



**U. S. Steel Canada Inc.**  
A Subsidiary of United States Steel

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**Michael A. McQuade**  
President and General Manager

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**To:** Retirees of U. S. Steel Canada

**U. S. STEEL CANADA RESTRUCTURING UPDATE: OUR COURT MOTION**

As you are aware, U. S. Steel Canada has been protected from creditors under the *Companies' Creditors Arrangement Act* (CCAA), since September 16, 2014. Earlier this month, we received an extension of this protection until December 11, 2015. However, we have filed a motion with the Ontario Superior Court of Justice that seeks to obtain further relief under CCAA so that we can operate beyond 2015.

If this court order is granted we expect to preserve jobs and continue to deliver high-quality steel products to our customers from both Lake Erie Works and Hamilton Works during 2016. This would also provide additional time to develop and implement measures to further reduce our costs and improve our competitiveness, as well as reach agreement on a restructuring solution that will allow our business to compete in the global steel market.

Our motion before the court seeks approval for several measures designed to conserve cash and to allow our business to survive. Some of these measures will have a significant impact on a number of our stakeholders, including retirees and surviving spouses.

With great regret, given the need to conserve cash for the survival of the business, U. S. Steel Canada has also asked the court, among other things:

- To permit the immediate suspension of all pension funding contributions except contributions for current service. Pension payments from the U. S. Steel Canada registered pension plans and funded supplementary pension plans will continue to be made to retirees and surviving spouses at this time and are not impacted by this motion. However, supplementary pensions paid directly by U. S. Steel Canada to retirees and surviving spouses will be suspended.
- To permit U. S. Steel Canada to suspend payment of post-employment health, medical, dental and life insurance benefits in the near term for retirees, surviving spouses and dependants.

None of these measures would take effect until such time as the motion is approved by the Court. At that time, we will provide you with more detailed information about how these measures will impact you.

The Court order is necessary at this time in part because, despite U. S. Steel Canada's best efforts under its Sale and Restructuring Process, the unwillingness of stakeholders to agree to compromises proposed in the offers submitted, and the unwillingness of bidders to modify their conditions to be acceptable to stakeholders, has resulted in no executable offer being received to-date. Nor have the principal stakeholders in U. S. Steel Canada been able to reach a consensual restructuring agreement. These factors are further aggravated by the continued deterioration of the North American steel market and the increasing volume of offshore imports.

Also contributing to the need for this Court Order is the attempt of U. S. Steel Canada's parent company, United States Steel Corporation, to reallocate production to its facilities located in the U.S., some of the highly-profitable steel production that U. S. Steel Canada had previously supplied to the auto industry. The reallocation is effective in October 2015.

Despite the hard work of all employees to date, our internal efforts focused on reducing costs and improving our competitiveness have not been enough to overcome the challenges currently faced by the business.

Without Court approval of U. S. Steel Canada's motion, we don't see any way to avoid ceasing operations at the end of 2015, jeopardizing employment in Hamilton and Nanticoke, and seeing the assets of the company liquidated.

### **Other Proposed Terms of the Motion**

U. S. Steel Canada is asking the Court to direct its parent company, United States Steel Corporation, to continue to provide all intercompany services and goods.

The motion further proposes that U. S. Steel Canada would discontinue immediately the current Sale and Restructuring Process (SARP) with the exception of bids related to land at Hamilton Works. The intention would be to re-run the SARP at an appropriate time in late 2015 or 2016.

Under the motion, Ernst & Young Inc. would continue as the Court-appointed Monitor to oversee the business and financial affairs of the company during the CCAA process. The Monitor will continue to make information relevant to the restructuring process available on its website at [www.ey.com/ca/USSC](http://www.ey.com/ca/USSC) as such information becomes available.

None of these measures will take effect until such time as the motion is approved by the Court.

### **Going Forward**

Prior to our motion being considered, the Court has directed that the principal stakeholders attend a mediation to address the feasibility of a comprehensive agreement. We are hopeful that the mediation will assist stakeholders in reaching an agreement that will support U. S. Steel Canada's efforts to be better positioned to compete in a challenging marketplace. The details of the mediation are confidential, so I will not be able to provide updates on mediation developments.

We will of course provide another update as soon as we learn whether the court will provide the order we are seeking. We are doing everything in our power to achieve the best possible outcome under extremely challenging circumstances. I remain confident that we will get through these challenges together.

Thanks,



Michael A. McQuade  
President and General Manager  
U. S. Steel Canada