

Ministry of Finance  
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JUN 05 2017

His Worship Fred Eisenberger  
Mayor  
City of Hamilton  
71 Main Street West  
2nd Floor  
Hamilton, Ontario  
L8P 4Y5

Dear Mayor Eisenberger:

Thank you for your letter, forwarded by the Honourable Kathleen Wynne, Premier of Ontario, regarding the future of lands in Hamilton, owned by Stelco (the operating name of U.S. Steel Canada Inc. effective December 2, 2016), which remains in court-supervised creditor protection proceedings under the Companies' Creditors Arrangement Act (CCAA).

The City of Hamilton has an important role to play in ensuring the long-term success and wellbeing of its people and economy, and I would like to thank the City for its thoughtful work and input with respect to the future of Stelco's lands.

I would also like to reassure you that our government understands the importance of a strong steel sector for the wellbeing of the people and economy in Hamilton, and Ontario more broadly. Throughout the CCAA process, the province has been actively engaged and committed to working with all stakeholders to support the best possible outcome for employees, retirees and the local economy, while also ensuring mechanisms are in place to protect the environment.

The future of the lands owned by Stelco is an important consideration for all parties involved. It provides an important means for creating value for Stelco pensions and Other Post-Employment Benefits (OPEBs), which are underfunded and would otherwise face elimination or wind-up at reduced levels.

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At the same time, the province appreciates the importance of a longer-term horizon to execute local land-use planning. We have heard the City's concerns and have worked with parties involved in the Stelco restructuring process to move towards a balanced solution. The proposed plan reflects a new, extended time horizon, during which the newly-restructured company, supported by ten-year loans from the province, would commit fixed funding for OPEBs.

Further, in order to create additional value for pensioners, Stelco's lands would be transferred to a land vehicle governed by an independent Board of Directors, ultimately on behalf of pensioners. There would be no time constraint on the sale, lease or development of the land. In support of the proposed plan, Ontario would, subject to government approvals, provide a fully-secured, ten-year loan of \$10 million to the land vehicle to support its operations.

As further assurance for OPEBs, the province would, subject to government approvals, provide a fully-secured, interest-free loan of up to \$66 million over ten years to assist in achieving payment of OPEBs on a certain, uninterrupted basis.

The proposed plan is supported by a ratified agreement with USW local 8782. USW local 1005 will vote on the agreement on June 6, 2017.

The province will continue to work with all stakeholders to support the best possible outcome. If the agreement is ratified by USW Local 1005, the next scheduled step in the CCAA is a court sanction hearing to be held on June 9th, 2017, where the court will determine whether the plan is fair and reasonable. Following a three week appeal period, the Plan would come into effect on June 30, 2017.

I look forward to continuing a dialogue with the City as we work to create an arrangement that provides sustainable jobs, operations, pensions and benefits for Stelco employees and retirees and aligns with the City's commitment to fostering local economic development.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles Sousa', written over a white background.

Charles Sousa  
Minister

C: The Honourable Kathleen Wynne, Premier