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File No. 1632-001

July 8, 2015

VIA EMAIL

Koskie Minsky LLP
20 Queen St. W., Suite 900
Toronto, ON M5H 3R3

Attention: Andrew Hatnay

Dear Sir:

**Re: U. S. Steel Canada Inc. (“USSC”)
Potential Bid from United States Steel Corporation (“USS”) in the Sales Process
of USSC**

Thank you for your letter dated April 14, 2015.

The suggestion that your clients are in some way entitled to a first priority recovery ahead of the claims of USSC’s secured creditors is incorrect. Any credit bid made by USS in the sales process of USSC will not take into account any alleged right of first priority recovery claimed by your client, given that such a right does not exist.

As you are well aware, pursuant to Section 2 of Ontario Regulation 99/06 (the “**Stelco Regulation**”), each of the Hamilton Salaried Plan and the Lake Erie Salaried Plan is a “participating pension plan” until December 31, 2015. As such, the Hamilton Salaried Plan and the Lake Erie Salaried Plan are subject to the Stelco Regulation until that date.

Pursuant to Section 16 of the Stelco Regulation, the deemed trust and first priority recovery created by Sections 57(3) and (4) of the Ontario *Pension Benefits Act*, R.S.O. 1990, c. P.8 (“**PBA**”) and Section 30(7) of the Ontario *Personal Property Security Act*, R.S.O. 1990, c. P. 10 have limited application while the Hamilton Salaried Plan and the Lake Erie Salaried Plan are subject to the Stelco Regulation. As of the date of this letter, all contributions due to the Hamilton Salaried Plan and the Lake Erie Salaried Plan pursuant to Sections 4-6 of the Stelco Regulation have been made. Consequently, as a result of Section 16 of the Stelco Regulation, there are no contributions due and unpaid to the Hamilton Salaried Plan and the Lake Erie Salaried Plan for which your clients could seek a first priority recovery ahead of the claims of USSC’s secured creditors pursuant to Section 57(3) of the PBA.

Moreover, in *Sun Indalex Finance, LLC v. United Steelworkers*,¹ the Supreme Court of Canada made it clear that the application of Section 57(4) of the PBA for any wind-up deficiency in a pension plan only comes into effect upon the wind-up of that pension plan. Accordingly, even if the Hamilton Salaried Plan and the Lake Erie Salaried Plan were not subject to the Stelco Regulation (which they currently are), your clients could only claim a first priority recovery for any wind-up deficiency in the plans ahead of the claims of USSC's secured creditors upon the wind-up of the pension plans.

To date, none of USSC's pension plans has been wound up and USS is currently unaware of any intention by USSC or the Superintendent of Financial Services to wind up the plans. Accordingly, even absent the Stelco Regulation, subsection 57(4) of the PBA could not provide your clients with a first priority recovery for any wind-up deficiency in the plans ahead of the claims of USSC's secured creditors.

Yours very truly,

Thornton Grout Finnigan LLP



Robert I. Thornton
RIT/ms

cc: Michael Barrack, *Blake, Cassels & Graydon LLP*
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¹ 2013 SCC 6.