

*Expunged Jul 31/04*

JAN 16 2002

December 17, 2001

**MEMORANDUM OF AGREEMENT**

**BETWEEN**

**ALGOMA STEEL INC.  
(hereinafter referred to as the Company)**

**AND**

**THE UNITED STEELWORKERS OF AMERICA  
ON BE HALF OF ITSELF AND ITS LOCAL 2724  
(hereinafter referred to as the Union)**

The undersigned representatives of the parties hereby agree to the following amendments to the Collective Agreements, in full settlement of all matters at issue between them and agree to recommend these terms of settlement to their respective principals.

This agreement shall become effective upon the Union's ratification of this agreement and the approval of this agreement by the Company's Board of Directors.

**1. Salary Reductions**

NOTE: These reductions shall apply to all employees of the Company including non-union employees.

- I. Effective December 1, 2001 all salary scales (including bonus and maintenance of earnings rates) will be reduced to 85% of those in effect on August 1, 2001. (Salary Scale attached.)
- II. Effective June 1, 2002 all salary scales ( including bonus and maintenance of earnings rates) will be increased to 91% of those in effect on August 1, 2001.

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- III. Effective December 1, 2002 all salary scales (including bonus and maintenance of earnings rates) will be increased to 92.5% of those in effect on August 1, 2001 plus any applicable COLA roll-in from August 1, 2002.
  - IV. Effective June 1, 2003 all salary scales (including bonus and maintenance of earnings rates) will be increased to 93.5% of those in effect on August 1, 2001 plus any applicable COLA roll-in from August 1, 2002.
  - V. Effective December 1, 2003 all salary scales (including bonus and maintenance of earnings rates) will be increased to 100% of those in effect on August 1, 2001 plus any applicable COLA roll-in from August 1, 2002 and August 1, 2003.
2. Extend the COLA provisions to July 31, 2004 as per the Letter of Agreement attached.
  3. Reduced vacation entitlement as per Letter of Agreement attached.
  4. Vacation bonus for the years 2002, 2003, 2004 is suspended.
  5. (a) Implement the Retiree Transition Program as attached.  
  
(b) Employees who are included in the Retiree Pension Plan administered by the Pension Benefits Guarantee Fund will not receive pension credits subsequent to December 31, 2001.
  6. A reduction of 350 jobs at all levels of the Company will be effected, in a fair and equitable manner over the life of the Agreement. Amend the letter of agreement Limits on Manning Reductions as attached.
  7. Job postings - amend as attached.
  8. Continue the bonus plan freeze.
  9. The unreduced early retirement criteria will be replaced. Pension plan members will be eligible for an unreduced early retirement pension upon attaining at least age 60 and completing at least 10 years of credited service. If a pension plan member retires before age 60 or after attaining age 60 but before completing 10 years of credited service, the member shall receive an actuarially reduced pension from age 60 and will not be eligible to receive a bridge benefit.

An early retirement window will be implemented for pension plan members who retire during the following periods:

- I. January 1, 2002 to October 31, 2002;
- II. January 1, 2003 to October 31, 2003; and
- III. January 1, 2004 to July 31, 2004.

Pension plan members retiring during the early retirement window will be eligible to receive early retirement benefits as they existed prior to the effective date of this Collective Agreement.

A "Plant Closure" benefit will be added to the pension plan. In the event of a plant closure, all early retirement benefit provisions of the pension plan will revert to provide the benefits provided under the pension plan prior to the effective date of this Collective Agreement. This benefit will not be pre-funded.

10. For the period of reduced earnings set out in item 1, pensionable earnings will be calculated as if the salary reduction had not occurred.

1 ■ Governance - Delete all provisions in the Collective Agreement relating to employee voting shares, employee trusts and employee co-ops.

1. The United Steelworkers of America Director of District Six has the right to nominate three directors to the Algoma Board of Directors. Two of the nominations may be made on advice of Local 2251. One of the nominees will be determined through a selection process in Local 2724.
2. On a confidential basis the Company will continue to provide the Union with the necessary information to carry out their functions under the Collective Agreement.
3. Any new chief executive officer of Algoma will be recommended by a search committee of the Board of Directors, which committee will include at least one director nominated by the United Steelworkers of America. As a member of the search committee, the Union nominated director will be involved in discussion related to establishment of criteria and qualifications, and will participate in the interview process.
4. Any decision of the Board of Directors of Algoma to sell or close a material business of Algoma or material assets capable of being operated as a separate business, including a merger or partnership arrangement will be preceded by a full study of the viability and value of, and potential buyers for, the assets, with input from advisors retained by the United Steelworkers of America for this purpose. The

Company will reimburse the Union for the reasonable cost of such advisors.

5. The Company will provide each Union nominated Director with written assurance that the Company will provide such legal and financial advice as may be reasonably required for him to carry out his duties as a Director.
6. During the term of the Collective Agreement expiring July 31, 2004 the Company will not:
  - a) permanently close the 106"/166" mill if 2 of the 3 Union appointed directors have opposed any such action at the Board of Directors, or
  - b) make a decision not to proceed with the blast furnace re-line if 2 of the 3 Union appointed directors have opposed any such action at the Board of Directors.
12. \$10 million of the savings for 2002 will be returned to employees on June 30, 2004 and \$10 million of the savings for 2003 will be returned to employees on June 30, 2005 provided that such returns will be deferred if at the relevant time all accrued interest on the New Notes is not paid up to date.

The individual employee's share is the percentage that his straight time earnings is of the total straight time earnings of all employees who are eligible for the payment. Straight time earnings include vacation pay and statutory holiday allowance.

For the June 30, 2004 payment eligible employees are employees still in the employ of the Company as of that date (or who retired after January 1, 2002) but excluding Pension Transition employees. The straight time earnings to be used are those for 2002.

For the June 30, 2005 payment, eligible employees are employees still in the employ of the Company as of that date (or those who retired after January 1, 2003) The straight time earnings to be used are those for 2003.

13. Shares are to be distributed 30 days from the Implementation Date of the Plan of Arrangement on an equal basis amongst all regular full time employees. (Not including employees working under the Retiree Transition Plan)

14. Current indexing provisions of the pension plan are eliminated and replaced by excess return indexing as per the attached.
15. The Company agrees that during the term of this agreement it will not take contribution holidays in respect of current service pension funding.
16. The Company will establish a registered pension plan to provide the Company's portion of the "Replacement Pension Benefits" as set out in the Plan of Arrangement. This Pension Plan is incorporated into, and forms part of this Collective Agreement.
17. Succession Planning Program as per attached Letter of Agreement.
18. The expiry date of this Agreement is July 31, 2004.
19. Conditions

The implementation of this agreement, except for the salary reductions commencing December 1, 2001, is conditional upon:

- a) the Company securing a Loan Guarantee (or equivalent support in an alternate form) of \$50 million from the Government of Canada and definitive agreements with one or more financial institutions for the committed availability to the Company until at least December 30, 2003 of credit facilities in an aggregate amount sufficient to satisfy the Company's projected financing needs. This condition is for the benefit of the Union, and it is for the Union to determine on a reasonable basis whether it has been achieved.
- b) the occurrence of the implementation Date of the Plan of Arrangement.
- c) Deferral of all success fees (other than bank fees) due on the Implementation Date of the Plan of Arrangement to 50 days after Implementation.

All items previously agreed upon shall be incorporated into the Collective Agreement.

[Signature]  
For the Company

[Signature]  
For Local 2724

[Signature]  
For the Company

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For Local 2724

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For the Company

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For Local 2724

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For the Company

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For Local 2724

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For the Company

[Signature]  
For Local 2724

[Signature]  
For the Company

[Signature]  
U.S.W.A. Staff Representative

Dec. 17, 2001  
Date

[Signature]  
U.S.W.A. Area Co-Ordinator

**LETTER OF AGREEMENT**

**Re: Article 15.04 (COLA)**

The comparison periods listed in the agreement in effect as of February 1, 2000 are extended for the period August 1, 2002 to July 31, 2004 with the first new comparison period beginning July 2002 with April 2002 and continuing quarterly thereafter. Effective August 1, 2002 the total amount of the cost of living allowance in effect at July 31, 2002 will be added to the Standard Rates. Effective August 1, 2003 the total amount of the cost of living allowance in effect at July 31, 2003 will be added to the Standard Rates.

B. W. Cox  
For the Company

\_\_\_\_\_  
For Local 2251

Jan Kulis  
For Local 2724

[Signature]  
For the Company

\_\_\_\_\_  
For Local 2251

[Signature]  
For Local 2724

Dec. 17, 2001  
Date

**LOCAL 2724**  
**LETTER OF AGREEMENT**  
**Re: Reduced Vacation**

**For vacation year 2002 Article 14.01.10 is amended as follows:**

**14.01.10** The Company and Union recognize the necessity for all personnel to get away from their regular work environments on annual vacation. Therefore employees who meet the following service year requirements at January 1 annually are entitled to vacation as follows:

Less than one service year	1 day for each complete .08 portion of a service year - <b>max.</b> 2 weeks.
1 service year but less than 5 service years	2 weeks
5 service years but less than 9 service years	2 weeks
9 service years but less than 15 service years	2 weeks
15 service years but less than 20 service years	3 weeks
20 service years but less than 25 service years	4 weeks
25 service years and more	5 weeks

**For vacation year 2003 Article 14.01.10 is amended as follows:**

**14.01.10** The Company and Union recognize the necessity for all personnel to get away from their regular work environments on annual vacation. Therefore employees who meet the following service year requirements at January 1 annually are entitled to vacation as follows:

Less than one service year	1 day for each complete .08 portion of a service year - <b>max.</b> 2 weeks.
1 service year but less than 5 service years	2 weeks
5 service years but less than 9 service years	2 weeks
9 service years but less than 15 service years	3 weeks
15 service years but less than	4 weeks




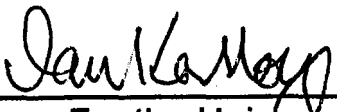
20 service years  
20 service years but less than  
25 service years  
25 service years **and** more

5 weeks


6 weeks

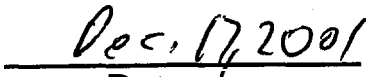
**For vacation year 2004 Article 14.01 is restored as per the Collective Agreement.**

  
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For the Company

  
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For the Union

  
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For the Company

  
\_\_\_\_\_  
For the Union

  
\_\_\_\_\_  
Date

**Local 2724  
Letter of Agreement  
Vacation Bonus - Article 14.02**

For the vacation years 2002, 2003, and 2004, Article 14.02 is suspended. Article 14.02 ~~is~~ reinstated for vacation year 2005.

B. Wilson  
For the Company

Jan Kasday  
For the Union

Art Con  
For the Company

Murray McLean  
For the Union

Dec. 17, 2001  
Date

**LOCAL 2724**  
**LETTER OF AGREEMENT**  
**Re: Retiree Transition Program**

It is agreed that active employees who were eligible to retire on or before December 31, 2001, and who are not currently scheduled to retire on January 1, 2002, who voluntarily elect by January 15, 2002 to participate in this program will continue in their employment subject to the following conditions:

1. a) They will be deemed to have retired on the later of September 17, 2001 and the date on which they first became eligible to retire, then rehired.  
  
b) The amount they are paid in respect of the period to December 31, 2001 is in full satisfaction of all wages and/or pension entitlement to December 31, 2001.  
  
c) It is further agreed that they will not file a grievance, or otherwise advance a claim for Severance Pay under the Employment Standards Act or the Collective Agreement when their retiree transition employment period ends.
2. From January 1, 2002 the retiree transition employee shall receive his pension. He shall not accrue further credited service under the Pension Plans after his deemed retirement date.
3. The retiree transition employee will continue to work on his present job or occupation. In the event a full time employee is to be laid off they will be placed on a position being held by a retiree transition employee working on a position which the full time employee can perform with reasonable training as per Article 7.10.10. Notwithstanding the above, if there is a reduction in force on a position occupied by both full time and retiree transition employees, the retiree transition employee will be displaced prior to any full time employee. The Company and the Union will agree on the placement of any displaced retiree transition employee. The retiree transition employee will not be entitled to participate in the job posting, promotion or transfer provisions of Article 7.
4. From January 1, 2002 the retiree transition employee will be paid 80% of the rate for the position in effect at the time worked.
5. The retiree transition employee will continue to receive active employee benefits under the Extended Health Benefit Agreement except for Short and Long Term Disability Benefits as provided for in Article 3.07.
6. The retiree transition employee will not be eligible for Profit Sharing, Savings Return program, share distribution or Income Security.

7. Retiree transition employees will be paid vacation pay at the rate of 4%. They will schedule any outstanding vacation entitlement earned in 2001 during the period of their employment under this program. Vacation will be paid at the rate in effect at the time the vacation is taken. They will be deemed as the junior employee in their scheduling group.
8. All retiree transition employees under this program will be employed for a minimum of 12 months, subject to the needs of the operation. The Company may extend the time limit for up to 12 additional months for a maximum of 2/3 of the original group and for up to 24 months for a maximum of 1/3 of the original group. In no event can the retiree transitional employee stay past age 65 or a term longer than 36 months. The Local Union will be provided a list of the employees involved in the program, their title and position and the end date of their employment period. The Company will provide the Local Union with a list of overtime worked by the retiree transition employees on a monthly basis.
9. The retiree transition employee shall be a member of the Retirement Plan administered by the Pension Benefits Guarantee Fund and will have no indexing entitlement. The portion of his pension payable by the Company shall be increased by the amount necessary to provide the level of pension he would have received had he retired January 1, 2002.
10. The retiree transition employees under this program will have no seniority relative to each other.
11. The dues of the retiree transition employee shall be remitted to the local union.
12. Those positions that are identified as sustainable will be posted in time to provide the necessary training period to the successful applicant for that particular position.




For the Company

For the Company



For the Union



For the Union

Dec. 17, 2001

Date

## **Agreed to:**

**Amend the Letter of Agreement Re: Limits on Manning Reductions as follows:**

### **Local 2724**

#### **Letter of Agreement Re: Limits on Manning Reductions**

The parties agree that in order to secure the Company's future and that of its employees, Algoma Steel Inc. must make productivity improvements and cost reductions. To achieve these improvements and cost reductions the parties agree to work cooperatively to reduce the active workforce by 350 employees through the elimination of positions in all levels of the company, in a fair and equitable manner, over the term of this agreement. Although layoffs may be necessary from time to time, it is expected that the bulk of the contemplated workforce reductions will be achieved through attrition. In order to accomplish these objectives of productivity and cost improvement the parties agree to the following:

The Company remains committed to the joint decision making process and will ensure the DSC's and the JSC are involved in any decisions with respect to the workforce reduction of 350 stated above. Until the earlier of the termination date of the collective agreement or the workforce reduction of 350 in the company, the parties agree, in the event the JSC is unable to reach consensus on the combination, amalgamation, creation, or elimination of tasks, jobs, or lines of sequence or on the layoff of employees as set out in the general article section 3a (ii) and (iv), management may proceed with the proposed action providing such action does not result in the contracting out of the work, and providing it does not result in an increase in scheduled overtime. The Union may file a grievance on any such decision that they believe is in violation of Articles of the Collective Agreement other than the General Article. At the request of the Union Co-chair of the Joint Steering Committee, the decision of management will not be implemented until the Union has had an opportunity to review such decision with the Company's Board of Directors.

The co-operative effort utilized with respect to this workforce reduction will include assurance that the following criteria have been diligently evaluated and addressed:

- Geography
- Similarity of Functions

- Training
- Employee Availability (time/workload)
- Safety/Health
- Proficiency
- Relevant Legislation
- Productivity
- Customer Impact/Quality
- Asset Integrity
- Physical Capability of incumbents
- Any Other Criteria as Agreed to By The Parties

Documented evidence of such evaluation shall be provided to the Joint Steering Committee prior to implementation.

Department Steering Committees will be responsible for monitoring all new job combinations in their area to ensure the original objectives are being met.

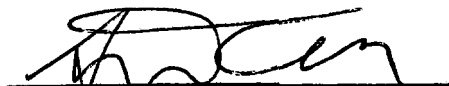
The reduction in the active workforce will be measured against the total working employees as at the date of ratification, as stated on the Joint Steering Committee Manning Report (the "Base"). In the event of any change in plant configuration or change in operating levels of production units, the Base and the amount of the workforce reduction will be adjusted appropriately.



For the **Company**



For the **Union**



For the **Company**



For the **Union**

Dec. 17, 2001

Date

August 19, 2001

**Mr. Steve Bonifero,  
Vice President - Human Resources,  
Algoma Steel Inc.**

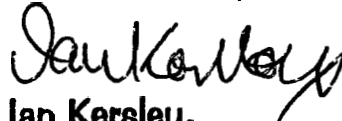
**Subject: The Posting Process for vacancies**

**Dear Steve,**

**Further to our conversations, the posting procedure that will be used to fill vacancies will use a number of criteria to select an individual qualified to perform the job.**

**Key criteria will include knowledge of the area and processes as well as other skills required on the job.**

Yours sincerely,



**Ian Kersley,**

**President**

**UOWA Local 2724**

## **AGREED TO:**

### **New Excess Return Indexing Plan**

Article 4.13 of the Pension Agreement is deleted and any and all indexing benefits provided for under Article 4.13 are eliminated in respect of all past and future service.

The following is added as the new Article 4.13 of the Pension Agreement:

During the term of this agreement the "Basic Pension", as defined below, payable to "Eligible Retirees", as defined below, will be increased on July 1, 2003 and July 1, 2004 in accordance with the following. Any increases granted shall be permanent.

The maximum adjustment in any year shall be 80 percent of the percentage increase in the Consumer Price Index in the immediately preceding calendar year to a maximum of 3 percent.

On July 1<sup>st</sup> of 2003 a calculation shall be made of the difference between the rate of return on the assets in the pension fund in the preceding calendar year and the lower of (i) the going concern interest rate assumption for the year and (ii) the solvency interest rate for the year plus 1.5% (the "Percentage Adjustment")


Subject to the maximum adjustment specified above, the increase in "Basic Pension" on July 1, 2003 shall be equal to the Percentage Adjustment for 2002 if it is positive. Any unused positive Percentage Adjustments or negative Percentage Adjustments shall be carried forward to future years.

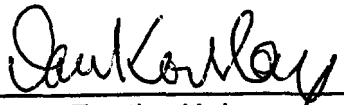
Subject to the maximum adjustment specified above, the increase in "Basic Pension" on July 1, 2004 shall be the Percentage Adjustment for that year adjusted by the balance carried forward from the previous year.

"Basic Pension" is defined as the portion of the Basic pension paid to the member which is equal to \$48.00 multiplied by his years of Credited Service to a maximum of 35 years of Credited Service, adjusted for any optional form of pension elected and, if applicable, reduced for early retirement pursuant to Article 4.07(d), and plus any previous indexing adjustments..

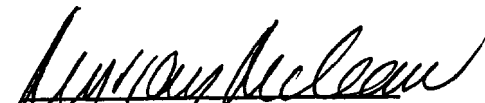


"Eligible Retirees" is defined as those retirees who are members of the Active Plan (including surviving spouses), who retire from active service after December 31 2001, who have been retired for at least 24 months and who are at least 55 years of age.

  
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For the Company

  
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For the Union

  
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For the Company

  
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For the Union

Dec. 17, 2001  
Date

**LETTER OF AGREEMENT**

**RE: SUCCESSION PLANNING PROGRAM**

The Joint Steering Committee , in accordance with their responsibilities under the General Article will direct the Department Steering Committees - in each department to undertake a complete review of organizational manning needs within the following guidelines:

- Age, service and potential retirement dates of each employee
- Review the attrition rate amongst occupations and recommend methods for addressing future requirements.
- Designation of "critical" occupations within each department and anticipated vacancies over the next 2-3 years
- design and develop a training plan for each of the "critical" occupations with timelines attached
- In conjunction with human resources determine potential training methods, including on-the-job training
- In conjunction with human resources define potential sources of new entrants into these occupations
- Each Department Steering Committee will report to the Joint Steering Committee Co-chairs on progress in regards to the above factors

*B. Wilson*

For the **Company**

*Jan Korlasy*

For the **Union**

*[Signature]*

For the **Company**

*Murray McLean*

For the **Union**

*Dec. 17, 2001*

Date