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**PROVINCE NOTE LOAN AGREEMENT**

Dated as of the 31<sup>st</sup> day of March, 2006

Between

**STELCO INC.**

and

**HER MAJESTY THE QUEEN IN RIGHT OF THE  
PROVINCE OF ONTARIO  
AS REPRESENTED BY THE MINISTER OF FINANCE**

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## **PROVINCE NOTE LOAN AGREEMENT**

**THIS AGREEMENT** made the 31<sup>st</sup> day of March, 2006.

**A M O N G:**

**STELCO INC.,**  
(the “**Borrower**”)

- and -

**HER MAJESTY THE QUEEN IN RIGHT OF THE  
PROVINCE OF ONTARIO AS REPRESENTED BY  
THE MINISTER OF FINANCE,**  
(the “**Province**”)

**WHEREAS** the Borrower’s creditors have voted in favour of, and the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) has approved, the Third Amended and Restated Plan of Arrangement and Reorganization of the Borrower and certain of its subsidiaries pursuant to the Companies’ Creditors Arrangement Act (the “**CCAA**”) (the “**CCAA Plan**”);

**AND WHEREAS** the Province has agreed to enter into this Province Note Loan Agreement in connection with the restructuring of the Borrower including the pension plan funding arrangements as contemplated by the CCAA Plan;

**NOW THEREFORE**, for value received (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

### **ARTICLE 1 INTERPRETATION**

#### **1.1 Definitions**

In this Agreement, the following terms shall have the meanings set forth below:

“**Actuarial Valuation Sanction**” or “**Sanction**” means, in connection with a filed Initial Actuarial Valuation, Annual Actuarial Valuation or Terminal Actuarial Valuations, one of the following:

- (a) the Superintendent’s advice in writing that he will not issue a Notice of Proposal; or
- (b) where the Superintendent has issued a Notice of Proposal, the date such Notice of Proposal is withdrawn, a settlement in respect of such Notice of Proposal is reached, or a final decision of a tribunal or court of competent jurisdiction relating to such Notice of Proposal is rendered and the time period for initiating an appeal or further appeal has elapsed.

**“Adjusted Solvency Deficit”** for any year means the Initial Solvency Deficit, as adjusted on the basis of the Annual Actuarial Valuation up to that year, and equal to the particular plan’s solvency liabilities less the market value of the assets as determined by the Annual Actuarial Valuation for that year, except that the solvency liabilities and related assets with respect to any Benefit Improvement or Wind-up Benefits will be excluded and disclosed separately.

**“Administrative Agent”** means CIT Business Credit Canada Inc. as the administrative agent, funding agent and co-lead arranger for the lenders under the Exit Facility Credit Agreement dated as of March 31, 2006 together with any of its successors and assigns.

**“Annual Actuarial Valuation”** means the actuarial valuation of each of the Stelco Main Pension Plans which shall be performed, in the absence of a Solvency Event, as at December 31 of each year for plan years 2006 to 2014 in a manner

- (a) that is based on the actuarial methodology used to perform the Initial Actuarial Valuation, and without any smoothing of the assets and/or liabilities of the particular plan;
- (b) which includes all experience gains and losses since the preceding valuation; and
- (c) separately discloses the solvency liabilities and related assets with respect to any Benefit Improvements and Wind-up Benefits;

subject to those changes in generally accepted actuarial assumptions that are applicable at the valuation date.

**“Agreement”** means this Province Note Loan Agreement and all instruments and amendments or confirmations of it; **“hereof”**, **“hereto”** and **“hereunder”** and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision of this Agreement; **“Article”**, **“Section”** or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement.

**“Applicable Securities Legislation”** means applicable securities laws (including rules, regulations, policies and instruments) in each of the Provinces of Canada.

**“Assets”** means, with respect to any Person, any property, assets and undertakings of such Person of every kind and wheresoever situate, whether now owned or hereafter acquired (and, for greater certainty, includes any equity or like interest of any Person in any other Person).

**“Assignee”** has the meaning specified in Section 7.8(3).

**“Benefit Improvement”** means an amendment to one of the Stelco Main Pension Plans (including any amendment to provide cost of living adjustments), that is effective as of a date on or after January 1, 2006, which improves the pension benefits accrued and/or accruing or being paid under the particular plan.

**“Businesses”** means:

- (d) the Hamilton Steel Business;
- (e) the Lake Erie Steel Business;
- (f) the Hamilton Coke Business;
- (g) the Lake Erie Coke Business;
- (h) the HMLTN Energy Business;
- (i) the Lake Erie Energy Business;
- (j) the Hamilton Land Business;
- (k) the Lake Erie Land Business; and
- (l) the HLE Mining Business.

“**Business Day**” means any day of the year (other than any Saturday or Sunday) on which banks are open for business in Toronto, Ontario.

“**CBCA**” means the *Canada Business Corporations Act*.

“**CBCA Arrangement**” means an arrangement under the CBCA whereby the assets and businesses of Stelco Inc. are restructured to transfer, effective as of March 31<sup>st</sup>, 2006, the Businesses to the Limited Partnerships.

“**CCAA Plan**” has the meaning specified in the preamble hereto.

“**Closing Date**” means the date of this Agreement.

“**Common Shares**” means the new common shares of the Borrower delivered to creditors of the Borrower pursuant to the CCAA Plan or such shares or other securities or property into which all of the common shares are reclassified, changed or reorganized after the Closing Date.

“**Credit Party**” means the Borrower and each of the Guarantors.

“**Event of Default**” has the meaning specified in Section 6.1.

“**Fiscal Year**” shall mean the fiscal year of the Borrower ending on December 31<sup>st</sup> of each calendar year.

“**Freely Tradeable**” means, with respect to any Common Shares of the Borrower, that such Common Shares are listed on the Toronto Stock Exchange and can be traded by the holder thereof without any restriction under Applicable Securities Legislation such as hold periods and without filing a prospectus, except in the case of a trade that is a control distribution (as such term is defined in the Applicable Securities Legislation) provided that the conditions in clauses 3, 4 and 5 of subsection 2.6(3) of National Instrument 45-102, as same may be amended from time to time, are satisfied.

“**GAAP**” means generally accepted accounting principles, from time to time in effect in Canada.

“**General Partners**” means, collectively, Hamilton Coke GP, Lake Erie Coke GP, HMLTN Energy GP, Lake Erie Energy GP, Hamilton Land GP, Lake Erie Land GP, Hamilton Steel GP, Lake Erie Steel GP and HLE Mining GP.

“**Governing Authority**” means any government or governmental entity, parliament, legislature, or commission or board of any government, parliament or legislature, or any political subdivision thereof, or any court or (without limitation to the foregoing) any other Law, regulation or rule-making entity (including, without limitation, any central bank, fiscal or monetary authority or authority regulating banks or pension plans) having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including, without limitation, any arbitrator) or any other authority charged with the administration or enforcement of applicable Laws.

“**Governmental Entity**” means any (i) federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

“**Guarantees**” means, collectively, each guarantee executed by any Guarantor in favour of the Province in respect of the Obligations of Borrower.

“**Guarantors**” means the General Partners and the Limited Partnerships (except for HLE Mining GP, HLE Mining Limited Partnership, HMLTN Energy GP, HMLTN Energy Limited Partnership, Lake Erie Energy GP, Lake Erie Energy Limited Partnership) and each other Person, if any, that executes a guarantee or other similar agreement in favour of the Province, by this Agreement or other documents, until such time as the Guarantee is released or terminated pursuant to the terms thereof.

“**Hamilton Coke Business**” means the business, carried on by Hamilton Coke Limited Partnership of manufacturing, sales and marketing of coke at and from the coke oven batteries and related by-product plants located at the Hamilton Facility.

“**Hamilton Coke GP**” means Hamilton Coke GP Inc., a corporation governed by the CBCA.

“**Hamilton Coke Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Hamilton Coke GP, as the general partner, and Borrower, as the initial limited partner.

“**Hamilton Facility**” means the steelmaking and processing complex, comprised of plants, buildings, equipment and other property of Hamilton Steel Limited Partnership, located at Hamilton, Ontario.

“**Hamilton Land Business**” means the business, carried on by Hamilton Land Limited Partnership, of holding, carrying, developing, selling and marketing certain real estate assets in or near Hamilton, Ontario, as more particularly described in the CBCA Arrangement.

“**Hamilton Land GP**” means Hamilton Land GP Inc., a corporation governed by the CBCA.

“**Hamilton Land Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Hamilton Land GP, as the general partner, and Borrower, as the initial limited partner.

“**Hamilton Steel Business**” means the business, carried on by Hamilton Steel Limited Partnership, of manufacturing, selling, marketing and distributing steel, and providing certain services to the Hamilton Coke Business, the HMLTN Energy Business and the Hamilton Land Business, at the Hamilton Facility.

“**Hamilton Steel GP**” means Hamilton Steel GP Inc., a corporation governed by the CBCA.

“**Hamilton Steel Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Hamilton Steel GP, as the general partner, and Borrower, as the initial limited partner.

“**HLE Mining Business**” means the mining, processing, selling, marketing and distribution of iron ore, the administration of closed coal mines and the holding, developing and administration of mining-related real estate assets.

“**HLE Mining GP**” means HLE Mining GP Inc., a corporation governed by the CBCA.

“**HLE Mining Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement March 1, 2006 between HLE Mining GP, as the general partner, and Borrower, as the initial limited partner.

“**HMLTN Energy Business**” means the business, carried on by HMLTN Energy Limited Partnership, of generating, selling, marketing and distributing energy to and from facilities to be constructed in or near Hamilton Ontario.

“**HMLTN Energy GP**” means HMLTN Energy GP Inc., a corporation governed by the CBCA.

“**HMLTN Energy Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement to be made between HMLTN Energy GP, as the general partner, and Borrower, as the initial limited partner.

“**Indemnified Person**” has the meaning specified in Section 7.7(1).

“**Initial Actuarial Valuation**” means the actuarial valuation to be performed for each of the Stelco Main Pension Plans as at December 31, 2005, in accordance with generally accepted

actuarial methods and assumptions as of the valuation date and with the general regulatory regime of the PBA, but without any smoothing of the assets and/or liabilities of the particular plan.

“**Initial Contribution**” means the \$400 million aggregate contribution to be made by Stelco to the Stelco Main Pension Plans on the Closing Date.

“**Initial Solvency Deficit**” means, for each of the Stelco Main Pension Plans, the particular plan’s solvency liabilities less the market value of its assets (before the allocation of the Initial Contribution), both as determined and disclosed in the Initial Actuarial Valuation.

“**Interest Payment Date**” means the date on which any interest is due and payable on the Loan, including without limitation the dates provided for in Sections 2.3(3) and 2.3(4) of this Agreement.

“**Interest Rate**” has the meaning specified in Section 2.3(1).

“**Laws**” means in respect of any Person, property, transaction or event, all applicable laws, standards, requirements, policies, approvals, statutes, ordinances, codes, guidelines, treaties, rules, regulations, by-laws and all applicable orders, Permits, judgments, injunctions, awards and decrees of any Governing Authority whether or not having the force of law.

“**Lake Erie Coke Business**” means the business, carried on by Lake Erie Coke Limited Partnership, of manufacturing, selling and marketing coke at and from the coke oven batteries and related by-product plants located at the Lake Erie Facility.

“**Lake Erie Coke GP**” means Lake Erie Coke GP Inc., a corporation governed by the CBCA.

“**Lake Erie Coke Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Lake Erie Coke GP, as the general partner, and Borrower, as the initial limited partner.

“**Lake Erie Energy Business**” means the business, carried on by Lake Erie Energy Limited Partnership, of generating, selling, marketing and distributing energy to and from facilities to be constructed in or near Nanticoke, Ontario.

“**Lake Erie Energy GP**” means Lake Erie Energy GP Inc., a corporation governed by the CBCA.

“**Lake Erie Energy Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Lake Erie Energy GP, as the general partner, and Borrower, as the initial limited partner.

“**Lake Erie Facility**” means the steelmaking and processing complex, comprised of plants, buildings, equipment and other property of Lake Erie Steel Limited Partnership, located at Nanticoke, Ontario.



“**Lake Erie Land Business**” means the business, carried on by Lake Erie Land Limited Partnership, of holding, developing, selling and marketing certain real estate assets in or near Nanticoke, Ontario, as more particularly described in the CBCA Reorganization Plan.

“**Lake Erie Land GP**” means Lake Erie Land GP Inc., a corporation governed by the CBCA.

“**Lake Erie Land Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Lake Erie Land GP, as the general partner, and Borrower, as the initial limited partner.

“**Lake Erie Steel Business**” means the business, carried on by Lake Erie Steel Limited Partnership, of manufacturing, selling, marketing and distributing steel, and providing certain services to the Lake Erie Coke Business, the Lake Erie Energy Business and the Lake Erie Land Business, at the Lake Erie Facility.

“**Lake Erie Steel GP**” means Lake Erie Steel GP Inc., a corporation governed by the CBCA.

“**Lake Erie Steel Limited Partnership**” means the limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated March 1, 2006 between Lake Erie Steel GP, as the general partner, and Borrower, as the initial limited partner.

“**Limited Partnership Agreements**” means the limited partnership agreements between Borrower and each respective General Partner, establishing each respective Limited Partnership.

“**Limited Partnerships**” means Hamilton Coke Limited Partnership, Hamilton Land Limited Partnership, Hamilton Steel Limited Partnership, HLE Mining Limited Partnership, HMLTN Energy Limited Partnership, Lake Erie Coke Limited Partnership, Lake Erie Land Limited Partnership, Lake Erie Steel Limited Partnership and Lake Erie Energy Limited Partnership.

“**Loan**” means the term loan in the aggregate principal amount of \$150,000,000 to be made available on the Closing Date to the Borrower by the Province under this Agreement.

“**Loan Documents**” means this Agreement, the Guarantees and all certificates executed and delivered to, or in favour of the Province in respect of this Agreement or the Loan. Any reference to this Agreement or any other Loan Document shall include all appendices, exhibits or schedules hereto or thereto and all amendments, restatements, supplements or other modifications hereto or thereto.

“**Loan Prepayment Amount**” has the meaning specified in Section 2.5.

“**Material Adverse Change**” means any event, circumstance, condition, fact, effect or other matter which has had or could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), results of operation, properties, assets, liabilities or operations of Borrower and its Subsidiaries taken as a whole; provided that any

strike, labour disruption or development affecting capital markets generally, the Canadian or North American economy or the Canadian or international steel industry as a whole shall not constitute a Material Adverse Change.

“**Maturity Date**” means December 31, 2015, subject to Section 2.1(2).

“**New Province Warrants**” means warrants exercisable to purchase in the aggregate 851,100 Common Shares.

“**Non-Participating Pension Plan**” means, as at the relevant date, a pension plan that was a Stelco Main Pension Plan on the Closing Date but is no longer a participating pension plan under the Stelco Regulation, as the Stelco Regulation may be amended from time to time.

“**Notice of Proposal**” means a Notice of Proposal to make an order under subsection 88(2) of the PBA, issued by the Superintendent.

“**Obligations**” has the meaning specified in Section 2.1.

“**PBA**” means the *Pension Benefits Act (Ontario)*.

“**Pension Agreement**” means the agreement between the Borrower, the Limited Partnerships, the Superintendent and Her Majesty the Queen in Right of Ontario entered into in connection with the CCAA Plan with respect to the funding of the Stelco Main Pension Plans, as amended from time to time.

“**Permits**” means all permits, quotas, consents, orders, waivers, applications, authorizations, licences, certificates, approvals, registrations, rights, privileges and exemptions or the like issued or granted by any Governing Authority with respect to the Business.

“**Person**” means a natural person, partnership, corporation, company, joint stock company, trust, unincorporated association, joint venture or other entity or Governing Authority, and pronouns that have a similarly extended meaning.

“**Province Intercreditor Agreement**” means the Province Intercreditor Agreement dated the date hereof between the Borrower, certain subsidiaries of the Borrower, the Administrative Agent, the Revolving Term Agent, the Province and the Secured Notes Trustee.

“**Revolving Term Agent**” means 1685970 Ontario Inc. as Agent under the revolving term credit agreement dated as of March 31, 2006, and its successors and assigns.

“**Secured Notes Obligations**” shall have the meaning as defined in the Province Intercreditor Agreement.

“**Secured Notes Trustee**” means BNY Trust Company of Canada and The Bank of New York as co-trustees under the platform note indenture dated as March 31, 2006, and their respective successors and assigns.

“**Solvency**” means, at the relevant date, full funding of the Adjusted Solvency Deficit of each and all of the Stelco Main Pension Plans such that the Adjusted Solvency Deficit for each and all of the Stelco Main Pension Plans is not greater than zero. In determining Solvency,

assets related to Benefit Improvements and Wind-up Benefits that are in excess of the liabilities for such Benefit Improvements and Wind-up Benefits may be included.

“**Solvency Event**” means that the following have occurred as at a date prior to December 31, 2015:

- (m) Stelco has filed Terminal Actuarial Valuations with the Superintendent that disclose that each and all of the Stelco Main Pension Plans have achieved Solvency; and
- (n) Sanction of such Terminal Actuarial Valuations has been obtained,

and, for greater clarity, the effective date of a Solvency Event shall be the effective date of such Terminal Actuarial Valuations.

“**Stelco**” means Stelco Inc.

“**Stelco Main Pension Plans**” means (i) the Stelco Inc. and Participating Subsidiaries Retirement Plan For Salaried Employees (Registration Number 0338509), (ii) the Stelco Inc. Bargaining Unit Pension Plan for Members of United Steelworkers of America (Registration Number 0354878), (iii) the Stelco Inc. Retirement Plan for Lake Erie Steel Company Salaried Employees (Registration Number 0698753) and (iv) the Stelco Inc. Bargaining Unit Pension Plan for Lake Erie Steel Company Members of United Steelworkers of America (Registration Number 0698761), but does not include any Non-Participating Pension Plan.

“**Stelco Repayment Right**” has the meaning specified in Section 2.7.

“**Stelco Regulation**” means the new regulation, specific to the Stelco Main Pension Plans passed by the Lieutenant Governor-in-Council effective as of, and in the form that it exists on, the 31<sup>st</sup> day of March, 2006.

“**Stock**” means all shares, options, warrants, general or limited partnership interests, membership interests, joint venture interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or non-voting, participating or non-participating, including common stock, preferred stock or any other equity security.

“**Subsidiary**” means, with respect to any Person, (a) any corporation of which an aggregate of more than sixty-six and two-thirds percent (66 2/3%) of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of sixty-six and two-thirds percent (66 2/3%) or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any general partnership, limited partnership, limited liability company or any other Person in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than sixty-six and two-thirds percent (66 2/3%) or of which any such Person is a general partner or may exercise the

powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of Borrower.

**“Superintendent”** means the Superintendent of Financial Services appointed under the *Financial Services Commission of Ontario Act, 1997*.

**“Terminal Actuarial Valuations”** means the actuarial valuations for each and all of the Stelco Main Pension Plans prepared as at the earlier of (i) December 31, 2015; or (ii) the effective date of the actuarial valuations prepared for the purpose of demonstrating that the Stelco Main Pension Plans have achieved Solvency. The actuarial valuations shall be prepared in a manner

- (a) that is based on the same actuarial methodology used to perform the Initial Actuarial Valuation, and without any smoothing of the assets and/or liabilities of the particular plan;
- (b) which includes all experience gains and losses since the preceding valuation; and
- (c) separately discloses the solvency liabilities and related assets with respect to any Benefit Improvements and Wind-up Benefits;

subject to those changes in generally accepted actuarial assumptions that are applicable at the valuation date.

**“Terminal Valuation Sanction Date”** means the date which is sixty (60) days immediately following the last date of Sanction of any of the Terminal Actuarial Valuations, subject to Section 2.7(2).

**“Top-up Amount”** means the contributions disclosed in the Terminal Actuarial Valuations filed with the Superintendent (and which has obtained Sanction) which is required to be made into the Stelco Main Pension Plans to achieve Solvency.

**“VWAP”** means the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the specified period, calculated including only trades made on the Toronto Stock Exchange during normal trading hours (prior to 4:00 p.m. local time in Toronto, Ontario) and excluding internal trades and special Toronto Stock Exchange markers to the extent identifiable through Toronto Stock Exchange reports issued in the ordinary course.

**“VWAP Certificate”** means a certificate setting out in detail any calculation of VWAP for the purpose of delivering any Common Shares to the Province under the terms of this Agreement.

**“Wind-up Benefits”** means pension benefits and entitlements that are required to be funded under section 75 of the PBA in the event of a full or partial wind-up of any of the Stelco Main Pension Plans that are not included in the solvency liabilities used to determine the Initial Solvency Deficit or Adjusted Solvency Deficit for that plan at any valuation date.

## **1.2 Interpretation**

This Agreement shall be interpreted in accordance with the following:

- (a) words denoting the singular include the plural and *vice versa* and words denoting any gender include all genders;
- (b) headings shall not affect the interpretation of this Agreement;
- (c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;
- (d) the word “including” shall mean “including without limitation” and “includes” shall mean “includes without limitation”;
- (e) the expressions “the aggregate”, “the total”, “the sum” and expressions of similar meaning shall mean “the aggregate (or total or sum) without duplication”; and
- (f) in the computation of periods of time, unless otherwise expressly provided, the word “from” means “from and excluding” and the words “to” and “until” mean “to and including”.

## **1.3 Accounting Terms**

All accounting terms not specifically defined in this Agreement shall be interpreted in accordance with GAAP.

## **1.4 Severability**

If any provision of this Agreement is, or becomes, illegal, invalid or unenforceable, such provisions shall be severed from this Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability. The remainder of this Agreement shall be construed as if such provision had not been inserted, except when such construction would constitute a substantial deviation from the general intent and purposes of the parties as reflected in this Agreement. In such event, the parties shall use their best efforts to negotiate a mutually satisfactory amendment to this Agreement to circumvent such adverse construction. Any provision of this Agreement which is or becomes prohibited or unenforceable in any jurisdiction, does not invalidate, affect or impair the remaining provisions thereof and any such prohibition or unenforceability in any jurisdiction does not invalidate or render unenforceable such provision in any other jurisdiction.

## **1.1 Entire Agreement**

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties relating to the subject matter hereof and entered into prior to the date of this Agreement.

## **1.2 Waiver**

No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise

of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right; nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No waiver of any of the provisions of this Agreement shall be effective unless it is in writing duly executed by the waiving party.

## **ARTICLE 2** **LOAN**

### **2.1**            **Promise to Pay**

- (1) Subject to Section 2.5, Section 2.6 and Section 2.7 of this Agreement, the Loan shall be repayable in full and in cash by the Borrower on the Maturity Date. The Borrower for value received, hereby promises to pay to or to the order of the Province, the maximum principal amount of \$150,000,000 in lawful currency of Canada together with all unpaid and accrued interest and all costs, charges, expenses and all other amounts now or hereafter payable in accordance with the terms hereof. The principal amount owing from time to time, any interest payable thereon and all other amounts now or hereafter payable hereunder, and at any time outstanding hereunder, shall be referred to herein as the “**Obligations**”.
- (2) To the extent that the Secured Notes Obligations remains outstanding as of December 31, 2015, the Maturity Date of the Province Loan shall be deemed to be extended to March 31, 2016.

### **2.2**            **Use of Proceeds**

The Borrower shall use the proceeds of the Loan to partially fund the Borrower’s up front pension payment under the Pension Agreement.

### **2.3**            **Interest**

Subject to Section 2.4, interest on the Loan:

- (1) shall be payable at the rate of 1% per annum (the “**Interest Rate**”) and all computations of interest shall be made by the Province on the basis of a year of 365 or 366 days, as the case may be, taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable;
- (2) shall be payable until all of the Obligations are repaid in full;
- (3) shall be due and payable on a semi-annual basis with the first such interest payment being due on September 30, 2006; and
- (4) shall be due and payable (i) on the Maturity Date in respect of all accrued and unpaid interest to such date; and (ii) on the Terminal Valuation Sanction Date in respect of any accrued and unpaid interest to such date.

## **2.4 Payment of Interest in Common Shares on Interest Payment Dates**

Provided no Event of Default has occurred and is continuing the Borrower may, on any Interest Payment Date make the interest payment then due by delivering Freely Tradeable Common Shares to the Province at the twenty (20) day VWAP ending five (5) trading days prior to such Interest Payment Date, provided that the Borrower shall notify the Province in writing at least five (5) Business Days before any such proposed payment of interest which notice shall be irrevocable and bind the Borrower to make such payment in accordance with this Section. For greater certainty, to the extent there is an Event of Default which occurs pursuant to Section 6.1(1)(g) or 6.1(1)(h) of this Agreement whether or not such Event of Default is still continuing, the Borrower shall have no rights to make any payments under this Section by delivering Common Shares.

## **2.5 Prepayment Right**

The Borrower may at any time before the Maturity Date prepay, in cash only, the whole or any part of the Loan then outstanding without penalty or bonus, upon and subject to the following conditions:

- (a) each time that the Borrower prepays any portion of the Loan (the “**Loan Prepayment Amount**”), the Borrower shall pay to the Province in cash all accrued and unpaid interest payable under this Agreement on the Loan Prepayment Amount up to the date of prepayment; and
- (b) the Borrower shall notify the Province at least five (5) Business Days before any proposed date of prepayment which notice shall be irrevocable and bind the Borrower to make such prepayment in accordance with this Section.

## **2.6 Repayment of Loan in Common Shares**

Provided no Event of Default has occurred and is continuing, the Borrower may, on the Maturity Date, or the Terminal Valuation Sanction Date, as applicable, repay the whole or any part of the Loan by delivering Freely Tradeable Common Shares to the Province at the twenty (20) day VWAP ending five (5) trading days prior to the date of the repayment of the Loan in accordance with this Agreement, provided that the Borrower shall notify the Province in writing at least five (5) Business Days before any such proposed repayment of the Loan which notice shall be irrevocable and bind the Borrower to make such repayment in accordance with this Section. For greater certainty, to the extent there is an Event of Default which occurs pursuant to Section 6.1(1)(g) or 6.1(1)(h) of this Agreement, whether or not such Event of Default is still continuing, the Borrower shall have no rights to make any payments under this Section by delivering Common Shares.

## **2.7 Stelco Repayment Right**

- (1) The Borrower may repay the principal amount outstanding under the Loan at a seventy-five per cent (75%) discount to the outstanding principal amount of the Loan as at the repayment date in full satisfaction of the Loan (the “**Stelco Repayment Right**”) in either of the following circumstances:
  - (a) At any time on or prior to December 31, 2015, provided that:

- (i) A Solvency Event has occurred for each and all of the Stelco Main Pension Plans;
  - (ii) Any Non-Participating Pension Plan has achieved solvency, calculated on a basis substantially similar to Solvency in respect of the Stelco Main Pension Plans, based on an actuarial valuation prepared in a manner consistent with a Terminal Actuarial Valuation;
  - (iii) No Event of Default has occurred and is continuing;
  - (iv) All interest accrued on the Loan up to the date of repayment of the Loan has been paid in accordance with this Agreement;
  - (v) All reasonable costs of the Province have been paid in accordance with this Agreement;
  - (vi) The Borrower repays 25% of the principal obligations outstanding under the Loan on or before the Terminal Valuation Sanction Date;
  - (vii) Any required Top-Up Amounts in respect of each and all of the Stelco Main Pension Plans have been paid on or before the Terminal Valuation Sanction Date; and
  - (viii) Any amount required to permit a Non-Participating Pension Plan to achieve solvency, on the basis set out in (a)(ii) above and in a manner consistent with a Terminal Actuarial Valuation, has been paid on or before the Terminal Valuation Sanction Date.
- (b) If the Loan has not been repaid before December 31, 2015, the Stelco Repayment Right shall be available until the later of the Maturity Date and the Terminal Valuation Sanction Date in respect of each and all of the Stelco Main Pension Plans if:
- (i) No Event of Default has occurred and is continuing;
  - (ii) The Borrower, on or before December 31, 2015, provides to the Province an Officer's Certificate, executed by the Chief Executive Officer and the Chief Financial Officer, confirming that:
    - (c) The Borrower has the financial ability and sufficient monies to pay an amount equal to the Borrower's estimated Top-Up Amounts for each and all of the Stelco Main Pension Plans; and
    - (d) The Borrower has the good faith intention to pay each and all of the Borrower's estimated Top-Up Amounts in order to achieve the Solvency of each and all of the Stelco Main Pension Plans; and
  - (iii) All interest accrued on the Loan up to the date of repayment of the Loan has been paid in accordance with this Agreement;



- (iv) All reasonable costs of the Province have been paid in accordance with this Agreement;
  - (v) The Borrower pays 25% of the principal obligations outstanding under the Loan on or before the Maturity Date;
  - (vi) Any required Top-Up Amounts in respect of each and all of the Stelco Main Pension Plans have been paid on or before the Terminal Valuation Sanction Date; and
  - (vii) Any amount required to permit a Non-Participating Pension Plan to achieve solvency, on the basis set out in (a)(ii) above and in a manner consistent with a Terminal Actuarial Valuation, has been paid on or before the Terminal Valuation Sanction Date.
- (2) Any dispute with respect to whether a Non-Participating Pension Plan has achieved solvency will be submitted to arbitration pursuant to the *Arbitration Act, 1991* (the “**Arbitration Decision**”). The Terminal Valuation Sanction Date shall be deemed to be extended until the date which is sixty (60) days immediately following the date of any final Arbitration Decision relating to any Non-Participating Pension Plans.

## **2.8 Payments under this Agreement**

- (1) Unless otherwise expressly provided in this Agreement, the Borrower shall make any cash payment required to be made by it to the Province by depositing the amount of the payment into an account specified by the Province not later than 1:00 p.m. (Toronto time) on the date the payment is due and where Borrower has elected to make a payment hereunder by way of Common Shares, the Borrower shall deliver such Common Shares of the Borrower to the Province by no later than 9:30 a.m. (Toronto time) on the date any payment is required to be made.
- (2) Whenever any payment is stated to be due on a day which is not a Business Day, then such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest.
- (3) All payments under this Agreement shall be made without set-off or counterclaim.
- (4) Any interest or principal payments under this Agreement by way of Common Shares shall also require the delivery to the Province of a VWAP Certificate concurrently with making any such payments by way of Common Shares.

## **2.9 Application of Payments and Prepayments**

All amounts received by the Province from or on behalf of the Borrower and not previously applied pursuant to this Agreement shall be applied by the Province as follows (i) first, in reduction of the Borrower's obligation to pay any claims or losses referred to in Section 7.7, (ii) second, in reduction of the Borrower's obligation to pay any amounts due and owing on account of the Loan, (iii) third, in reduction of any other obligation of the Borrower under this Agreement,

and (iv) fourth, to the Borrower or such other Persons as may lawfully be entitled to or directed to receive the remainder.

### **ARTICLE 3 CONDITIONS PRECEDENT TO LOAN**

#### **3.1 Conditions Precedent to Loan**

The obligation of the Province to make the Loan is subject to the condition precedent that the Borrower shall have delivered to the Province, on or before the Closing Date, the following documents, in form and substance satisfactory to the Province and its counsel, and dated as of a date satisfactory to the Province and its counsel:

- (a) delivery and execution of Guarantees by the Guarantors in respect of the Obligations under this Agreement;
- (b) a certified copy of (i) the charter documents and by-laws (if applicable) of the Borrower and the Guarantors; (ii) the resolutions of the board of directors or the shareholders, as the case may be, of the Borrower and the Guarantors approving the entering into of this Agreement, the Loan, the Guarantees and the completion of all transactions contemplated thereunder; and (iii) all other instruments evidencing necessary corporate or limited partnership action of the Borrower and the Guarantors;
- (c) a certificate of the secretary or an assistant secretary of the Borrower and the Guarantors certifying the names and true signatures of its officers authorized to sign this Agreement and the Guarantees;
- (d) a certificate of status, compliance, good standing or like certificate with respect to the Borrower and the Guarantors issued by the appropriate government official in the jurisdiction of its incorporation;
- (e) favourable opinions of counsel to the Borrower and Guarantors as counsel to the Province may require in respect of the Borrower entering into this Agreement and the Loan, the Guarantors executing the Guarantees and the completion of the transactions contemplated thereunder;
- (f) delivery of the New Province Warrants to the Province; and
- (g) delivery and execution of the Pension Agreement.

### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

#### **4.1 Representations and Warranties**

The Borrower represents and warrants on its behalf and on behalf of the Guarantors, to the Province, acknowledging and confirming that the Province is relying thereon without independent inquiry in entering into this Agreement and providing the Loan hereunder, that, as of the Closing Date:

- (1) Corporate Existence; Compliance with Law. Each Credit Party (a) is a corporation or a limited partnership, as the case may be, in each case, duly incorporated or formed, and, duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization; (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification; (c) has the requisite power and authority and the legal right to own, operate its properties, to lease the property it operates under lease and to conduct its business as now, heretofore and proposed to be conducted; (d) has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all material notices to, all Governmental Entities having jurisdiction, to the extent required for such ownership, operation and conduct; and (e) is in compliance in all material respects with its constating documents and bylaws.
- (2) Corporate Name. The corporate name or limited partnership name, as the case may be, (in each case, as it appears in its constating documents and other official filings in the jurisdiction of each existence, incorporation, formation or organization, as applicable) and trade name of each Credit Party, the jurisdiction of incorporation or formation of each Credit Party is as set forth in Schedule A.
- (3) Corporate Power, Authorization, Enforceable Obligations. The execution, delivery and performance by each Credit Party of the Loan Documents to which such Credit Party is a party: (a) are within such Person's power; (b) have been duly authorized by all necessary corporate or other action; (c) do not and will not contravene any provision of such Person's constating documents; (d) do not and will not violate any law or regulation, or any order, decree, judgment, injunction, writ, decision, ruling or award of any court or Governmental Entity; (e) do not and will not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound which could reasonably be expected to result in a Material Adverse Change; (g) do not and will not require the authorization, consent or, the giving of notice to, the filing of or registration with, or approval of any Governmental Entity or any other Person, including, without limitation, any order, permit, waiver, exemption, authorization and approval of any Governmental Entity all of which will have been duly obtained, made or complied with prior to the Closing Date, except those where the failure to make or obtain such authorization, consent, notice, filing, registration or approval could not reasonably be expected to result in a Material Adverse Change. Each of the Loan Documents shall be duly executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity.
- (4) Ownership of Property. Each Credit Party has good, valid and marketable title to, and legal and beneficial ownership of, all of its property and assets.
- (5) Guarantors and Limited Partnerships; Outstanding Shares and Indebtedness. (I) The authorized capital of each of the General Partners, the number and type of Shares issued by

it, together with the holder of such Shares and the percentage of such Shares held by each such holder, is set forth on Schedule A. All of such Shares have been duly issued and are outstanding as fully paid and non-assessable, and the persons so listed on Schedule A as the owners of such Shares are the registered and beneficial owner thereof with a good title thereto. (II) The limited partnership interests of each of the Limited Partnerships are divided into the number of units as specified in Schedule A, and Schedule A also specifies the number of units issued by each such Limited Partnership, the holder of such units and the percentage of such units held by each such holder. All of such units have been validly issued in accordance with each respective Limited Partnership Agreement, and the persons so listed on Schedule A as the holders of such units are the registered and beneficial owners thereof with a good title thereto. (III) There are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Shares or other equity securities or any Shares or other equity securities of any Subsidiary except as set forth in Schedule A. (IV) Schedule A describes all indebtedness or guaranteed indebtedness of each the Borrower, the General Partners and the Limited Partnerships as at the Closing Date for (excluding any indebtedness or guaranteed indebtedness in respect of (x) the Loan, (y) any of the obligations owed to any of the beneficiaries of the Province Intercreditor Agreement, or (z) any obligations owed to the Borrower, any of the General Partners or Limited Partnerships or any other entity in which the Borrower has, directly or indirectly, at least a 50% ownership interest) (i) borrowed money, (ii) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (iii) all obligations evidenced by notes, bonds, debentures or similar instruments, (iv) all obligations under speculative commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, and (v) all obligations under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks arising from fluctuations in currency values or interest rates, in each case whether contingent or matured.

- (6) Books and Records. All books and records of the Borrower have been fully, properly and accurately kept and completed in accordance with GAAP and there are no material inaccuracies or discrepancies contained or reflected therein.

## **ARTICLE 5 COVENANTS OF THE BORROWER**

### **5.1 Affirmative Covenants**

So long as any amount owing hereunder remains unpaid or the Borrower has any obligation under this Agreement, and unless consent is given in accordance with Section 7.1, then, from and after the Closing Date, the Borrower shall:

- (1) Reporting Requirements. Prepare (in accordance with GAAP) and deliver to the Province, in a form satisfactory to the Province, acting reasonably:
- (a) as soon as practicable and in any event within 120 days after the end of each Fiscal Year of the Borrower (commencing with the Fiscal Year ending in December 2005), the audited consolidated annual financial statements of the Borrower as at the end of such Fiscal Year, including a balance sheet, a statement of income and retained

earnings and a statement of changes in financial position for such Fiscal Year, which financial statements shall be audited and the unaudited balance sheet on an unconsolidated basis of the Borrower; and

- (b) promptly upon request such other information respecting the condition or operations, financial or otherwise, of the business of any of the Borrower or any of the Guarantors, as the Province may from time to time reasonably request, subject to any reasonable confidentiality restrictions of the Borrower.
- (2) Corporate Existence. Preserve and maintain and cause each Guarantor to preserve and maintain its corporate existence and its rights (charter and statutory) and all agreements, licenses, operators, contracts, franchises and other arrangements necessary to carry on its Business, except where non-compliance with the foregoing could not reasonably be expected to result in a Material Adverse Change.
- (3) Compliance with Laws Generally; Compliance with Pension Obligations. (i) The Borrower shall and shall cause each Guarantor to comply in all material respects with all applicable Laws and decrees, and agreements, licences, authorizations and permits material to the operation of the business of such Guarantor; (ii) the Borrower shall make or shall cause to be made, all contributions or other payments required to be made to the Stelco Main Pension Plans under the Stelco Regulation and other applicable Laws and the Pension Agreement in accordance with the terms thereof when due.
- (4) Pay all Obligations. Pay all Obligations owing hereunder on the dates, at the times, in the manner and at the places specified in this Agreement.
- (5) Keeping of Books. Keep and cause each Guarantor to keep proper books of record and account, in which proper entries shall be made of all financial transactions involving its Assets and Business in accordance with GAAP.
- (6) Use of Proceeds. Use the proceeds of the Loan only for the purposes specified in Section 2.2.
- (7) Listing. The Borrower shall use commercially reasonable efforts to ensure that the Common Shares are listed and posted for trading on the Toronto Stock Exchange, and shall use commercially reasonable efforts to maintain such listing and posting for trading of the shares on the Toronto Stock Exchange and to maintain the Borrower's status as a "reporting issuer" not in default of Applicable Securities Legislation.
- (8) Further Assurances. At the Borrower's cost and expense, duly execute and deliver or cause to be duly executed and delivered to the Province such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Province to carry out more effectually the provisions and purposes of this Agreement.
- (9) Guarantees. The Borrower shall cause any future Subsidiary to which any material portion of the Assets or property of Hamilton Steel LP or Lake Erie Steel LP are transferred or assigned to execute a Guarantee in favour of the Province with respect to the Obligations upon such Person becoming a Subsidiary of Stelco, provided that the Guarantee shall be

substantially in the same form as the Guarantee provided on the Closing Date by the Guarantors.

## **5.2**            **Negative Covenants**

So long as any amount owing hereunder remains unpaid or the Borrower has any obligation under this Agreement, and unless written consent is given in accordance with this Agreement:

- (1)    **Business**. The Borrower shall not, and shall cause each of the other Guarantors not to, make any changes in any of its business objectives, purposes or operations that could reasonably be expected to adversely affect the repayment of any of the Obligations or could reasonably be expected to have or result in a Material Adverse Change.
- (2)    **Fiscal Year**. Neither the Borrower nor any of the Guarantors shall change its Fiscal Year.

## **ARTICLE 6** **EVENTS OF DEFAULT**

### **6.1**            **Events of Default**

- (1)    Subject to Section 6.1(2), if any one of the following events (each an “**Event of Default**”) occurs and is continuing:
  - (a)    Borrower fails to pay the Loan when due and such default continues for a period of five (5) days;
  - (b)    Borrower fails to pay any interest due on the Loan when due and such default continues for a period of thirty (30) days;
  - (c)    any material representation or warranty or certification made or deemed to be made by the Borrower in this Agreement shall prove to have been incorrect in any material respect when made or deemed to be made and which has not been cured within thirty (30) days;
  - (d)    Borrower shall fail to perform, observe or comply with any of the covenants contained in Section 5.1 of this Agreement in a material way and such default continues for a period of thirty (30) days;
  - (e)    Borrower or any Guarantor fails to meet any of its material obligations under the Pension Agreement and such default continues for a period of thirty (30) days;
  - (f)    Borrower or any Guarantor breaches in a material way the Stelco Regulation and such breach continues for a period of thirty (30) days;
  - (g)    Borrower or any Guarantor shall: (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, administrator, trustee, liquidator or other similar official for itself or for all or any material part of its Assets; (ii) generally not pay its debts as such debts become due or admit in writing its inability to pay its debts generally, or declare any general moratorium on its indebtedness; (iii)

make a general assignment for the benefit of creditors or a proposal under the United States Bankruptcy Code, the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or the *Winding-up and Restructuring Act* (Canada) or a similar Law of any applicable jurisdiction; (iv) institute any proceeding seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any statute, rule or regulation relating to bankruptcy, insolvency, reorganization, relief or protection of debtors; or (v) take any corporate action to authorize any of the actions described in the foregoing; or

- (h) any proceeding against either the Borrower or any Guarantor has been commenced to: (i) adjudicate it a bankrupt or insolvent; (ii) result in the liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection or relief or composition of it or its Debts under any statute, rule or regulation relating to bankruptcy, insolvency, reorganization, relief or protection of debtors; or (iii) result in the appointment of a receiver, custodian, administrator, trustee, liquidator or other similar official for it or for all or any material part of its Assets, and, in each case, such proceeding remains undismissed or unstayed for a period of thirty (30) days or any of the actions sought in such proceeding shall occur;

then the Province may declare the Loan and all other amounts payable under this Agreement to be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower. Notwithstanding the foregoing, if an Event of Default set out in Section 6.1(g) or (h) occurs (subject to Section 6.1(2)), then without prejudice to the other rights of the Province as a result of any such event, without any notice or action of any kind by the Province, and without presentment, demand or protest, the Loan shall immediately become due and payable.

- (2) Any event described in Section 6.1(1) with respect to a Guarantor is only an Event of Default if the Guarantor owns a material portion of the Assets of the Borrower on a consolidated basis.

## **6.2 Remedies Upon Default**

- (1) Upon a declaration that the Loan is immediately due and payable in cash pursuant to Section 6.1, the Province may, subject to the terms of the Province Intercreditor Agreement, commence such legal action or proceedings as it, in its sole discretion, deems expedient, all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Borrower.
- (2) The failure to exercise the option to accelerate the maturity of this Agreement upon the happening of any one or more of the Events of Default shall not constitute a waiver of the right of the Province, subject to the terms of the Province Intercreditor Agreement, to exercise the same or any other option at that time or at any subsequent time with respect to such or any other Event of Default.

- (3) The rights and remedies of the Borrower under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights or remedies.
- (4) The acceptance by the Province of any payment under this Agreement which is less than payment in full of all amounts due and payable at the time of such payment shall not (a) constitute a waiver of or impair, reduce, release or extinguish any remedy of the Province or the rights of the Province to exercise the foregoing option or any other option granted to the Province in this Agreement or (b) impair, reduce, release, extinguish or adversely affect the obligations of the Borrower under this Agreement.

## **ARTICLE 7 GENERAL**

### **7.1 Amendments, etc.**

No amendment or waiver of any provision of any of this Agreement, nor consent to any departure by the Borrower or any other Person from such provisions, is effective unless in writing and approved by the parties hereto. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.

### **7.2 Waiver**

No failure on the part of the Province to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of such right or the exercise of any other right.

### **7.3 Evidence of Funded Debt**

The indebtedness of the Borrower shall be evidenced by the records of the Province which shall constitute *prima facie* evidence of such indebtedness, absent manifest error.

### **7.4 Notices, etc.**

Any notice, direction or other communication to be given under this Agreement shall, except as otherwise permitted, be in writing and given by delivering it or sending it by facsimile or other similar form of recorded communication addressed:

- (i) to the Borrower at:

Stelco Inc.  
386 Wilcox Street  
P.O. Box 2030  
Hamilton, Ontario  
L8L 8K5

Attention: Chief Financial Officer

Facsimile: 905-308-7002



(ii) to the Province at:

Minister of Finance  
Ministry of Finance  
7 Queen's Park Crescent, 7<sup>th</sup> Floor  
Toronto, Ontario  
M7A 1Y7

Telephone: 416-325-0400  
Facsimile: 416-325-0374

and

Chief Executive Officer  
Ontario Financing Authority  
1 Dundas St. W., 14<sup>th</sup> Floor  
Toronto, Ontario  
M5G 1Z3

Telephone: 416-325-8001  
Facsimile: 416-325-8005

Any such communication shall be deemed to have been validly and effectively given if (i) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (ii) transmitted by facsimile or similar means of recorded communication on the Business Day following the date of transmission. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

## **7.5 Interest on Accounts**

Except as may be expressly provided otherwise in this Agreement, all amounts owed by the Borrower to the Province which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall (to the extent permitted by Law) bear interest (both before and after default and judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of 8% per annum.

## **7.6 No Set-Off**

The Borrower agrees that it shall have no rights of set-off or counterclaim with respect to the principal and interest on the Loan at any time when any payment of, or in respect of, such amounts to the Province is otherwise required to be paid under this Agreement.

## **7.7 Costs, Expenses and Indemnity**

(1) The Borrower shall indemnify and hold the Province and its employees and agents (each an "**Indemnified Person**") harmless from, and shall pay to such Indemnified Person on demand

any amounts required to compensate the Indemnified Person for, any claim or loss suffered by, imposed on, or asserted against, the Indemnified Person as a result of, connected with or arising out of (i) the preparation, execution and delivery of, preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of, this Agreement and any related amendment, waiver or consent, (ii) any advice of counsel as to the rights and duties of the Province with respect to the administration of the Loan, (iii) a default (whether or not constituting an Event of Default) by the Borrower hereunder, and (iv) any proceedings brought against the Indemnified Person due to its entering into of this Agreement.

- (2) The provisions of this Section 7.7 shall survive the termination of this Agreement and the repayment of the Loan. The Borrower acknowledges that neither its obligation to indemnify nor any actual indemnification by it of the Province or any other Indemnified Person in respect of such Person's losses for the legal fees and expenses shall in any way affect the confidentiality or privilege relating to any information communicated by such Person to its counsel.

## **7.8 Confidentiality**

The Province and Stelco will not disclose to anyone or use for any purpose other than the purpose contemplated by this Agreement any confidential information obtained by either the Province or Stelco pursuant hereto and will hold such information in the strictest confidence.

## **7.9 Successors and Assigns**

- (1) This Agreement shall become effective when executed by the Borrower and the Province and after that time shall be binding upon and enure to the benefit of the Borrower and its respective successors and permitted assigns.
- (2) The Borrower shall not have the right to assign its rights or obligations under this Agreement or any interest in this Agreement without the prior consent of the Province, which consent may be arbitrarily withheld.
- (3) The Province may assign all or any part of its interest in the Loan to an assignee (an “Assignee”) without any requirement for notice to, or consent of, the Borrower or any other Person provided that any assignee is not a competitor of Stelco or any of the Guarantors and provided that such Assignee shall agree to be bound by the Province Intercreditor Agreement and further provided that if the Borrower exercised its option under either Section 2.4 or 2.6 to deliver Common Shares, such assignment would not require the Borrower to qualify or register the issuance of such Common Shares for distribution in, or make any notice or other filing in, any jurisdiction other than the provinces or territories of Canada. Upon an assignment, the Assignee shall have the same rights and benefits and be subject to the same limitations under this Agreement as it would have if it were the Province, provided that no Assignee shall be entitled to receive any greater payment, on a cumulative basis, pursuant to Section 7.7 than the Province which granted the assignment would have been entitled to receive.
- (4) The Borrower shall provide such certificates, acknowledgments and further assurances in respect of this Agreement and the Loan as the Province may reasonably require in

connection with any assignment, pursuant to this Section 7.9, subject to the Borrower being satisfied with the form of such documents, acting reasonably.

- (5) In the case of an assignment, the Province shall deliver to the Borrower and the Borrower shall execute an assignment and assumption agreement pursuant to which the Assignee agrees to be bound by all the terms and conditions of this Agreement, all as if the Assignee had been an original party, subject to the Borrower being satisfied with the form of such documents, acting reasonably.
- (6) Any assignment pursuant to this Section 7.9 will not constitute a repayment by the Borrower to the assigning or granting holder of the Loan nor a new loan to the Borrower by the Province or by the Assignee and the parties acknowledge that the Borrower's obligations with respect to the Loan will continue and will not constitute new obligations.

#### **7.10 Governing Law**

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Ontario Court (General Division) and waives any objection based on venue or forum non convenient with respect to any action commenced in connection with this Agreement.

#### **7.11 Counterparts**

This Agreement may be executed in any number of counterparts (including by way of facsimile) and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

#### **7.12 Language Clause**

The parties hereto have expressly agreed that this Agreement and all other Credit Documents be executed in the English language. *Les parties ont expressément convenu que la présente convention et tous les autres documents de crédit soient rédigés dans la langue anglaise.*

#### **7.13 Conflict of Terms**

In the event of a conflict between the terms of this Agreement and the terms of any Guarantee, the terms of this Agreement shall prevail to the extent of such conflict, provided that should either the terms of this Agreement or any Guarantee conflict with the Province Intercreditor Agreement, the Province Intercreditor Agreement shall prevail to the extent of such conflict.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement on the date first above written.

**STELCO INC.**

Per:

\_\_\_\_\_  
Courtney Pratt  
President and Chief Executive Officer

Per:

\_\_\_\_\_  
William E. Vaughan  
Senior Vice President – Finance and  
Chief Financial Officer  
I/We have authority to bind the  
Corporation

**HER MAJESTY THE QUEEN IN RIGHT  
OF THE PROVINCE OF ONTARIO  
AS REPRESENTED BY THE MINISTER  
OF FINANCE**

Per:

\_\_\_\_\_  
Hon. Dwight Duncan  
Minister of Finance

## SCHEDULE A

### **4.1(2) – Corporate Names and Jurisdiction of Incorporation/Formation**

#### **1. Stelco Inc.**

Corporate Name/Trade Name

Stelco Inc.

Jurisdiction of Formation

Canada

#### **2. Hamilton Coke Limited Partnership**

Corporate Name/Trade Name

Hamilton Coke Limited Partnership

Jurisdiction of Formation

Ontario

#### **3. Lake Erie Coke Limited Partnership**

Corporate Name/Trade Name

Lake Erie Coke Limited Partnership

Jurisdiction of Formation

Ontario

#### **4. Hamilton Land Limited Partnership**

Corporate Name/Trade Name

Hamilton Land Limited Partnership

Jurisdiction of Formation

Ontario

**5. Lake Erie Land Limited Partnership**

Corporate Name/Trade Name

Lake Erie Land Limited Partnership

Jurisdiction of Formation

Ontario

**6. Hamilton Steel Limited Partnership**

Corporate Name/Trade Name

Hamilton Steel Limited Partnership

Jurisdiction of Formation

Ontario

**7. Lake Erie Steel Limited Partnership**

Corporate Name/Trade Name

Lake Erie Steel Limited Partnership

Jurisdiction of Formation

Ontario

**8. Hamilton Coke GP Inc.**

Corporate Name/Trade Name

Hamilton Coke GP Inc.

Jurisdiction of Formation

Canada

**9. Lake Erie Coke GP Inc.**

Corporate Name/Trade Name

Lake Erie Coke GP Inc.

Jurisdiction of Formation

Canada

**10. Hamilton Land GP Inc.**

Corporate Name/Trade Name

Hamilton Land GP Inc.

Jurisdiction of Formation

Canada

**11. Lake Erie Land GP Inc.**

Corporate Name/Trade Name

Lake Erie Land GP Inc.

Jurisdiction of Formation

Canada

**12. Hamilton Steel GP Inc.**

Corporate Name/Trade Name

Hamilton Steel GP Inc.

Jurisdiction of Formation

Canada

**13. Lake Erie Steel GP Inc.**

Corporate Name/Trade Name

Lake Erie Steel GP Inc.

Jurisdiction of Formation

Canada



**4.1(5)(I) – Authorized Capital (General Partners)**

<b>Subsidiary</b>	<b>Authorised Capital</b>	<b>Issued Capital</b>	<b>Holder</b>	<b>% held</b>
Hamilton Steel GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
Lake Erie Steel GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
Hamilton Coke GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
Lake Erie Coke GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
Hamilton Land GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
Lake Erie Land GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
HMLTN Energy GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100

Lake Erie Energy GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100
HLE Mining GP Inc.	An unlimited number of common shares and an unlimited number of preference shares	Two common shares	Stelco Inc.	100

**4.1(5)(II) – Authorized Capital (Limited Partnership Interests)**

<b>Limited Partnership</b>	<b>Number of units Limited Partnership may issue</b>	<b>Unitholders, type and number of units held and percentage of total issued units</b>
Hamilton Steel Limited Partnership	One general partner unit designated as a “GP Unit” and an unlimited number of Class A limited partner units designated as “Class A Units”	Hamilton Steel GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
Lake Erie Steel Limited Partnership	One general partner unit designated as a “GP Unit” and an unlimited number of Class A limited partner units designated as “Class A Units”	Lake Erie Steel GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
Hamilton Coke Limited Partnership	One general partner unit designated as a “GP Unit” and an unlimited number of Class A limited partner units designated as “Class A Units”	Hamilton Coke GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
Lake Erie Coke Limited Partnership	One general partner unit designated as a “GP Unit” and an unlimited number of Class A limited partner units designated as “Class A Units”	Lake Erie Coke GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
Hamilton Land Limited Partnership	One general partner unit designated as a “GP Unit” and an unlimited number of Class A limited partner units designated as “Class A Units”	Hamilton Land GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)

Lake Erie Land Limited Partnership	One general partner unit designated as a "GP Unit" and an unlimited number of Class A limited partner units designated as "Class A Units"	Lake Erie Land GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
HMLTN Energy Limited Partnership	One general partner unit designated as a "GP Unit" and an unlimited number of Class A limited partner units designated as "Class A Units"	HMLTN Energy GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
Lake Erie Energy Limited Partnership	One general partner unit designated as a "GP Unit" and an unlimited number of Class A limited partner units designated as "Class A Units"	Lake Erie Energy GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)
HLE Mining Limited Partnership	One general partner unit designated as a "GP Unit" and an unlimited number of Class A limited partner units designated as "Class A Units"	HLE Mining GP Inc. (1 GP Unit) (100%) Stelco Inc. (1 Class A Unit) (100%)

**4.1(5)(III) - Rights to Purchase, Options, Warrants**

New Warrants (as defined in the CCAA Plan)

New Province Warrants

Agreements in favour of, and/or stock option plans for, directors, officers and/or employees of any Credit Party to purchase Common Shares of the Borrower

**4.1(5)(IV) – Guaranteed Indebtedness**

**Stelco Inc.**

<u>Description of Guaranteed Indebtedness</u>	<u>Description of Indebtedness</u>
Tolling Agreement dated March 14, 1997 between Lake Erie Steel Company Ltd. and Lake Erie Slab Company	Indebtedness constituted by the Stelco Banking Services Agreement (as defined in the Initial CCAA Order)