
Annual List of Employees to Union
Co-Terminus Letter
Governmental Action - Steel Industry
Governmental Assistance - Permanent Shutdowns
Quarterly Bonus
Personal Retirement Account (PRA)
Meal Ticket Program

Board of Arbitrators

We have expanded and updated our list of arbitrators on our Permanent Board of Arbitration Panel.

Expedited Arbitration

We have instituted an expedited arbitration procedure at all locations.

Family Member Hiring Consideration

We have confirmed our understanding that family members who otherwise satisfy hiring criteria will be given hiring consideration.

IJOP

We have combined the regions and plants in the existing IJOP language to provide additional employment opportunities for our members.

Probationary Language

We have standardized the probationary period for new employees to sixty (60) working days from the date of hire.

Partnership

We have modified our understanding regarding partnership meetings for the purpose of reviewing and discussing information related to the operation of the facilities. Our meeting will be better defined and provide the Union an opportunity to solve problems as they arise during the term of the agreement

Improved Bereavement

Employees will receive an additional two days of bereavement leave for the following: mother, father, brother, and sister (including stepfather, stepmother, stepsister and stepbrother).

Meal Tickets

Across ALC plants there has traditionally been a variety of "meal ticket" plans. This contract gives every member a \$6 meal ticket for overtime worked beyond two hours. This benefit will be automatically paid in employees' regular paychecks.

Local Issues

Your local bargaining committees spent time bargaining local issues prior to coming to the top table negotiations in Pittsburgh. Those negotiations have resulted in many important local improvements as well. Those settlements are local in nature and too numerous to list but the local issue bargaining is an important step in the process the Union uses to eventually achieve an acceptable agreement and the local committees made good progress. All outstanding local issues presented during these negotiations were resolved by your negotiating committee.

Exton Shutdown Letter of Agreement

The Company announced their intention to close the operation at Exton, Pennsylvania prior to the start of negotiations. We were determined to secure the best possible outcome for our members at Exton. Through our solidarity we achieved that goal.

Exton employees will receive all Master Agreement improvements, including the signing bonus, applicable wage increases and quarterly bonus improvements. Red Circled rates pursuant to the last Labor Agreement are terminated.

Exton employees will be laid off in seniority order, junior employee to senior employee, as plant operations are idled.

Continuation of Health Coverage

Each of you will be offered COBRA continuation coverage at the time of your termination. This coverage generally continues for 18 months and is paid by the Employee. The Company has agreed to pay to continue your Active employee health care coverage in accordance with the following schedule. The period of COBRA continuation will be reduced by the number of months of Company paid health care coverage continuance.

Company Paid Health Care Continuation Schedule	
Less 10 Years Service	6 months
10 Years but less than 15 Years Service	9 months
15 or more Years Service	12 months
You will be responsible for the full COBRA premium following Company paid period. If you do not pay the applicable premium COBRA will be terminated.	

Special Separation Bonus

Employees will receive a separation bonus that will be paid upon their termination of last day of work based upon their years of service with the Company.

Acceptance of the Separation Bonus will not cause a break in pension service.

Special Severance Pay Program

Severance pay is a sum of money available to an employee when the Company decides to permanently close a facility or department. An employee may be given an opportunity for

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employment at another location in lieu of Severance Pay. If the employee accepts that opportunity Severance Pay will not be paid.

Severance Pay is administered consistent with the rules detailed in Article XIV of the Master Labor Agreement. An employee's acceptance of Severance Pay terminates that employee's service for all purposes under the Labor Agreement including the Pension Agreement.

Severance Pay Schedule	
Less 3 Years Service	2 Weeks Allowance at Vacation Rate
3 Years but less than 5 Years Service	4 Weeks Allowance at Vacation Rate
5 Years but less than 7 Years Service	6 Weeks Allowance at Vacation Rate
7 Years but less than 10 Years Service	7 Weeks Allowance at Vacation Rate
10 or More Years Service	8 Weeks Allowance at Vacation Rate

Anyone who is not severed under the terms of the Severance Pay provisions or who takes the separation bonus and remains an active employee upon plant closure will receive a Closure Stay Bonus of \$5,000 and service for purposes of Pension eligibility, vesting and benefit accrual will continue for a period of two (2) years.

Retraining Fund

A Retraining Fund will be established and any employee interested will receive up to \$5,000 to be utilized for training and job search purposes.

Preferential Hiring

The Company will extend preferential hiring rights for all qualified Exton employees to all USW organized facilities of ATI and to non-USW plants in Coatsville and Frackville, Pennsylvania. An employee will retain his preferential hiring status for a period of one (1) year following his date of termination.