

STEL SALARIED PENSIONERS ORGANIZATION (SSPO)

ANNUAL MEETING

October 8, 2015, 7:00 p.m., Hamilton Convention Centre

Summary of Key Events of U.S. Steel Canada CCAA Proceedings

- i **2004 to 2006:** Stelco becomes insolvent and applies for protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (“**CCAA**”).
- i **2007:** Stelco emerges from CCAA protection and is purchased by U.S. Steel Corporation (“**USS**”) and renamed “U.S. Steel Canada Inc.” (“**USSC**”). USS becomes the ultimate corporate parent of USSC with significant control over USSC financial and corporate processes.
- i **September, 2014:** USSC becomes insolvent and applies for protection from its creditors under CCAA.
- i **April, 2015:** USSC commences the Sales and Restructuring Process (“**SARP**”) to invite purchase offers from potential purchasers of all or part of USSC’s facilities
- i **August, 2015:** After reviewing the bids submitted under the SARP, the Monitor concludes that there are no executable transactions available from potential purchasers of USSC. USS is a bidder under the SARP.
- i **August 31, 2015:** The Monitor reports that USS has transferred high revenue automotive steel orders (“**Mill Loading**”) from USSC to USS generating losses for USSC.
- i **September, 2015:** Various motions are filed with the CCAA court in respect of the USS’ Mill Loading direction as well as a motion by USSC for approval of the “Cash Conservation and Business Preservation” plan and to terminate the SARP. The Monitor reports that if USSC does not take such immediate cash preservation measures, **“the unfortunate (but inevitable) fact is that USSC does not have access to liquidity or financing to honour [its] obligations in the present circumstances and that, if the [cash conservation and business preservation] order sought by USSC is not made, it will not have the financial resources to continue to carry on in business for a period of time necessary to develop a long-term restructuring solution, and a near-term cessation of operation will be necessary”**.¹ As employees and retirees were notified in a letter from USSC dated September 17, 2015, the USSC Cash Conservation and Business Preservation Plan seeks to implement cash conservation and business preservation measures that include: (a) the suspension of contributions or payments to USSC’s nine registered non-contributory defined benefit pension plan, other than normal cost contributions, and to the RCA Trust; (b) the suspension of supplementary pension payments to beneficiaries pursuant to unfunded individual retirement benefit contracts and individual retiring allowances; (c) the near-term suspension of other retiree benefit payments (including health and dental benefits but not retiree life insurance - see below) to beneficiaries effective October 9, 2015 (known as “**OPEBs**”); (d) the suspension of salary-continuation payments to those USSC employees that are not actively employed or providing services to USSC; (e) the suspension of payment to the Ontario Pension Benefits Guarantee Fund in respect of assessments; and (f) the suspension of payments of municipal taxes.
- i Representative Counsel negotiated with USSC for two concessions: (1) that USSC continue to pay retiree life insurance premiums so that life insurance remains in place, since these benefits could not be reinstated if the group life insurance policy lapses; and (2) that the suspension of all other benefits is a *temporary suspension*, subject to further order of the Court, and is not to be construed as a termination. The court motions are now under reserve with the CCAA Judge.
- i USS recently indicated that it is no longer interested in bidding for any part of USSC. USS remains as a secured and unsecured creditor of USSC.
- i **October 8 and 9, 2015:** Prior to the full hearing of the motions before the CCAA Judge, negotiations among the parties occurred and a general agreement is reached, including an agreement by USS to: a) assist in the transition and separation of USSC from USS for a period of up to 24 months; b) USS to release \$5.5 million relating to “debtor-in-possession” loan exit fee to be paid to USSC; and, c) USS agrees to pay special payments to the USSC pension plans in accordance with its guarantee under the Pension Agreement, which expires on December 31, 2015.
- i USSC is now transitioning to an independent company.

¹ Monitor’s 13th Report dated October 2, 2015, para. 79