

UPDATE* – LANCO TRUST SALE OF LANDS TO STELCO INC

On June 5, 2018, the salaried and unionized retirees of Stelco, through their respective benefit and pension plans, sold to Stelco all of Stelco's current leased premises in Lake Erie and Hamilton, as well as an additional approximately 480 acres of lands in Hamilton (the "Land Transaction"). As a separate but concurrent transaction, the retirees also obtained from Stelco significant enhancements to the current funding of retiree health benefits (known as OPEBs) (the "OPEB Transaction"). As a result of both transactions, Stelco retirees achieved the following:

1. The retirees land vehicle ("Landco") received a vendor take-back mortgage from Stelco for the purchase price of the land, which requires Stelco to make quarterly payments of blended principal and interest in the aggregate annual amount of approximately \$10.6 million (totaling \$265 million over 25 years), which benefits OPEBs and pensions (the net present value of these mortgage payments is \$114 million).
2. Pursuant to the OPEB Transaction, Stelco is now required to make a further \$187 million of Additional Fixed Annual Payments ("AFAP") for OPEBs over the next 25 years and is also required to establish a reserve fund of up to \$50 million, funded from certain excess OPEB funding sources, which will provide additional funding for OPEBs in future years where the annual funding from all sources, excluding tax saving payments, is less than \$33 million. The mortgage will also serve as security for the AFAPs.
3. The total value of the mortgage and AFAP payments to be made by Stelco is approximately \$452 million. These secured sources of funding with predictable payment schedules represent new funding sources for OPEBs and pensions that replaces other current uncertain funding sources, thereby providing a greater level of funding stability and certainty over the next 25 years. The practical implication of this is that retirees can expect to have a stable and predictable OPEB coverage for 25 years.

4. The Land Transaction and OPEB Transaction provided a solution to monetize the non-leased lands in Hamilton that may otherwise be difficult to market. In addition, Stelco took responsibility for environmental cleanup costs, the cost of which could be significant and would make the monetization of the lands difficult for the foreseeable future.
5. The lands not purchased by Stelco, consisting of approximately 4,300 acres and all buildings and fixtures thereon other than equipment and trade fixtures belonging to Stelco, will remain with the Landco and any proceeds generated by the sale of such lands will be for the benefit of the pension plans.

*Note: Summary prepared by Koskie Minsky LLP