

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
U. S. STEEL CANADA INC.

THIRTY-NINTH REPORT OF THE MONITOR

May 2, 2017

INTRODUCTION

1. On September 16, 2014, U. S. Steel Canada Inc. (“**USSC**”, or the “**Applicant**”) applied for and was granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies' Creditors Arrangement Act* (Canada) (the “**CCAA**”). Pursuant to an Order, as amended and restated (the “**Initial Order**”) of this Court dated September 16, 2014 (the “**Filing Date**”), Ernst & Young Inc. (“**EY**” or the “**Monitor**”) was appointed Monitor of USSC in the CCAA proceeding. The engagement of BlueTree Advisors II Inc. and the provision of services by William E. Aziz (together, the “**CRO**”) was also approved by the Court on the Filing Date.
2. The Initial Order provided for a stay of proceedings through October 15, 2014 (the “**Stay Period**”), which has been extended by subsequent Orders of the Court, most recently through May 31, 2017 by Order of the Court dated March 15, 2017.
3. In order to provide information for stakeholders, the Monitor maintains a website with materials relevant to the CCAA proceeding. The website address is www.ey.com/ca/ussc (the “**Monitor's Website**”).

PURPOSE

4. The purpose of this Thirty-Ninth Report of the Monitor (the “**Thirty-Ninth Report**”) is to provide information to the Court on the following:
 - (a) the results of the Meetings (as defined below) held on April 27, 2017 pursuant to the Meetings Order (as defined below) where the Applicant's affected unsecured creditors considered and voted on a resolution to approve the amended and restated

plan of compromise, arrangement and reorganization of the Applicant under the CCAA and the *Canada Business Corporations Act* (the “**CBCA**”) dated April 26, 2017 (the “**Amended Plan**”); and

- (b) an overview of USSC’s financial results (on an accounting basis) for the month of March, 2017. The provision of such information is related to paragraph 73 of the Thirteenth Report of the Monitor dated October 2, 2015 (the “**Thirteenth Report**”) wherein, as noted in paragraph 110 of the Reasons for Decision of Mr. Justice Wilton-Siegel in respect of the motions heard October 7 and 8, 2015, the Monitor indicated that such information would be provided on a monthly basis upon Court approval of the Amended and Restated DIP Facility (as described in the Thirteenth Report).

TERMS OF REFERENCE AND DISCLAIMER

- 5. In preparing this Thirty-Ninth Report and making comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by USSC, and upon discussions with management of USSC (“**Management**”) and further discussions with USSC’s advisors (collectively, the “**Information**”). Except as described in this Thirty- Ninth Report:
 - (a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - (b) To the extent any of the information referred to in this Thirty- Ninth Report consists of forecasts and projections, an examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
- 6. Future oriented financial information referred to in this Thirty-Ninth Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 7. Capitalized terms not defined in this Thirty-Ninth Report are as defined in previous reports of the Monitor.
- 8. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND

9. USSC is an indirect, wholly-owned subsidiary of United States Steel Corporation (collectively with its subsidiaries, other than USSC and its subsidiaries, “**USS**”) and operates from two principal facilities: Lake Erie Works (“**LEW**”) and Hamilton Works (“**HW**”).
10. Lake Erie Works is located on the shores of Lake Erie (near Nanticoke, Ontario). It is an integrated steel mill with an annual capacity of approximately 2.7 million tons of raw steel production, although given steel market constraints, it is producing an annualized total of approximately 1.8 to 2.0 million tons of raw steel, depending on market conditions.
11. The principal operations of Lake Erie Works include coke making (the process whereby metallurgical coal is converted into coke by baking the coal in coke ovens), iron and steel making (the process whereby coke is combined with iron ore and limestone in a blast furnace and ultimately combined with scrap metal and injected with oxygen to produce liquid steel and then processed into slabs) and finishing (the process whereby slabs are rolled on a hot strip mill and formed into steel sheet and then rolled into coils).
12. Lake Erie Works also operates a pickling line finishing facility, a process whereby hot rolled coils are cleaned by running them through an acid solution.
13. A significant number of the hot rolled coils produced at Lake Erie Works are shipped to Hamilton Works for further finishing and then ultimately sold to end customers.
14. Hamilton Works is located in Hamilton, Ontario. Steelmaking operations were permanently shut down in 2013 after being idle since 2010. Its operations now consist of coke ovens, certain finishing lines, including a cold reduction mill (which forms hot rolled steel into thinner gauges of steel for end customer use i.e. cold-rolled steel) and two galvanizing lines (which add zinc to the cold-rolled steel), which are used to further process steel to meet specific customer requirements.
15. On October 9, 2015, the Court approved a process whereby USSC’s operations would be conducted on a more stand-alone basis (the “**Independent Business Plan**”) and USSC would begin the process of transitioning away from its reliance on USS for certain services, operational needs and mill loading (the “**Cash Conservation and Business Preservation Order**”). At the time the Cash Conservation and Business Preservation Order was granted, the Court also approved the transition arrangements (the “**Transition Arrangements**”), which set out a framework pursuant to which USS agreed and was directed to continue to provide certain administrative services to USSC for a period of up to 24 months.
16. On December 15, 2016, the Court authorized the Applicant to enter into the acquisition and plan sponsor agreement (the “**PSA**”) with Bedrock Industries Canada LLC (the “**Plan Sponsor**” or “**Bedrock**”). In addition, Bedrock was declared to be the Successful Bidder as defined in paragraph 27 of the Sale and Investment Solicitation Process Order dated January 21, 2016 (“**SISP**”).

17. On March 15, 2017 the Court issued an order (the “**Meetings Order**”), which, among other things, authorized and accepted the filing of the plan of compromise, arrangement and reorganization of the Applicant under the CCAA and the *Canada Business Corporations Act* (the “**CBCA**”) (the “**Plan**”) by the Applicant, approved the classes of affected creditors under the Plan (the “**Affected Creditors**”), authorized and directed the Applicant to call, hold and conduct meetings of the two classes of Affected Creditors (the “**Meetings**”) to consider and vote on the Plan on April 27, 2017 and set a date for the hearing (the “**Sanction Hearing**”) of the Applicant’s motion for an order, sanctioning the Plan (the “**Sanction Order**”).
18. On April 26, 2017 the Court issued an order, which among other things, authorized and accepted the filing of the amended and restated plan of compromise, arrangement and reorganization of the Applicant under the CCAA and CBCA (the “**Amended Plan**”), amended the PSA and amended the support agreement (the “**Province Support Agreement**”) made December 9, 2016 between the Applicant and Her Majesty the Queen in Right of the Province of Ontario (the “**Province**”).

THE MEETINGS

Background

19. The Amended Plan has two classes of Affected Creditors, whose claims will be compromised, discharged and released thereunder: i) the class of Non-USW Main Pension and OPEB Creditor Claim holders, and ii) the class of General Unsecured Creditors (both as defined in the Amended Plan) (collectively the “**Affected Creditors Classes**”).
20. Pursuant to the Meetings Order, the Meetings were held at the Metro Toronto Convention Centre on April 27, 2017 at the following times:
 - (a) the meeting of the class of General Unsecured Creditors at 10:00 a.m.; and
 - (b) the meeting of the class of Non-USW Main Pension and OPEB Claim holders at 12:00 noon.

Procedure at the Meetings

21. The Meetings were conducted pursuant to and in accordance with the terms of the Meetings Order. Alex Morrison, Senior Vice president of Ernst & Young Inc. (the “**Chair**”), chaired the Meetings. Raj Sahni, a partner at Bennett Jones LLP, counsel to the Monitor, acted as secretary. David Saldanha of Ernst & Young Inc., acted as scrutineer (the “**Scrutineer**”). A quorum for the purpose of each Meeting in the relevant class was one Affected Creditor (as defined in the Amended Plan) in the applicable Affected Creditor Class with a Voting Claim (as defined in the Meetings Order) being present in person or by proxy. The Scrutineer confirmed a quorum was present and the Chair declared each Meeting validly constituted.

22. In addition to the applicable Affected Creditors present, attendance at each Meeting included: the Applicant’s officers, legal counsel and advisors; the Monitor and its legal counsel; the Chief Restructuring Officer; and the Plan Sponsor’s legal counsel.

The Meeting of the class of the General Unsecured Creditors

23. After calling the Meeting to order, the Chair outlined the purpose of the Meeting and the Chief Restructuring Officer provided an overview of the Amended Plan. The Chair then outlined the Monitor’s recommendation on the Amended Plan and reviewed the guidelines for the voting process as set out in the Meetings Order. Prior to voting on the Amended Plan, Affected Creditors were given the opportunity to ask any questions in respect of the Amended Plan and the voting process.
24. A copy of the Minutes of the Meeting of the class of the General Unsecured Creditors is attached as appendix “A”.
25. The table below sets out the vote of the resolved claims of Affected Creditors voting at the Meeting of the class of the General Unsecured Creditors in person or by proxy, including Convenience Creditors (as defined in the Plan) who were deemed to vote in favour of the Amended Plan pursuant to the Meetings Order:

	<u>Resolved Claims</u>			
	<u>#</u>	<u>\$</u>	<u>% of #</u>	<u>% of \$</u>
Vote in Favour	417	\$ 189,198,958.00	96.75%	97.66%
Vote Against	14	4,537,657.89	3.25%	2.34%
Total ⁽¹⁾	431	\$ 193,736,615.89	100.00%	100.00%

26. The table below sets out the vote of the unresolved claims of Affected Creditors voting at the Meeting of the class of the General Unsecured Creditors in person or by proxy:

	<u>Unresolved Claims</u>			
	<u>#</u>	<u>\$</u>	<u>% of #</u>	<u>% of \$</u>
Vote in Favour	15	\$ 1,930,108.11	75.00%	28.55%
Vote Against	5	4,831,345.71	25.00%	71.45%
Total ⁽¹⁾	20	\$ 6,761,453.82	100.00%	100.00%

27. The table below sets out the vote of the combined resolved and unresolved claims of Affected Creditors voting at the Meeting of the class of the General Unsecured Creditors in person or by proxy, including Convenience Creditors (as defined in the Plan) who were deemed to vote in favour of the Amended Plan pursuant to the Meetings Order:

	<u>Total Resolved and Unresolved Claims</u>			
	#	\$	% of #	% of \$
Vote in Favour	432	\$ 191,129,066.11	95.79%	95.33%
Vote Against	19	9,369,003.60	4.21%	4.67%
Total ⁽¹⁾	451	\$ 200,498,069.71	100.00%	100.00%

Note 1:

- The above total includes three (3) proxy holders representing six (6) claims who arrived at the Meeting after the resolution was read by the Chair but before votes were cast and tabulated by the Scrutineer. The Chair allowed these votes to be cast and included at the Meeting.
- The total also includes 49 claims which have been assigned to two parties. The individual 49 claims were included as 49 votes by the Scrutineer.
- The total does not include two (2) proxy votes received by the Monitor totalling \$2,059,771.36 who voted in favour of the Amended Plan but where the proxyholder did not attend the Meeting in person.

28. Based on the above tables, the Chair noted that the vote of the unresolved claims would not affect the outcome of the vote of the Affected Creditors of the class of the General Unsecured Creditors to approve the Amended Plan. Accordingly, the resolution was adopted and the Amended Plan was duly approved by the class of the General Unsecured Creditors.

The Meeting of the Non-USW Main Pension and OPEB Claim holders

29. After calling the Meeting to order, the Chair outlined the purpose of the Meeting, and noted that since the creditors and proxyholders present at the Meeting were already familiar with the Amended Plan, the Monitor could, if the creditors wished, dispense with providing an overview of the Amended Plan and other information, and proceed directly to the voting on the Amended Plan. A motion was brought by one of the proxy holders to proceed directly to the voting on the Amended Plan. Prior to voting on the Amended Plan, Affected Creditors were given the opportunity to ask any questions with respect to the Amended Plan and the voting process. There were no objections to proceeding in this manner.

30. The table below sets out the vote of the claims of Affected Creditors voting at of the class of the Non-USW Main Pension and OPEB Claim holders in person or by proxy:

	Resolved Claims			
	#	\$	% of #	% of \$
Vote in Favour	4,536	\$ 449,662,248.00	99.93%	99.94%
Vote Against	3	252,651.00	0.07%	0.06%
Total ⁽¹⁾	4,539	\$ 449,914,899.00	100.00%	100.00%

31. The class of the Non-USW Main Pension and OPEB Claim holders did not have any unresolved claims for voting purposes since their “Voting Value” was determined pursuant to the Supplemental Claims Process Order issued by the Court on March 15, 2017. Therefore the resolution was adopted and the Amended Plan was duly approved by the class of the Non-USW Main Pension and OPEB Claim holders.
32. A copy of the Minutes of the Non-USW Main Pension and OPEB Claim Meeting is attached as appendix “B”.

Amended Plan Approved

33. In accordance with the CCAA, the Amended Plan sets the required majorities for its approval of the Affected Creditors Classes at a majority in number and at least two thirds in value of the claims of the Affected Creditors Classes (the “**Required Majorities**”) who were present and voting in person or by proxy at the applicable Meeting in accordance with the Meetings Order.
34. As a result of the votes cast in each of the Meetings of the class of the General Unsecured Creditors and the class of the Non-USW Main Pension and OPEB Claim holders the Amended Plan was approved by the Required Majorities at each Meeting.

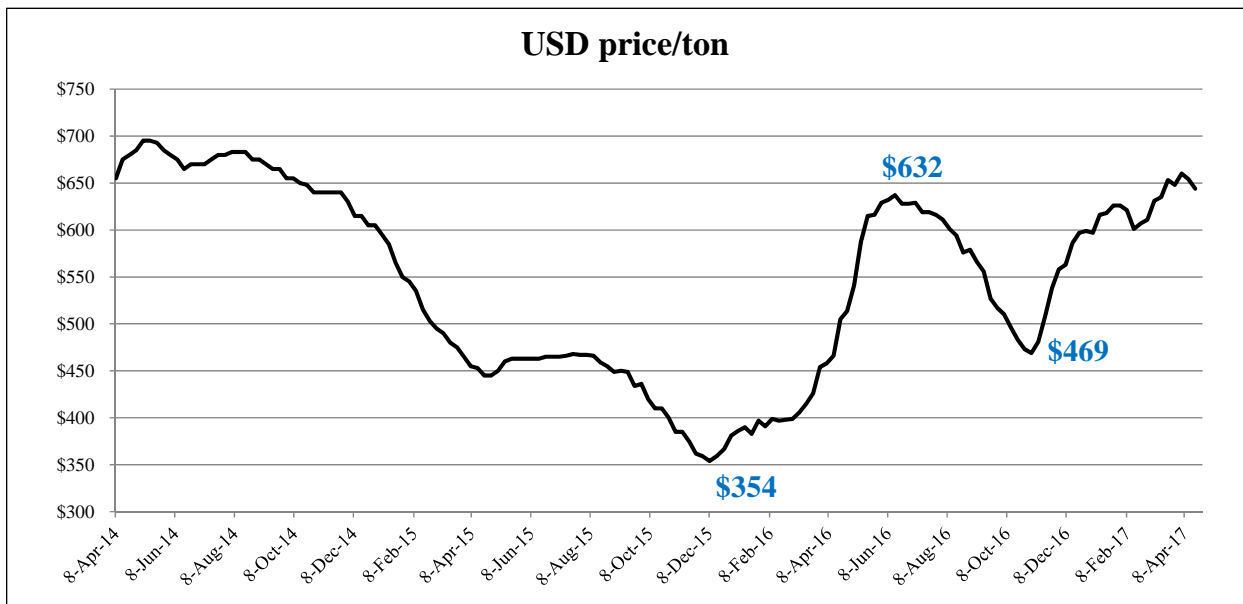
FINANCIAL RESULTS

Background

35. The Monitor has provided summary financial information for USSC in a number of past Monitor's reports, the most recent being for the month of February, 2017 in the Thirty-Eighth Report of the Monitor dated April 20, 2017 (the “**Thirty-Eighth Report**”). This Thirty-Ninth Report will provide an overview of financial results for the month of March, 2017.
36. As noted in previous reports of the Monitor, global steel markets continue to face significant challenges. Throughout 2016, the U.S., Canada and the EU all instituted additional trade protection measures on a variety of specific steel products being imported into their respective countries from certain Asian, South American and European countries in order to manage the impact of foreign steel imports. In addition, Management advises there currently exists significant uncertainty amongst the Canadian steel industry regarding potential changes to Canada's trade relationship with the United States. This stems from

the current U.S. administration's possible expansion of “Buy America” provisions within both government procurement programs and into the private sector, as well as the possible pending renegotiation of the North America Free Trade Agreement (NAFTA).

37. In Asia, China announced in early February, 2016 that it plans to reduce its steel production capacity by 100-150 million tonnes over the next five years, with a target to reduce 45 million tonnes in 2016.¹ In mid-November, 2016, China announced that it had achieved its 2016 reduction target by October, 2016. However, in March 2017, China’s steel output set a monthly record, and the country’s production increased 4.6% in Q1 2017 over Q1 2016.² It is too early to determine if China will be able to meet its reduction target and when the impact of the reduced Chinese production capacity will impact the global steel market.
38. The chart below updates benchmark per ton hot rolled steel selling market prices included in previous reports of the Monitor:



Source: Platts and CRU

39. As set out in the graph above, after a significant decline through most of 2014 and 2015, market prices began to rise beginning at the end of 2015 and throughout the first half of 2016 to a peak of over USD\$630 per ton. This rising trend turned in the middle of June, 2016 when market prices dropped by over USD\$150 per over a four month period. Then, in November, 2016, the market prices began to generally increase, with a few dips in between, through to the end of the March, 2017. While market prices are currently only slightly below what they were as of the Filing Date, the above chart demonstrates that market pricing remains volatile and is difficult to predict with any degree of certainty.

¹ “China State Council outlines 5 year plan to cut steel capacity”, Steel Guru, 5th February, 2016

² “China March steel output climbs to highest on record”, <http://www.reuters.com/article/us-china-economy-output-steel-idUSKBN17J04Q>, 16th April, 2017

Financial results for the period ended March 31, 2017

40. The table below sets out the financial results of USSC for the first three months of 2017, the full year of 2016 (on a quarterly basis), and the full year of 2015:

U. S. Steel Canada Inc.										
Selected financial results										
CAD Millions (except tons)										
		(1)	(2)	(3)	(4)	(5) = (1)+(2)+ (3)+(4)	(6)	(7)	(8)	(9) = (6)+(7)+(8)
	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Jan 2017	Feb 2017	Mar 2017	2017 Year to Date
Tons shipped	1,814,340	497,671	517,462	497,849	463,281	1,976,263	183,205	157,783	158,930	499,918
Revenue										
Combined HW & LEW	\$1,258.8	\$272.0	\$325.6	\$367.1	\$309.0	\$1,273.7	\$129.4	\$123.6	\$127.4	\$380.4
<i>Avg. selling price per ton</i>	\$694	\$547	\$629	\$737	\$667	\$644	\$706	\$783	\$802	\$761
EBITDA										
Combined HW & LEW	(\$47.2)	(\$30.6)	\$25.6	\$64.9	\$18.3	\$78.2	\$14.8	\$17.6	\$30.4	\$62.8
Depreciation	96.8	24.1	24.1	24.1	23.9	96.2	7.9	7.9	7.8	23.6
Income from operations										
Combined HW & LEW	(\$144.0)	(\$54.7)	\$1.5	\$40.8	(\$5.6)	(\$18.0)	\$6.9	\$9.7	\$22.6	\$39.2

41. The paragraphs that follow provide certain highlights with respect to March, 2017 financial results.
42. Total shipments for the month ended March 31, 2017 were approximately 158,930 tons. The comparable figure for the month ended March 31, 2016 was approximately 183,515 tons, which is a year-over-year decrease of approximately 13.4%. Total shipments for Q1 2017 were approximately 499,918 tons, which is a slight increase over Q1 2016 at approximately 497,671 tons.
43. Over the 2016 fiscal year, Management was successful in mitigating the loss of direct sales to automotive customers that occurred in Q4, 2015 by expanding USSC's geographical customer base, selling greater volumes to a number of existing USSC customers and selling automotive product to the OEMs indirectly. Management's view is that, when prices begin to decrease, customers typically reassess their inventory levels and temporarily hold back in anticipation of further price decreases. Conversely, as prices rise, customer orders generally rise as they purchase more product in anticipation of further price increases. Thus, in November and December 2016, when market prices began to steadily rise again, USSC's sales orders also increased. However, due to the lag in timing from when sales orders are created and the product is actually produced and shipped, the financial results of these increased sales volumes and prices weren't seen until this first quarter of 2017.

44. Revenue for March, 2017 was approximately \$127.4 million. This equated to an average per ton selling price (for all types of steel) of approximately \$802 for March, 2017. This is an increase compared to the average selling price per ton of approximately \$568 for March, 2016, which reflects the increased spot market price for hot rolled steel.
45. Earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) for March, 2017 were positive \$30.4 million compared to EBITDA of negative \$7 million for the month ended March, 2016. EBITDA for March, 2017 primarily increased from the prior year due to an improvement in gross margin from reduced cost of sales, resulting from lower raw material pricing and USSC’s focus on reducing operating costs, while still maintaining stability in the operations of the company.
46. From an operational perspective, as discussed in the Thirty-Eighth Report, production volume at Lake Erie averaged 24.1 heats³ per day for March, 2017, resulting in an average of 21.4 heats per day in Q1, 2017. In April, 2017, the monthly average heats per day 22.4 heats. Overall, Management expects the average production volume for Q2, 2017 to be slightly higher in comparison to Q1, 2017.
47. As a result of the combination of USSC’s improved gross margin, rising steel prices, changes in net working capital and the impact of the Cash Conservation and Business Preservation Order, USSC’s cash position remained positive throughout fiscal year 2016 and the first quarter of fiscal year 2017. The table below reconciles income from operations to the cash flow generated during the month of March, 2017:

³ A heat is a production volume unit of liquid steel.

U. S. Steel Canada Inc.		
Selected cash flow information		
CAD Millions		
		<u>March 2017</u>
OPENING CASH		\$196.7
Income from operations	\$22.6	
Less Restructuring Costs	(6.2)	
Add back non-cash items	<u>8.1</u>	
Adjusted income/(loss)		\$24.5
Net changes in working capital and intercompany (Note 1)		19.1
Capital expenditures and other		<u>(3.5)</u>
Net cash flow		<u>40.1</u>
ENDING CASH		<u>\$236.8</u>

Note 1: This is the net change in working capital and intercompany after adjusting for the impact of the stayed intercompany interest and finance costs.

48. As set out in the table above, the net increase in cash was driven partially by positive operating income and partially by a net decrease in working capital from the continued draw-down of raw material inventory after the closure of the Great Lakes shipping season for the winter.

Post-Filing Obligations and Secured Creditor Claims

49. Although USSC has been able to generate positive cash flow during the first quarter of 2017 through a combination of positive income from operations and a reduction in working capital investment, such that its cash position has risen to \$236.8 million by the end of March, USSC also has significant post-filing obligations owed to employees and vendors which will ultimately need to be satisfied from cash on hand. The amount of the post-filing obligations was approximately \$80 million as at March 31, 2017. In addition, as described in the Thirty-Eighth Report, USSC has a number of secured claims (USS Secured Claim of approximately \$169 million converted to \$Cdn.), lien claims (approximately \$11 million) and unpaid realty taxes for Hamilton Works and Lake Erie Works (approximately \$14 million) which will have a potential priority claim to the cash and other assets of USSC and which will be required to be paid when the Amended Plan is implemented.
50. The aggregate value of the post-filing obligations owed to vendors and employees, and the secured debt exceeds USSC's March 31, 2017 cash balance. Further, USSC will be

incurring significant capital expenditures over the next several months as described in the Thirty-Eighth Report in paragraphs 32 and 33 related to: i) the second Shotcrete Repair to the Lake Erie blast furnace that will be completed in Q3 2017 (which will require the blast furnace to be taken out for service for up to three weeks), and ii) the implementation of a new enterprise resource planning software system and conversion of other information technology systems to allow USSC to operate independently of USS. These capital expenditure projects will require significant cash expenditures during 2017.

51. Finally as set out in Appendix C of the Thirty-Eighth Report, USSC will be required to fund a number of items on closing of the Amended Plan, which will include amongst other items, the payment of USD \$61 million (approx. \$81 million) to the Ministry of Environment and Climate Change (“MOECC”) and \$30 million for an upfront pension plan payment, which amounts will be partially funded by the payment of the Plan Funding Amount from Bedrock.
52. In summary, while the generation of positive cash flow by USSC during Q1 of 2017 is positive, for the reasons stated above there are also significant commitments and obligations that USSC has already in respect of this cash and such commitments and obligations exceed the amount of cash currently available.

All of which is respectfully submitted, this 2nd day of May, 2017.

ERNST & YOUNG INC.

Solely in its role as Court-appointed Monitor

of USSC, and not in its personal capacity

Per:

A handwritten signature in black ink, appearing to read "Alex Morrison". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Alex Morrison, CPA, CA

Senior Vice President

Appendix “A”

Court File No.: CV-14-10695-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF
THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. c-36, AS AMENDED

AND IN THE MATTER OF A
PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT
WITH RESPECT TO **U.S. STEEL CANADA INC.**

**MINUTES OF THE MEETING OF
THE GENERAL UNSECURED CREDITORS
OF**

U.S. STEEL CANADA INC.

**TO VOTE UPON THE
FIRST AMENDED AND RESTATED
PLAN OF COMPROMISE, ARRANGEMENT AND REORGANIZATION
pursuant to the *Companies' Creditors Arrangement Act* and the *Canadian Business
Corporations Act* concerning, affecting and involving U.S. Steel Canada Inc.**

**HELD: THURSDAY, APRIL 27, 2017
10:00 a.m. (EST)**

**AT: METRO TORONTO CONVENTION CENTRE
North Building, Room 201
222 Bremmer Blvd., Toronto, Ontario M5V 3L9**

CHAIRMAN'S CALL TO ORDER:

<Alex Morrison>: Good morning ladies and gentlemen.

My name is Alex Morrison. I am a Senior Vice President at Ernst & Young Inc., the Court appointed Monitor for U.S. Steel Canada Inc., which I will refer to as the "Applicant", "USSC", or "Stelco".

It is now slightly past 10:00 a.m. and I would like to call this meeting to order. This is the meeting of the General Unsecured Creditor Class.

This meeting has been called pursuant to the order of Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice made on March 15, 2017, which I will refer to as the "Meetings Order". This meeting will be conducted in accordance with the terms of the Meetings Order, the further orders of the Court made on April 26, 2017 and applicable law.

Copies of the Meetings Order and other Meeting Materials were previously distributed and posted on the Monitor's Website pursuant to the Meetings Order. Copies are also available at the back of the room for anyone who did not receive a copy.

If you are voting in person at this Meeting and have not previously submitted a proxy form, you should have also received a Ballot when you registered this morning. If you did not receive a Ballot, please raise your hand and one will be provided to you.

INTRODUCTION OF HEAD TABLE:

<Alex Morrison>: With me today at this table are:

William Aziz, USSC's Chief Restructuring Officer;

James Gage of McCarthy Tetrault LLP, counsel to the Applicant;

Kevin Zych and Raj Sahni of Bennett Jones LLP, counsel to the Monitor.

Also present at this meeting is Michael McQuade, President and General Manager of USSC.

ROLE OF CHAIR & APPOINTMENT OF SECRETARY:

<Alex Morrison>: In accordance with the Meetings Order, I will chair the meeting and I appoint Mr. Sahni to act as Secretary.

As set out in the Meetings Order, all matters relating to the conduct of the meeting are to be determined by the Chair. I will also ask Mr. Sahni to assist me with procedural matters in connection with the meeting.

ATTENDANCE AT THE MEETING:

<Alex Morrison>: Pursuant to the Meetings Order, attendance at this meeting is restricted to the General Unsecured Creditors and their proxy holders, legal counsel and advisors; USSC's officers, and its legal counsel and advisors; the Monitor and its legal counsel and its representatives; the Chief Restructuring Officer; the Plan Sponsor's officers, and its legal counsel and advisors; and the Scrutineers.

All others are not entitled to attend unless admitted to this meeting on invitation by the Chair. Accordingly, if there are any persons not entitled to be present, they should withdraw from the meeting now. If you are unsure, please raise your hand.

APPOINTMENT OF SCRUTINEER:

<Alex Morrison>: I appoint Ernst & Young Inc., the Court-appointed Monitor, by its representative David Saldanha, to act as Scrutineer. The Scrutineer will report on the number of Affected Creditors holding a General Unsecured Claim that is a Proven Claim represented in person and by proxy at this meeting and the total value of the Voting Claims held by such Affected Creditors.

The Scrutineer will separately report on the number of Affected Creditors with General Unsecured Claims that are Unresolved Claims represented in person and by proxy at this meeting and the value accepted by the Monitor, for voting purposes only, in respect of the Unresolved Claims.

The Scrutineer will compute and report on the ballots cast at this meeting.

ORDER OF BUSINESS:

<Alex Morrison>: The only item of business to be considered today is a resolution to approve the plan of compromise, arrangement and reorganization filed by the Applicant on March 15, 2017 pursuant to the provisions of the *Companies' Creditors Arrangement Act*, an amended and restated version of which was filed by the Applicant and authorized by the Court on April 26, 2017 to be presented to Affected Creditors to consider and vote upon, and to transact such other business that may come before the meeting or any adjournment thereof. I will refer to this amended and restated plan of compromise arrangement and reorganization as "the Plan". A copy of the Plan is available at the registration desk for anyone who does not have a copy.

NOTICE OF MEETING:

<Alex Morrison>: In accordance with the Meetings Order, the Monitor sent copies of the Meeting Materials, including the Information Circular, notice of this meeting and forms of proxy, to all Affected Creditors with General Unsecured Claims in respect of which a proof of claim has been filed with the Monitor in accordance with the Claims Procedure Order and that is not barred pursuant to the Claims Procedure Order.

The Meeting Materials, as well as the Plan and Meetings Order are also posted on the Monitor's website and notice of this meeting was published for a period of two (2) Business Days in the national edition of *The Globe and Mail* and in *The Hamilton Spectator* on March 21 and March 22, 2017, all in accordance with the Meetings Order.

SCRUTINEER'S REPORT ON ATTENDANCE AND QUORUM:

<Alex Morrison>: Quorum for this meeting is the presence in person or by proxy of at least one Affected Creditor with a Voting Claim that is a General Unsecured Claim.

The Scrutineer's report has been received, showing that attending this meeting in person or by proxy are 248 Affected Creditors with Voting Claims that are General Unsecured Claims.

As a result, I declare that we have a quorum and the meeting is properly constituted for the transaction of today's business.

PURPOSE OF THE MEETING:

<Alex Morrison>: As you are aware, the purpose of this meeting is to consider and, if advisable, pass a Resolution approving the Plan proposed by the Applicant.

The Plan was described in detail in the Information Circular of the Applicant dated March 15, 2017 and the Supplemental Information Circular dated April 26, 2017, as well as in the Thirty-Eighth Report of the Monitor dated April 20, 2017. Copies of the Information Circular, the Supplemental Information Circular, the Thirty-Eighth Report of the Monitor and other documents relating to these proceedings are available on the Monitor's Website. As well, copies of these materials and the Plan itself are available at the registration desk. If you would like copies of these documents, please raise your hand.

OVERVIEW OF PLAN:

<Alex Morrison>: I would like to introduce Mr. Aziz, Stelco's Chief Restructuring Officer, to provide an overview of the Plan.

<William Aziz>: Pursuant to the Meetings Order, the Plan provides for two separate classes for the purposes of considering and voting on the Plan as follows:

- (a) first, the "General Unsecured Creditors Class", which is comprised of Affected Creditors holding General Unsecured Claims; and
- (b) second, the "Non-USW Main Pension and OPEB Claim holders Class" which is comprised of Affected Creditors holding a Claim arising in respect of the Existing Non-USW Main Pension and OPEB Benefits (other than any Non-USW Supplemental Pension Claim).

In this meeting, members of the General Unsecured Creditors Class are being asked to vote on a Resolution that the Plan be authorized and approved.

As you may know, in a meeting to be held after this meeting, the members of the Non-USW Main Pension and OPEB Claims holders Class will be asked to vote on a Resolution that the Plan be authorized and approved.

If the Plan is approved by the requisite majorities of the Affected Creditors in each class, and if the Plan is sanctioned by the Court and implemented, then General Unsecured Creditors will receive distributions from a General Unsecured Creditor Pool of \$15.4 million in respect of their proven claims. An Unresolved Claims Reserve will also be set up to hold funds for Unresolved Claims until such time as the Unresolved Claims are finally determined in accordance with the applicable Claims Procedure Orders.

The original Plan filed by USSC on March 15, 2017 had a General Unsecured Creditor Pool of \$17 million but also included supplemental pension benefit claims and severance and termination claims (or "Employee Restructuring Claims") of Non-USW Employees represented by the Court-appointed Representative Counsel in the General Unsecured Creditor Class. Pursuant to a settlement reached with Representative Counsel, the supplemental pension and Restructuring Claims of those Non-USW Employees represented by Representative Counsel will be removed from the General Unsecured Creditors Class and they will instead receive distributions from a separate pool of funds outside of the Plan, except in certain cases where their claims are less than \$20,000, in which case they will still participate in the Plan as Convenience Creditors, entitled to the lesser of their proven claims or \$7,500. Accordingly, the Amended and Restated Plan removes the applicable claims of approximately 145 Non-USW Employees from the General Unsecured Creditors Class and reduces the General Unsecured Creditor Pool by \$2.5 million, which is the estimated pro-rata distribution that would have been payable to those Non-USW Employees.

In addition, an Unsecured Claim of the Ontario Pension Benefits Guarantee Fund, or "PBGF" has been added to the General Unsecured Creditors Class and the General Unsecured Creditor Pool has been correspondingly increased by its estimated pro-rata distribution of \$900,000, resulting in a final General Unsecured Creditor Pool of \$15.4 million.

As the Monitor noted in its Thirty-Eighth Report, the changes made in the Amended and Restated Plan are not expected to diminish distributions and recoveries to Creditors entitled to distributions from the General Unsecured Creditor Pool in comparison to the original Plan.

Based on the Plan, the distributions to holders of General Unsecured Claims will be as follows:

1. On the Initial Distribution Date:
 - (a) each General Unsecured Creditor with Proven Claims not exceeding an aggregate of \$7,500, or who has duly filed an Election Notice with the Monitor, will receive payment in an amount equal to the lesser of \$7,500 and the actual amount of such Convenience Creditor's Proven Claims; and
 - (b) each General Unsecured Creditor with Proven Claims that exceed an aggregate of \$7,500 who has not filed an Election Notice, other than the Province and USS, will receive, in full satisfaction of such Proven Claims, its *pro rata* share of the General Unsecured Creditor Pool remaining after payment of all Convenience Creditors;
2. The Province will be entitled to vote its General Unsecured Claim that is a Proven Claim at the Meeting but has waived its entitlement to, and shall not receive, any distributions under this Plan in respect of the portion of its General Unsecured Claim other than the PBGF Assessment Claim.

"Effective Time" under the Plan means such time on the Plan Implementation Date as the Applicant may determine.

At the Effective Time, all Affected Claims and all Released Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred and the Applicant will have no further obligation in respect of the Affected Claims and the Released Claims.

Releases

The Plan has two classes of Affected Creditors, whose claims will be compromised, discharged and released thereunder: i) the Non-USW Main Pension and OPEB Class, and ii) the General Unsecured Creditors Class.

In addition to the release and discharge of Affected Claims, the Plan provides for release and discharge of the members of the USSC Group, the CRO, EY and their respective Representatives (including Responsible Persons) (the "**Released USSC Parties**") from all Released USSC Claims, including, among other things, any claims relating to the assets, obligations, business or affairs of USSC or any member of the USSC Group existing prior to the implementation of the Plan and the administration or management of all pension plans of USSC or the assets thereof.

The Amended Plan also contemplates that contractual releases (the "**Stakeholder Contractual Releases**"), substantially in the form appended as Schedule "J" to the Plan will be provided between certain key stakeholders and confirmed pursuant to the Plan and the Sanction Order.

Unaffected Claims

The Plan enumerates a list of Unaffected Claims, including, among others, USW Employees' Claims, secured and unsecured Claims of USS, other Secured Claims, Construction Lien Claims, Secured Municipal Tax Claims and Claims of USSC's Directors or other Responsible Persons under any directors' or officers' indemnity policy or agreement with USSC to the extent not otherwise covered by the CCAA Charges.

USS will receive full payment for its Secured Claims in U.S. dollars (approximately U.S. \$127.2 million or CAD \$169 million, assuming a May 31, 2017 closing date and using today's exchange rate). USS will not receive any distributions in respect of its unsecured claims or equity claims with the exception of the five unsecured transportation trade claims totalling approximately U.S.\$3 million which USS took assignment of as described in the Seventh Report of the Monitor dated March 9, 2016.

The Plan contemplates payment on the Plan Implementation Date of certain Unaffected Claims in addition to the USS Secured Claims, as follows;

- (a) payment to the DIP Lender of all amounts required to satisfy all obligations and liabilities of USSC to the DIP Lender (\$3 million);
- (b) payment to the Province of a one-time irrevocable cash payment of US\$61 million (approx. CAD\$81 million assuming today's exchange rate) from USSC (the "**Province Payment**") as provided in the Environmental Framework Agreement;
- (c) payment to each holder of a CCAA Priority Payment Claim of all amounts required to satisfy such holder's CCAA Priority Payment Claim in full;

- (d) payment to each holder of a Secured Municipal Tax Claim of all amounts required to satisfy such holder's Secured Municipal Tax Claim in full (approximately \$16 million, consisting of approximately \$10 million for Hamilton and \$6 million for Haldimand);
- (e) payment to each holder of a Construction Lien Claim of all amounts required to satisfy such holder's Construction Lien Claim in full (approximately \$11 million);
- (f) payment to the Land Vehicle of the Land Vehicle Funding, if any, as provided in the Land Term Sheet;
- (g) payment of \$30 million to the Main Pension Plans in accordance with the Pension Agreement;
- (h) payment in full of all Claims secured by the CCAA Charges (approximately \$20 million, in addition to the DIP);
- (i) payment of any other amounts required to be paid in accordance with the Stakeholder Agreements, the PSA or the Plan on or before the Effective Time.

I will now turn it back over to Alex Morrison.

ALTERNATIVE TO THE PLAN AND THE MONITOR'S RECOMMENDATION:

<Alex Morrison>: If the Plan is not approved by the requisite majorities of both classes of Affected Creditors pursuant to the CCAA and sanctioned by the Court, the Plan will not be implemented. If the Plan is not implemented the Monitor believes that the most likely alternative would be a realization of the Applicant's assets, whether within the existing CCAA proceeding or through receivership, the exercise of creditors rights or bankruptcy.

As noted in the Monitor's Thirty-Eighth Report, the Plan is expected to result in a distribution to General Unsecured Creditors of approximately 10% of the proven value of their General Unsecured Claims and up to 100% in the case of Convenience Creditors owed less than \$7,500. The Illustrative recovery for General Unsecured Creditors under the Plan is attached to the Monitor's Thirty-Eighth Report as Appendix "G" and can be referred to for additional detail.

In addition, the Plan has a number of additional benefits, in comparison to a liquidation, as noted in the Monitor's Thirty-Eighth Report, including providing for a going-concern solution that will benefit in excess of 2,100 active employees, pensioners, suppliers, customers and the communities in which USSC operates and allowing for more immediate and more certain distributions to General Unsecured Creditors than a liquidation in which disputes between creditors over priority to liquidation proceeds might ensue for an extended time.

In the Monitor's view, the Transaction and the Plan represent the best feasible outcome that balances the realities of the situation with the interests of the many stakeholders involved in the Stelco restructuring. If implemented they will:

- Provide for a going-concern solution for USSC, which will preserve in excess of 2,100 direct jobs and benefit employees, suppliers, customers and the communities in which USSC does business;

- Address USSC’s liabilities, including significant legacy pension and OPEB obligations, in a manner that allows USSC to manage its costs associated with those liabilities and better compete in persistently challenging and competitive steel market conditions; and
- Allow for the continuation of Stelco’s main pension plans without any anticipated reduction of benefits and provide for a measure of OPEB coverage (which has been suspended for the last 18 months) for retirees through the creation of a new OPEB Entity funded with a combination of guaranteed fixed annual contributions from Stelco plus a share of Stelco's future cash flows and other sources of funds as described in the OPEB Term Sheet attached to the Plan.

In its Thirty-Eighth Report, the Monitor therefore recommended that Affected Creditors vote for approval of the Plan.

PRECONDITIONS TO PLAN IMPLEMENTATION:

<Alex Morrison>: In order for the Plan to be implemented, all of the preconditions to the implementation of the Plan must be met or, where applicable, waived. A summary of all the preconditions to the implementation of the Plan were summarized and attached as Appendix “B” to the Monitor’s Thirty-Eighth Report.

Some key conditions to Implementation of the Plan include:

- (i) the amendments to the USW collective bargaining agreements required pursuant to the Plan must be executed and ratified (by each of Local 1005, Local 8782, Local 8782B) and become effective in accordance with their terms, subject only to the occurrence of the Plan Implementation Date;
- (ii) settling definitive documentation with respect to pension and OPEB funding, and creation and administration of the pension and OPEB vehicles; and creation of the Land Vehicle;

Schedule "B" to the Thirty-Eighth Report of the Monitor contains a list of the other preconditions, which can be referred for further detail.

PROCEDURE FOR A VOTE:

<Alex Morrison>: Before continuing with the business of the meeting, I would like to comment on the voting procedure. The only persons entitled to vote at this meeting are Affected Creditors holding General Unsecured Claims that are Proven Claims or Unresolved Claims, as well as all such parties’ respective proxies.

A Convenience Creditor, which is a General Unsecured Creditor with a Proven Claim not exceeding an aggregate of \$7,500 or who has filed an Election Notice with the Monitor, will be deemed to vote in favour of the Plan unless such Convenience Creditor has notified the Monitor in writing of its intention to vote against the Plan prior to this Meeting and does vote against the Plan at this Meeting either in person or by proxy.

For purposes of voting at the Meeting, each Affected Creditor with a General Unsecured Claim that is a Proven Claim is entitled to one vote with a value equal to the dollar value of such Proven

Claim in accordance with the Claims Procedure Orders as a member of the General Unsecured Creditors Class.

Votes will be tabulated by reference to the number of Affected Creditors holding General Unsecured Claims, and by reference to the dollar value of the General Unsecured Claim of each General Unsecured Creditor voting in person or proxy.

The Monitor will report separately with respect to the votes of the General Unsecured Creditors with Unresolved Claims. For the purposes of the vote, each General Unsecured Creditor with an Unresolved Claim is entitled to one vote in the General Unsecured Creditor Class, which vote shall have the value accepted by the Monitor, if any, for voting purposes only, in respect of an Unresolved Claim.

Note that votes cast in respect of such Unresolved Claims shall not be counted in calculation of the required majorities; however, if approval or non-approval of the Plan by any of the Affected Creditors Classes proves to be determined by the votes cast in respect of Unresolved Claims, the Applicant and the Monitor will request further direction from the Court.

I remind you that the *Companies' Creditors Arrangement Act* requires for approval of the Plan, a majority in number of the Affected Creditors of each of the Affected Creditors Classes holding Voting Claims representing a two-thirds majority in dollar value of such class that is present and voting at the Meetings in person or by proxy must vote in favour of the Plan.

Does anyone have any questions with respect to either the Plan or the voting procedure? If so, please raise your hand and, when called upon, state your name and whether you are a General Unsecured Creditor or a proxy holder for a General Unsecured Creditor.

<No questions were posed by any person.>

RESOLUTION FOR VOTE ON PLAN:

<Alex Morrison>: As there are no questions, we will now proceed with voting on a resolution to approve the Plan. For the sake of clarity, it is the First Amended and Restated Plan of Compromise, Arrangement and Reorganization set out as Exhibit "A" to the Supplemental Information Circular of U. S. Steel Canada Inc. dated April 26, 2017 that is being voted on. Voting on the motion to approve the Plan will be conducted by ballot, using the Ballots previously distributed.

I will now read out the proposed Resolution and then ask that a proxyholder move to approve the Resolution.

RESOLVED that:

1. *The First Amended Plan of Compromise Arrangement and Reorganization pursuant to the Companies' Creditors Arrangement Act and the Canada Business Corporations Act set out as Exhibit "A" to the supplemental information circular of U. S. Steel Canada Inc. dated April 26, 2017 (the "Plan") is approved and authorized.*
2. *Notwithstanding that this resolution has been passed by any class of Affected Creditors of the Applicant, the Applicant may (i) amend the Plan with the approval of the Ontario Superior Court of Justice or the Monitor (i.e. Ernst & Young Inc.) in accordance with the provisions of*

the Plan; or (ii) not proceed with the implementation of the Plan, in each case without further approval of any class of Affected Creditors of the Applicant.

3. *Each officer of the Applicant is authorized to execute and deliver articles of reorganization and to execute and deliver all other documents and to take such other actions as the officer determines necessary or desirable to give effect to the Plan, such determination to be conclusively evidenced by the execution and delivery of any such document or the taking of any such action.*

I ask for a motion to approve the Resolution.

Please raise your hand if you will make the motion?

<Ms. Gale Rubenstein, proxyholder for Province of Ontario, raised her hand and made the motion.>

PRE-MEETING PROXY AND CONVENIENCE CREDITOR VOTE RESULTS:

<Alex Morrison>: Thank you Ms. Rubenstein. As permitted by the Meetings Order, a number of Affected Creditors with General Unsecured Claims provided proxies in favour of the Monitor, which were filed with the Monitor prior to this meeting. As instructed by these Affected Creditors with General Unsecured Claims, and as permitted by the Meetings Order, I will vote these proxies as follows:

	# of Proxies	\$ Value of Proxies
For: Proven	222	\$26,085,178.96
Unresolved	10	\$ 1,930,103.11
Against: Proven	6	\$1,626,496.71
Unresolved	1	\$1.00

In accordance with the Meetings Order, each Convenience Creditor with a Voting Claim was deemed to vote in favour of the Plan unless such Convenience Creditor notified the Monitor in writing of its intention to vote against the Plan prior to this Meeting. The Monitor notes that 40 Convenience Creditors with an aggregate Voting Claim Value of \$419,154.93 were deemed to vote in favour of the Plan pursuant to the Meetings Order resulting in the following votes for and against the Plan, including the aforementioned Proxies held by the Monitor and the Convenience Creditors.

	# of Proxies + Convenience Creditors	\$ Value of Proxies + Convenience Creditors
For: Proven	262	\$26,504,333.49
Unresolved	10	\$1,930,103.11
Against: Proven	6	\$1,626,496.71
Unresolved	1	\$1.00

VOTE:

<Alex Morrison>: Prior to proceeding to vote on the Motion, does anyone have any questions?

<No questions were posed by any person.>

<Alex Morrison>: We will proceed to vote on the motion using the Ballots provided. If anyone does not have a Ballot, please raise your hand.

If you have already submitted a proxy on behalf of a General Unsecured Creditor indicating your vote, then you have already submitted your vote and there is nothing further for you to do. If anyone in attendance has a completed proxy with your vote that has not yet been provided to the Monitor, please submit that to me and you do not need to complete a ballot.

If you have not submitted a proxy with your vote, now is the time to cast your vote in respect of the resolution approving the Plan, which has been put to this meeting, by indicating on the ballot whether the vote is in favour of or against the Resolution approving the Plan.

I ask that you also fill in the General Unsecured Creditor's name and amount of claim and sign the ballot where indicated. The Scrutineer will then collect the ballots.

<Scrutineer collected the ballots>

<Alex Morrison>: We will now take a brief adjournment to count the votes. We ask that you stay within the room if you wish to hear the results of the vote after the count is completed.

<The meeting was briefly adjourned while votes were tabulated.>

<Alex Morrison>: Ladies and gentlemen, would you please return to your seats. The Scrutineer has completed its report on voting and will present the results.

REPORT ON VOTE:

<Alex Morrison>: I have received the report from the Scrutineer as to the result of the vote on the Resolution to approve the Plan.

The following are the results of the Proven Claims:

	Number of Creditors	Value of Claims	%Number of Creditors	% Value of Claims
In favour	417	\$189,198,958.00	96.75%	97.66%
Against	14	\$4,537,657.89	3.25%	2.34%
Total	431	\$193,736,615.89	100%	100%

Following are the results of the Unresolved Claims:

	Number of Creditors	Value of Claims	%Number of Creditors	% Value of Claims
In favour	15	\$1,930,108.11	75%	28.55%
Against	5	\$4,831,345.71	25%	71.45%
Total	20	\$6,761,453.82	100%	100%

Taking Proven and Unresolved claims together, 95.79% of creditors representing 95.33% of the total dollar value of votes cast in person and by proxy at the meeting approved the Plan.

The vote of Unresolved Claims would not appear to affect outcome of the vote but will be reported to the Court at the Sanction Hearing to inform the Court.

The Motion is carried – the Resolution has been adopted and I declare that the Plan has been duly approved by the General Unsecured Creditors Class.

TERMINATION OF MEETING:

<Alex Morrison>: If there is no further business to come before this meeting, may I please now have a motion from the floor to terminate this meeting?

<Gale Rubenstein, proxyholder for the Province of Ontario>: "I move that the meeting be terminated."

<Alex Morrison>: Thank you, Ms. Rubenstein.

All those for the motion please signify by raising your hand.

Any opposed to the motion?

<Nobody Opposed.>

The motion to terminate the meeting is hereby carried.

This concludes the meeting. Thank you for attending.

Appendix “B”

Court File No.: CV-14-10695-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF
THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. c-36, AS AMENDED

AND IN THE MATTER OF A
PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT
WITH RESPECT TO **U.S. STEEL CANADA INC.**

**MINUTES OF THE MEETING OF
THE NON-USW MAIN PENSION
AND OPEB CLAIM HOLDERS
OF**

U.S. STEEL CANADA INC.

TO VOTE UPON THE

**FIRST AMENDED AND RESTATED
PLAN OF COMPROMISE, ARRANGEMENT AND REORGANIZATION**
*pursuant to the Companies' Creditors Arrangement Act and the Canadian Business
Corporations Act concerning, affecting and involving U.S. Steel Canada Inc.*

**HELD: THURSDAY, APRIL 27, 2017
12:00 p.m. (EST)**

**AT: METRO TORONTO CONVENTION CENTRE
North Building, Room 201
222 Bremmer Blvd., Toronto, Ontario M5V 3L9**

CHAIRMAN'S CALL TO ORDER:

<Alex Morrison>: Good afternoon ladies and gentlemen.

My name is Alex Morrison. I am a Senior Vice President at Ernst & Young Inc., the Court appointed Monitor for U.S. Steel Canada Inc., which I will refer to as the "Applicant", "USSC", or "Stelco".

It is now 12:00 p.m. and I would like to call this meeting to order. This is the meeting of the Non-USW Main Pension and OPEB Claim holders Class.

This meeting has been called pursuant to the order of Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice made on March 15, 2017, which I will refer to as the "Meetings Order". This meeting will be conducted in accordance with the terms of the Meetings Order, the further orders of the Court made on April 26, 2017 and applicable law.

Copies of the Meetings Order and other Meeting Materials were previously distributed and posted on the Monitor's website pursuant to the Meetings Order. Copies are also available at the back of the room for anyone who did not receive a copy.

If you are voting in person at this Meeting and have not previously submitted a proxy form, you should have also received a Ballot when you registered this morning. If you did not receive a Ballot, please raise your hand and one will be provided to you.

INTRODUCTION OF HEAD TABLE:

<Alex Morrison>: With me today at this table are:

William Aziz, USSC's Chief Restructuring Officer;

James Gage of McCarthy Tetrault LLP, counsel to the Applicant;

Kevin Zych and Raj Sahni of Bennett Jones LLP, counsel to the Monitor;

Also present at this meeting is Michael McQuade, President and General Manager of USSC.

ROLE OF CHAIR & APPOINTMENT OF SECRETARY:

<Alex Morrison>: In accordance with the Meetings Order, I will chair the meeting and I appoint Mr. Sahni to act as Secretary.

As set out in the Meetings Order, all matters relating to the conduct of the meeting are to be determined by the Chair. I will also ask Mr. Sahni to assist me with procedural matters in connection with the meeting.

APPOINTMENT OF SCRUTINEER:

<Alex Morrison>: I appoint Ernst & Young Inc., the Court-appointed Monitor, by its representative David Saldanha, to act as Scrutineer. The Scrutineer will report on the number of Non-USW Main Pension Plans and the number of Non-USW OPEB Affected Creditors with Proven Claims represented in person and by proxy at this meeting and the total value of the Voting Claims held by such Affected Creditors.

The Scrutineer will compute and report on the ballots cast at this meeting.

ORDER OF BUSINESS:

<Alex Morrison>: The only item of business to be considered today is a resolution to approve the plan of compromise, arrangement and reorganization filed by the Applicant on March 15, 2017 pursuant to the provisions of the Companies' Creditors Arrangement Act, an amended and restated version of which was filed by the Applicant and authorized by the Court on April 26, 2017 to be presented to Affected Creditors to consider and vote upon, and to transact such other business that may come before the meeting or any adjournment thereof. I will refer to this amended and restated plan of compromise arrangement and reorganization as "the Plan". A copy of the Plan is available at the registration desk for anyone who does not have a copy.

SCRUTINEER'S REPORT ON ATTENDANCE AND QUORUM:

<Alex Morrison>: Quorum for this meeting is the presence in person or by proxy of one Affected Creditor with a Voting Claim that is a Non-USW Main Pension and OPEB Claim.

The Scrutineer's report has been received, showing that attending this meeting in person or by proxy are 4,539 Affected Creditors with Voting Claims that are Non-USW Main Pension and OPEB Claims.

As a result, I declare that we have a quorum and the meeting is properly constituted for the transaction of today's business.

PURPOSE OF THE MEETING:

<Alex Morrison>: As you are aware, the purpose of this meeting is to consider and, if advisable, pass a Resolution approving the Plan proposed by the Applicant.

The Plan was described in detail in the Information Circular of the Applicant dated March 15, 2017 and the Supplemental Information Circular dated April 26, 2017, as well as in the Thirty-Eighth Report of the Monitor dated April 20, 2017. Copies of the Information Circular, the Supplemental Information Circular, the Thirty-Eighth Report of the Monitor and other documents relating to these proceedings, are available on the Monitor's Website. As well, copies of these

materials and the Plan itself are available at the registration desk. If you would like copies of these documents, please raise your hand.

MOTION TO MOVE DIRECTLY TO VOTE ON PLAN

<Alex Morrison>: As the creditors and proxyholders present at this meeting are already familiar with the Plan, unless anyone at the Meeting would like an overview of the Plan, it has been discussed that we may move directly to the vote on the Plan. Does somebody wish to make that motion.

<Mr. Andrew Hatnay proxyholder for Non-USW Pension & OPEB Claimants, other than Opt-Out Individuals, raised his hand and made the motion.>

<Alex Morrison>: Thank you Mr. Hatnay.

<Alex Morrison>: Before we proceed with voting, does anyone have any questions with respect to the Plan or voting procedures?

<No questions asked by any person.>

RESOLUTION FOR VOTE ON PLAN:

<Alex Morrison>: As there are no questions, we will now proceed with voting on a resolution to approve the Plan. For the sake of clarity, it is the First Amended and Restated Plan of Compromise, Arrangement and Reorganization set out as Exhibit "A" to the Supplemental Information Circular of U. S. Steel Canada Inc. dated April 26, 2017 that is being voted on. Voting on the motion to approve the Plan will be conducted by ballot, using the Ballots previously distributed.

I will now read out the proposed Resolution and then ask that a proxyholder move to approve the Resolution.

RESOLVED that:

1. The First Amended Plan of the Compromise Arrangement and Reorganization pursuant to the Companies' Creditors Arrangement Act and the Canada Business Corporations Act set out as Exhibit "A" to the supplemental information circular of U. S. Steel Canada Inc. dated April 26, 2017 (the "Plan") is approved and authorized.

2. Notwithstanding that this resolution has been passed by any class of Affected Creditors of the Applicant, the Applicant may (i) amend the Plan with the approval of the Ontario Superior Court of Justice or the Monitor (i.e. Ernst & Young Inc.) in accordance with the provisions of the Plan; or (ii) not proceed with the implementation of the Plan, in each case without further approval of any class of Affected Creditors of the Applicant.

3. Each officer of the Applicant is authorized to execute and deliver articles of reorganization and to execute and deliver all other documents and to take such other actions as the officer determines necessary or desirable to give effect to the Plan, such determination to be

conclusively evidenced by the execution and delivery of any such document or the taking of any such action.

I ask for a motion to approve the Resolution.

Please raise your hand if you will make the motion?

<Mr. Andrew Hatnay, proxyholder for Non-USW Pension & OPEB Claimants, other than Opt-Out Individuals, raised his hand and made the motion.>

VOTE:

<Alex Morrison>: Thank you Mr. Hatnay, we will proceed to vote on the motion using the Ballots provided. If anyone does not have a Ballot, please raise your hand.

If you have already submitted a proxy on behalf of a Non-USW Main Pension and OPEB Creditor indicating your vote, then you have already submitted your vote and there is nothing further for you to do. If anyone in attendance has a completed proxy with your vote that has not yet been provided to the Monitor, please submit that to me and you do not need to complete a ballot.

If you have not submitted a proxy with your vote, now is the time to cast your vote in respect of the resolution approving the Plan, which has been put to this meeting, by indicating on the ballot whether the vote is in favour of or against the Resolution approving the Plan.

I ask that you also fill in the name of the Non-USW Main Pension and OPEB Creditor and sign the ballot where indicated. The Scrutineer will then collect the ballots.

<Scrutineer collected the ballots.>

<Alex Morrison>: We will now take a brief adjournment to count the votes. We ask that you stay within the room if you wish to hear the results of the vote after the count is completed.

<Brief Adjournment of the Meeting while votes were tabulated.>

<Alex Morrison>: Ladies and gentlemen, would you please return to your seats. The Scrutineer has completed its report on voting and will present the results.

REPORT ON VOTE:

<Alex Morrison>: I have received the report from the Scrutineer as to the result of the vote on the Resolution to approve the Plan.

The following are the results of the "Voting Value" of the Claims, as set in accordance with the Supplemental Claims Process Order:

	Number of Creditors	Value of Claims	%Number of Creditors	%Value of Claims
In favour	4,536	\$449,662,248	99.93%	99.94%
Against	3	\$252,651	0.07%	0.06%
Total	4,539	\$449,914,899	100%	100%

The Motion is carried – the Resolution has been adopted and I declare that the Plan has been duly approved by the Non-USW Main Pension and OPEB Claim holders Class.

TERMINATION OF MEETING:

<Alex Morrison>: If there is no further business to come before this meeting, may I please now have a motion from the floor to terminate this meeting?

<Andrew Hatnay>: "I move that the meeting be terminated."

<Alex Morrison>: Thank you, Mr. Hatnay.

All those for the motion please signify by raising your hand.

Any opposed to the motion?

<Nobody opposed.>

The motion to terminate the meeting is hereby carried.

This concludes the meeting. Thank you for attending.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO U. S. STEEL CANADA INC.

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

**THIRTY-NINTH REPORT OF THE MONITOR
MAY 2, 2017**

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