



**The Corporation of the City of Sault Ste. Marie
Special Meeting of City Council
Agenda**

Monday, August 20, 2018

4:30 pm

Council Chambers

Civic Centre

Pages

1. Approve Agenda as Presented

Mover Councillor S. Hollingsworth

Seconder Councillor F. Fata

Resolved that the Agenda for the 2018 08 20 Special City Council Meeting as presented be approved.

2. Declaration of Pecuniary Interest

3. Essar Steel Algoma Inc. – CCAA Proceedings

3 - 55

Mover Councillor S. Hollingsworth

Seconder Councillor F. Fata

Resolved that By-law 2018-180 being a by-law to authorize the execution of the Property Tax Agreement between the City and Algoma Steel Inc. (formerly 1076318 B.C. LTD.) for property taxes for Wallace Terrace (Roll No. 5761 060 001 00100) be passed in open Council this 20th day of August, 2018.

Mover Councillor S. Hollingsworth

Seconder Councillor F. Fata

Resolved that By-law 2018-181 being a by-law to authorize the execution of the Assessment Review Board Minutes of Settlement for Assessments Made Under Section 36 of the *Assessment Act* between the City, Municipal Property Assessment Corporation and Essar Steel Algoma Inc. regarding Wallace Terrace (Roll No. 5761 060 001 00100) be passed in open Council this 20th day of August, 2018.

Mover Councillor S. Hollingsworth

Seconder Councillor F. Fata

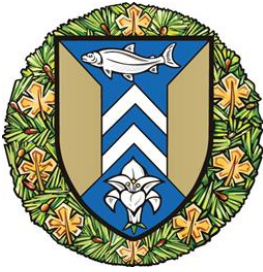
Resolved that By-law 2018-182 being a by-law to authorize the execution of the Assessment Agreement between the City, Municipal Property Assessment Corporation, Essar Steel Algoma Inc. and Algoma Steel Inc. (formerly 1076318 B.C. LTD.) regarding Wallace Terrace (Roll No. 5761 060 001 00100) for the 2014 to 2020 Taxation Years be passed in open Council this 20th day of August, 2018.

4. Adjournment

Mover Councillor S. Hollingsworth

Seconder Councillor F. Fata

Resolved that this Council shall now adjourn.



**The Corporation of the
City of Sault Ste. Marie**

COUNCIL REPORT

August 20, 2018

TO: Mayor Christian Provenzano and Members of City Council

AUTHOR: Albert Horsman, CAO

DEPARTMENT: Chief Administrative Officer

RE: ESSAR STEEL ALGOMA INCORPORATED'S (ESAI)
CCAA PROCEEDINGS AND TAX ASSESSMENT APPEAL

PURPOSE

The purpose of this report is two-fold, specifically:

- (a) to update Council on the status of the ESAI's CCAA proceedings and Assessment Review Board ("ARB") Tax Assessment Appeal; and
- (b) to seek Council's authority to enter into three Agreements, specifically a Property Tax Agreement ("Tax Agreement") between Algoma Steel Inc. and the City, an Assessment Agreement between ESAI, the Municipal Property Assessment Corporation ("MPAC"), 1076318 B.C. Ltd. ("BC Company") and the City, and Minutes of Settlement for Assessments Made Under Section 36 of the Assessment Act ("MOS") between ESAI, MPAC and the City.

BACKGROUND

(A) CCAA Update

As Council is aware, ESAI sought and obtained CCAA protection pursuant to the Initial Order of the Ontario Superior Court of Justice dated November 9, 2015. Following a Sale and Investment Solicitation Process (SISP), the BC Company was selected as the successful purchaser and an Asset Purchase Agreement ("APA") was entered into between ESAI and the BC Company for the acquisition of various lands and other assets of ESAI ("Acquisition Transaction").

The Acquisition Transaction was conditional on various matters being successfully negotiated as set out in the APA. With respect to the City, the APA required that there be an agreement on definitive documentation between the BC Company, the City and MPAC to demonstrate an agreement was reached on Pre-Petition and Post-Petition taxes payable and the matters related to the Assessment Review Board Appeals. Once all of the conditional matters were successfully negotiated, the APA and Acquisition Transaction were to be brought

forward to the CCAA Court for approval. If so approved, an Approval and Vesting Order would be granted by the Court and the Acquisition Transaction would be completed, thereby vesting the property and assets in the name of the BC Company.

Following significant negotiations, an "Agreement in Principle" was reached between the City and the BC Company, the details of which were set forth in the Confidential High Level Term Sheet re Property Taxes dated August 4, 2017 ("Property Tax Term Sheet"). In summary, the Property Tax Term Sheet confirmed the following:

(a) Pre-Petition Tax Amounts

The City shall be paid \$9,000,000.00 for the 2014 and 2015 tax years in full satisfaction of all Pre-Petition Tax amounts payable.

(b) Post-Petition Tax Amounts

The City shall be paid \$11,400,000.00 for the 2016 and 2017 tax years which included payments to be made to the City commencing May 2017 to July 2017 inclusive in the amount of \$350,000.00 per month, and assumed an increase to \$500,000.00 per month commencing August 2017. All monthly payments made to the City during this period is to be deducted from any final net payment to the City of the Post-Petition Tax amount payable.

(c) Go-Forward Property Tax Amounts For Tax Years December 31, 2018 to and including December 31, 2020

The City and the BC Company agreed not to appeal the MPAC revised 2016 current value assessment pertaining to the 2017 to 2020 tax years of an assessed value of \$39,773,000.00, understanding that supplementary and other changes will still occur. The City further agreed to enter into a memorandum of agreement to undertake to continue to work on tax fairness and adjust tax ratios and in a manner fair to all tax classes and the community at large.

(d) Settlement of ARB Appeals

The Property Tax Term Sheet is conditional on the settlement of all outstanding appeals before the ARB, specifically the appeal of the

2012 current value assessment for the 2014 to 2016 taxation years in the amount of \$60,000,000.00. The City agreed to use best efforts to enter into Minutes of Settlement with the other parties to the ARB appeal including MPAC, which would then be implemented by way of decision and order of the ARB.

(e) Port of Algoma and Economic Development

The BC Company agreed to work with the City on a commercially reasonable basis to explore and support economic development opportunities such as the Noront Resources Ferrochrome Production Facility initiative and the redevelopment of the Port of Algoma.

(f) Legally Binding Agreement and Court Approval

Consistent with the APA, the Property Tax Term Sheet is subject to the negotiation and execution of a definitively legally binding Agreement between the parties, which would then require approval from City Council and thereafter Court approval.

The Property Tax Term Sheet terms were discussed in a Closed Session. Council approved and authorized the Mayor to sign the Confidential High Level Term Sheet re: Property Taxes dated August 4, 2017 ("Property Tax Term Sheet") on behalf of the City with the understanding that the definitive legally binding Agreements detailing the matters set out above would eventually be before City Council for approval at an Open Council Session after all other matters in the APA were successfully negotiated and the Acquisition Transaction was ready to proceed.

ESAI thereafter continued discussions with various key stakeholders to satisfy the balance of the conditions set out in the APA. On July 24, 2018, ESAI served a Motion Record returnable August 22, 2018, which seeks a Court Order approving the Acquisition Transaction and various relief and set out the mechanics for the same, including as it relates to the City, all matters as set out in the Property Tax Term Sheet. Pursuant to the Property Tax Term Sheet and APA, ESAI also provided the City with the Tax Agreement, the Assessment Agreement and the MOS, all of which constitute the "definitive legally binding Agreements" that implement the commitments made in the Property Tax Term Sheet.

(B) ARB ASSESSMENT APPEALS

As Council is also aware, while the main CCAA proceedings were underway, ESAI had also appealed the assessment years 2014 to 2016 inclusive to the ARB. ESAI's Statement of Issues asserted that the assessment should be reduced from \$82,999,000.00 to \$42,473,000.00. MPAC's Statement of Issues recommended the assessment be reduced from \$82,999,000 for the same years. The City supported the reduction and rationale adopted by MPAC at the ARB. Alternate dispute resolution through mediation took place on May 16-19, 2017 in Sault Ste. Marie and further mediation talks thereafter were planned. However, given the significant negotiations in the main CCAA proceedings, the parties agreed to adjourn the mediation talks and ARB process pending the outcome of such negotiations.

As stated above, the City and BC Company successfully negotiated all outstanding appeals before the ARB, as set out in the Property Tax Term Sheet. The parties to the ARB Proceeding have now agreed to execute the necessary agreements to facilitate the resolution achieved.

(C) THE AGREEMENTS

The Tax Agreement, Assessment Agreement and MOS ("Final Agreements") collectively constitute the definite legally binding agreements necessary to implement the commitments made in the Property Tax Term Sheet. The Final Agreements shall be presented to the CCAA Court to demonstrate that as it relates to the City, the parties have met the conditions set out in the APA. Similarly, ESAI must present to the CCAA Court that it has successfully negotiated the balance of the conditions set out in the APA with all other relevant stakeholders. The materials before the CCAA Court are voluminous and very detailed, and are a culmination of years of negotiation with many stakeholders in the CCAA process. The Assessment Agreement and MOS will also be presented to the ARB and the parties shall request a final order consistent with same.

ANALYSIS

City Staff have reviewed the Final Agreements with our solicitors, Aird & Berlis. Aird & Berlis has confirmed that the Final Agreements constitute the definitive legally binding agreements to implement the commitments made in the Property Tax Term Sheet. The Final Agreements are consistent with the terms the City agreed to in the Property Tax Term Sheet and would, if so approved by the Court, finalize all matters related to the Pre-Petition Tax Amounts Payable, Post-Petition Tax Amounts and all go forward tax related matters. Further, if so approved by the Court, the Final Agreements would conclude all matters as it relates to the City before the CCAA Court and the ARB.

City Staff therefore recommend that Council formally approve the execution of the Final Agreements.

FINANCIAL IMPLICATIONS

If the CCAA Court approves the Acquisition Transaction and APA, and grants the Approval and Vesting Order, the Monitor shall issue a Certificate confirming all conditions in the APA have been satisfied and specify a Closing Date. The City shall receive all amounts as set out in the Property Tax Term Sheet as set out herein, on the Closing Date.

STRATEGIC PLAN / POLICY IMPACT

This is an operational matter not articulated in the Corporate Strategic Plan.

RECOMMENDATION

It is therefore recommended that Council take the following action:

It is recommended that Council authorize the execution of the following Agreements:

- (a) the Property Tax Agreement ("Tax Agreement") between Algoma Steel Inc. and the City;
- (b) the Assessment Agreement between ESAI, the Municipal Property Assessment Corporation ("MPAC"), 1076318 B.C. Ltd. ("BC Company") and the City; and
- (c) the Minutes of Settlement for Assessments Made Under Section 36 of the Assessment Act ("MOS") between ESAI, MPAC and the City.

and authorize the Legal Department and Aird & Berlis LLP to complete and file all necessary documents to facilitate the completion of all matters as it relates to the City before the Assessment Review Board regarding the Tax Assessment Appeals and the Ontario Superior Court of Justice regarding the CCAA Proceedings.

Respectfully submitted,



Al Horsman
Chief Administrative Officer

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

BY-LAW 2018-180

AGREEMENT: (C3.14(3)) A by-law to authorize the execution of the Property Tax Agreement between the City and Algoma Steel Inc.(formerly 1076318 B.C. LTD.) for property taxes for Wallace Terrace (Roll No. 5761 060 001 00100).

THE COUNCIL of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

1. **EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Property Tax Agreement between the City and Algoma Steel Inc. (formerly 1076318 B.C. LTD.), for property taxes for Wallace Terrace (Roll No. 5761 060 001 00100), a copy of which is attached as Schedule "A" hereto.

2. **SCHEDULE "A"**

Schedule "A" forms part of this by-law.

3. **EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

PASSED in open Council this 20th day of August, 2018.

MAYOR - CHRISTIAN PROVENZANO

DEPUTY CITY CLERK – RACHEL TYCZINSKI

Schedule "A"

PROPERTY TAX AGREEMENT MADE AS OF AUGUST 20, 2018

(the "Property Tax Agreement")

BETWEEN:

ALGOMA STEEL INC.
(formerly 1076318 B.C. LTD.)

(hereinafter referred to as "**Algoma**")

and

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

(hereinafter referred to as "**the City**")

RECITALS:

- A. Essar Steel Algoma Inc. ("**ESAI**") is the registered owner of lands in the City of Sault Ste. Marie legally described as Wallace Terrace AWENGE BROKEN PT SEC 2 TO 4 AND PT SEC 9 AND 10 KORAH BROEKN PT SEC 34 TO SEC SEE NTE and identified as Property Assessment Roll Number 57 61 060 001 00100 0000 (the "**Subject Lands**")
- B. ESAI, together with certain of its affiliates, including Essar Steel Algoma Inc. USA ("**Algoma USA**", and together with ESAI, the "**Vendors**"), are applicants in proceedings before the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in Court File No. CV-000011169-00CL (the "**CCAA Proceedings**"), in which Ernst & Young Inc. has been appointed by the CCAA Court as Monitor of the Vendors.
- C. Algoma is seeking through the CCAA Proceedings to acquire title to the Subject Lands and certain other assets of the Vendors (collectively, the "**Purchased Assets**") pursuant to an Asset Purchase Agreement (the "**APA**") between the Vendors and Algoma (the "**Acquisition Transaction**"). The APA and the Acquisition Transaction contemplated thereby will be subject to the approval of the CCAA Court (the "**Approval and Vesting Order**"), and if the APA and the Acquisition Transaction are approved, the Approval and Vesting Order shall provide that the closing of the Acquisition Transaction shall be

evidenced by the delivery of a certificate by the Monitor to Algoma and the Vendors certifying that the conditions of the Acquisition Transaction set out in the APA have been satisfied or waived (the **“Monitor’s Certificate”**). Amongst other things, the Monitor’s Certificate shall reflect the closing date of the Acquisition Transaction (the **“Closing Date”**).

- D. Algoma and the City have entered into a Confidential High Level Term Sheet re Property Taxes dated August 4, 2017 (the **“Property Tax Term Sheet”**), attached as Schedule “A” hereto), that is subject to the negotiation and execution of a definitive legally binding Agreement between Algoma and the City.
- E. The parties hereto wish to implement the terms of the Property Tax Term Sheet by executing this Property Tax Agreement as the definitive legally binding Agreement contemplated in the Property Tax Term Sheet, as well as all other agreements and settlements referenced therein.

NOW THEREFORE THE PARTIES HERETO AGREE AS FOLLOWS:

- 1. The parties confirm that this Property Tax Agreement constitutes the definitive legally binding Agreement between them as contemplated in the Property Tax Term Sheet. The entirety of the Property Tax Term Sheet attached as Schedule “A” is incorporated into and forms part of this Property Tax Agreement and is enforceable between the parties hereto. Terms used but not defined herein shall have the meanings set out in the Property Tax Term Sheet.
- 2. The Pre-Petition Adjusted Property Taxes Payable as set out in paragraphs 1 and 2 of Schedule “A” will be paid by or on behalf of Algoma to the City no later than ten (10) days after the Closing Date.
- 3. Any balance of the Post-Petition Adjusted Property Taxes Payable as set out in paragraphs 3 and 4 of Schedule “A” will be paid by or on behalf of Algoma to the City no later than ten (10) days after the Closing Date.
- 4. The amounts owing to the City as of August 31, 2018 in relation to paragraphs 2 and 3 above, are as set out in Schedule “D” hereto.

5. The parties hereto agree that neither of them will appeal the Municipal Property Assessment Corporation (“MPAC”) revised 2016 current value assessment (the “**2016 CVA**”) returned against the Subject Lands in the amount of \$39,773,000 pertaining to the 2017 to 2020 taxation years inclusive, subject to the right of the either party hereto to appeal any further supplementary or omitted assessment that MPAC may make for these taxation years, in accordance with paragraph 5(a) of Schedule “A” and in accordance with the provisions of the Assessment Agreement attached as Schedule “C”. The parties hereto further agree to withdraw any appeals, if any, of the 2016 CVA for the 2017 to 2020 taxation years that are outstanding before the Assessment Review Board.

6. The City agrees that it will, in accordance with paragraph 5(b) of Schedule “A”, continue to work on tax fairness and to adjust its tax ratios in a manner and over a reasonable time period in a manner that is fair to all tax classes and the community at large and may include steps to:

- (a) Reduce the Large Industrial Tax rate or to consolidate the Large Industrial Tax rate with the Industrial Tax rate so that a lower tax rate applies to industrial and large industrial properties;
- (b) Reduce the claw back for the Large Industrial and Industrial tax classes; and
- (c) Continue to move towards fair taxes based on current value assessment.

7. The City agrees that it will, in accordance with paragraph 6 of Schedule “A”, use its best efforts to enter into Minutes of Settlement with ESAI and MPAC with respect to Outstanding ARB Appeals as described in paragraph 6 of Schedule “A” (the “**Assessment Review Board Minutes of Settlement**”, attached as Schedule “B”). Specifically, the City agrees that it will use its best efforts to enter into the Assessment Review Board Minutes of Settlement attached as Schedule “B” with ESAI and MPAC to reduce the 2012 CVA for the 2014 to 2016 taxation years to \$60,000,000 as apportioned in Schedule “B”, and that it will further request that such Assessment Review Board Minutes of Settlement be implemented in a decision and order of the Assessment Review Board. The parties hereto acknowledge and agree that this Property Tax Agreement is conditional upon the settlement of the Outstanding ARB Appeals in the amount of \$60,000,000 as apportioned in Schedule “B” (the “**Condition**”).

8. In accordance with paragraph 8 of Schedule "A", Algoma agrees on a commercially reasonable basis to continue to support the redevelopment of the Port of Algoma and to cooperate with the City in economic development initiatives aimed at attracting and encouraging growth and development of the industrial base.

9. Except as may be required by law or as otherwise may be approved in advance in writing, the parties hereto agree that they shall not disclose this Property Tax Agreement to any person or otherwise disclose any proposals, data or information provided by one party to another in connection with this Property Tax Agreement; provided that the Vendors and Algoma may, as applicable, disclose such information to their officers, directors, professional advisors, lenders, Chief Restructuring Advisor, and the Monitor, in each case, who have been advised of and agree to be bound by the confidentiality obligations set forth herein and provided that the City may, as applicable, disclose such information to its legal, financial and other professional advisors as may be required as determined by the City. The parties agree to cooperate on producing any public press release or other public announcement in connection with this Property Tax Agreement and the matters contemplated herein, which shall all be in a form satisfactory to the parties hereto, acting reasonably.

10. Each party hereto has received independent legal advice in respect of the terms of this Property Tax Agreement, or has expressly waived the right to same, and by execution of this document confirms its understanding of and agreement to the terms of this Property Tax Agreement.

11. The parties agree that this Property Tax Agreement may be signed in counterpart and transmission by email is accepted by all if an acknowledgment of receipt is received.

12. This Property Tax Agreement will be held in escrow and will not come into force until both of the following events have occurred (the "**Effective Time**");

- (a) all of Vendors' right, title and interest in and to the Purchased Assets have vested absolutely in Algoma upon the delivery of the Monitor's Certificate, in accordance with the Approval and Vesting Order, and

(b) the parties hereto, Essar Steel Algoma Inc. and the Municipal Property Assessment Corporation have executed the related Assessment Agreement respecting the assessment of the Subject Lands for the 2014 to 2020 taxation years, attached as Schedule "C".

13. This Property Tax Agreement shall be deemed to take effect immediately at the Effective Time without the necessity of further action by the parties hereto.

14. In the event that the Acquisition Transaction cannot be completed and the APA terminates in accordance with its terms, this Property Tax Agreement shall be null and void and shall not come into effect.

Dated at _____, this _____ day of _____, 2018.

Algoma Steel Inc.

Per:

I have authority to bind the Corporation

Dated at Sault Ste. Marie ON this 20th day of August, 2018

**THE CORPORATION OF THE CITY OF
SAULT STE. MARIE**

Mayor CHRISTIAN PROVENZANO

Deputy City Clerk RACHEL TYCZINSKI

SCHEDULE "A" PROPERTY TAX TERM SHEET

August 4, 2017

Confidential High Level Term Sheet re Property Taxes

This Term Sheet sets out the high level terms of an agreement (the "**Agreement**") between (i) 1076318 B.C. Ltd. ("**NewCo**"), an entity incorporated to acquire substantially all the steel making and other assets of Essar Steel Algoma Inc. ("**ESAI**") and Essar Steel Algoma Inc. USA (the "**Acquisition Transaction**") and (ii) The Corporation of the City of Sault Ste. Marie (the "**City**", and together with NewCo, the "**Parties**") to, among other things, address:

- (1) the municipal property tax amounts owing by the Applicants (as defined in the Amended and Restated Initial Order of the Honourable Regional Senior Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) made November 9, 2015 (the "**Initial Order Date**") in respect of the Applicants' proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**") and any late payment charges thereon (including, for greater certainty, any accrued and unpaid interest and penalties) between January 1, 2014 and the Initial Order Date (collectively, the "**Pre-Petition Tax Amounts**");
- (2) the municipal property tax amounts owing and accruing by the Applicants and any late payment charges thereon (including, for greater certainty, any accrued and unpaid interest and penalties) from and after the Initial Order Date up to the Implementation Date (as defined below) (collectively, the "**Post-Petition Tax Amounts**"); and
- (3) the municipal property tax amounts payable by the Applicants and/or NewCo, as applicable, from and after the Implementation Date (collectively, the "**Go-Forward Property Tax Amounts**", and together with the Pre-Petition Tax Amounts and the Post-Petition Tax Amounts, the "**Tax Amounts**").

This Term Sheet is subject to the negotiation and execution of a definitive legally binding Agreement between the Parties. The Tax Amounts are being examined in the context of the very substantial restructuring of the operations of the Applicants pursuant to proceedings under the CCAA, which restructuring requires all stakeholders, including the senior secured creditors, employees, retirees, suppliers, provincial government, federal government and other stakeholders to make significant concessions.

As used in this Term Sheet, "**Implementation Date**" means: (A) the date that a plan of compromise or arrangement in respect of the Applicants is implemented and the Applicants emerge from CCAA protection; or (B) the closing date in respect of the Acquisition Transaction. For the purposes of detailing the Tax Amounts in numerical form, an illustrative Implementation Date of December 31, 2017 has been assumed.

All references to monetary amounts are in Canadian dollars (CAD).

Pre-Petition Tax Amounts

1. The City shall be paid \$9,000,000 for the 2014 and 2015 tax years (the “**Pre-Petition Adjusted Property Taxes Payable**”) in full satisfaction of any and all Pre-Petition Tax Amounts, based on:
 - (a) a reduction in the principal (municipal, educational and local improvement) component of the Pre-Petition Tax Amounts in accordance with the Municipal Property Assessment Corporation (“MPAC”) revised 2012 current value assessment for the 2014 and 2015 tax years and a further reduction in the principal (municipal, educational and local improvement) component of the Pre-Petition Tax Amounts to reflect an assessed value of \$60,000,000;
 - (b) a further 20% reduction in the principal (municipal, educational and local improvement) component of the Pre-Petition Tax Amounts; and
 - (c) the City’s forgiveness of the balance of the Pre-Petition Tax Amounts for the 2014 and 2015 tax years (being any and all late payment charges, including, for greater certainty, any accrued and unpaid interest and penalties thereon).
2. For greater clarification, the Pre-Petition Adjusted Property Taxes Payable reflect the prior payment of taxes for the 2014 tax year in the amount of \$1,400,000.

Post-Petition Tax Amounts

3. The City shall be paid \$11,400,000 for the 2016 and 2017 tax years (the “**Post-Petition Adjusted Property Taxes Payable**”) in full satisfaction of any and all Post-Petition Tax Amounts, based on:
 - (a) a reduction in the principal (municipal, educational and local improvement) component of the Post-Petition Tax Amounts for 2016 in accordance with the MPAC revised 2012 current value assessment for the 2016 tax year and a further reduction in the principal (municipal, educational and local improvement) component of the Post-Petition Tax Amounts for 2016 to reflect an assessed value of \$60,000,000;
 - (b) the City’s forgiveness of the balance of the Post-Petition Tax Amounts for the 2016 tax year (being any and all late payment charges, including, for greater certainty, any accrued and unpaid interest and penalties thereon);
 - (c) the City’s and Applicants’ (or NewCo’s, as the case may be) agreement not to appeal the MPAC revised 2016 current value assessment pertaining to the 2017 to 2020 tax years of an assessed value of \$39,773,000¹; and
 - (d) the City’s forgiveness of the balance of the Post-Petition Tax Amounts for the 2017

¹ The City’s agreement not to appeal the MPAC revised assessment pertaining to the 2017 to 2020 tax years would not preclude MPAC adding a supplementary assessment for property improvements which the City cannot control, subject to the right of Applicants or NewCo as the case may be to appeal any such supplementary assessment.

tax year (being any and all late payment charges, including, for greater certainty, any accrued and unpaid interest and penalties thereon).

4. For greater clarification, the Post-Petition Adjusted Property Taxes Payable includes payments to the City (the “**Monthly Payments**”) that were made from May 2017 to July 2017 inclusive in the amount of \$350,000 per month, and assumes an increase to \$500,000 per month commencing August 2017 (such that, for greater certainty, a further \$150,000 is to be paid to the City for the month of August 2017, in addition to the \$350,000 payment that has already been made to the City for the month of August 2017). All Monthly Payments made to the City will be deducted from any final net payment to the City of Post-Petition Adjusted Property Taxes Payable.

Go-Forward Property Tax Amounts

5. Payments made in the ordinary course (the “**Go-Forward Property Taxes Payable**”) for each of the taxation years ending December 31, 2018 to and including December 31, 2020. In addition:
 - (a) the City and Applicants (or NewCo, as the case may be) will agree not to appeal the MPAC revised 2016 current value assessment pertaining to the 2017 to 2020 tax years of an assessed value of \$39,773,000²; and
 - (b) the City will enter into a memorandum of agreement whereby it undertakes to continue to work on tax fairness and to adjust its tax ratios in a manner and over a reasonable time period in a manner that is fair to all tax classes and the community at large and may include steps to:
 - (i) Reduce the Large Industrial Tax rate or to consolidate the Large Industrial Tax rate with the Industrial Tax rate so that a lower tax rate applies to industrial and large industrial properties;
 - (ii) Reduce the claw back for the Large Industrial and Industrial tax classes; and
 - (iii) Continue to move towards fair taxes based on current value assessment.

Assessment Review Board Appeals

6. The Parties agree that any settlement based on this Term Sheet is conditional on the settlement of the outstanding appeals before the Assessment Review Board of the 2012 current value assessment for the 2014 to 2016 taxation years (the “**Outstanding ARB Appeals**”) in the amount of \$60,000,000, with no material change to existing property tax apportionments. As a party to the Assessment Review Board appeals, the City agrees to use its best efforts to enter into such Minutes of Settlement with the other parties to the Outstanding ARB Appeals, including the assessed owner and MPAC, to be implemented in a decision and order of the Assessment Review Board.

² The City's agreement not to appeal the MPAC revised assessment pertaining to the 2017 to 2020 tax years would not preclude MPAC adding a supplementary assessment for property improvements, which the City cannot control, subject to the right of Applicants or NewCo as the case may be to appeal any such supplementary assessment.

Implementation

7. The City and its counsel are prepared to discuss implementation with the Lenders and their counsel, it being understood that, prior to the Implementation Date, the Agreement shall not bind the City to supporting the Acquisition Transaction.

Port of Algoma and Economic Development

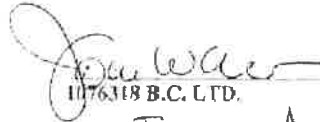
8. The Applicants (or NewCo, as the case may be) agree, on a commercially reasonable basis, to continue to support the redevelopment of the Port of Algoma (the "**Port**") and to cooperate with the City in economic development initiatives aimed at attracting and encouraging growth and development of the industrial base.

Confidentiality and Non-Disclosure

9. Except as may be required by law or as otherwise may be approved in advance in writing, the Parties agree that they shall not disclose this Term Sheet to any person or otherwise disclose to any person the fact that discussions in respect of the terms or the subject matter of this Term Sheet or discussions between the Parties (collectively, the "**Discussions**") are ongoing, or any proposals, data or information provided by one Party to another in connection with this Term Sheet or the Discussions; provided that ESAI and NewCo may, as applicable, disclose such information to their officers, directors, professional advisors, lenders, Chief Restructuring Advisor, and the court-appointed monitor in ESAI's CCAA proceedings, in each case, who have been advised of and agree to be bound by the confidentiality obligations set forth herein. The Parties agree to cooperate in producing any public press release or other public announcement in connection with this Term Sheet, the Agreement and the matters contemplated herein and therein, which shall all be in a form satisfactory to the Parties, acting reasonably.
10. The Parties understand and agree that the City's approval of this Term Sheet is subject to any approval required by Council, which will be considered in a meeting that is closed to the public, and approval by way of Court Order.

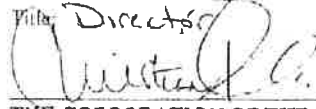
IN WITNESS WHEREOF the parties hereto have executed and delivered this Term Sheet.

Date: Aug 8, 2017


1076318 B.C. LTD.

Name: Joanna Anderson

Title: Director



THE CORPORATION OF THE CITY OF
SAULT STE. MARIE

Name: Christian Provenzano

Date: August 4, 2017

Title: Mayor

Lender Proposal – example in numeric form

Lender Proposal - August 3 (CSm)¹

Pre-settlement

	2014	2015	Total
Net 2014	\$2.4	\$7.3	\$12.2
Prepayment fee on \$100M (2.2%) settlement	(1.7)	(1.4)	(3.1)
Prepayment fee on 2015	\$5.0	\$6.1	\$11.1
Contingible under settlement	30%	30%	30%
Cash payable under settlement	\$4.0	\$4.3	\$8.3
Plus US\$50M less through underlying asset			\$5.0

	2016	2017	Total
Net 2016	\$7.3	\$6.7	\$12.2
Prepayment fee on \$100M (2.2%) settlement	(1.6)	(1.4)	(3.1)
Prepayment fee on 2017	\$5.7	\$5.3	\$11.0
% payable under settlement	100%	100%	100%
Cash payable under settlement	\$5.7	\$5.3	\$11.0
Plus US\$50M less through underlying asset			\$1.4

Estimated 12% monthly payment through Dec-17²

	(2.9)
--	-------

Net cash payable under settlement

\$7.9

Pre-settlement - Post payment

	Total
Cash payable under settlement + US\$50M less through data	\$20.4
% reduction	2%
Estimated 12% monthly payment through Dec-17 ³	(3.5)
Net cash payable under settlement	\$16.9

Notes

1. Illustrative representation date of December 31, 2017 and all years are calendar years.
2. If the transaction is liquid, the figure already includes a deduction for the US\$50M in pre payment fees that have already been paid.
3. Includes the approximate impact for the non-union client properties of Virginia.
4. Payment of US\$50M from May 2017 to June 2017 (13 months), plus payment of US\$50M from August 2017 to December 2017 (15 months). Total of US\$50M on 1 December 2017.

SCHEDULE "B"

ASSESSMENT REVIEW BOARD MINUTES OF SETTLEMENT

Appeal Minutes of Settlement
Appeal No.: 3035514, 3093646, 3160549
Hearing No.:

SCHEDULE "A"



MUNICIPAL PROPERTY
 ASSESSMENT CORPORATION
 SOCIÉTÉ D'ÉVALUATION
 FONCIÈRE DES MUNICIPALITÉS

MINUTES OF SETTLEMENT FOR ASSESSMENTS MADE UNDER
 SECTION 36 OF THE ASSESSMENT ACT
 IN THE MATTER OF Appeals Made Pursuant to Section 40 of the
 Assessment Act, R.S.O. 1990, c. A31, as amended, with respect to:
 Roll Number: 5751 060 001 00100
 Location/Legal Description: WALLACE TERR
 Taxation Years: 2014, 2015, 2016

Between:
ESSAR STEEL ALGOMA INC
 Assessed Person(s)
 Appellant

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION FIELD OFFICE NO.
31
Respondents

and

City of Sault Ste Marie
 Municipality

The following reflects the settlement reached between the parties:

Appealed Property Assessment

Property Classification	Current Value Assessed	
	2008	2012
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,952,660
Large Industrial (LT)	\$99,145,700	\$77,839,560
Commercial (CT)	\$2,840,300	\$2,206,780
Total	\$104,746,000	\$82,999,000

Property Classification	Phase-in Assessment for Taxation Years		
	2014	2015	2016
Large Industrial: Excess Land (LU)	\$2,856,330	\$2,904,495	\$2,952,660
Large Industrial (LT)	\$77,839,560	\$77,839,560	\$77,839,560
Commercial (CT)	\$2,206,780	\$2,206,780	\$2,206,780
Total	\$82,902,670	\$82,950,835	\$82,999,000

Revised Property Assessment

Property Classification	Current Value Assessed	
	2008	2012
Commercial (CT)	\$2,840,300	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,268,950
Large Industrial (LT)	\$99,145,700	\$55,752,130
Total	\$104,746,000	\$60,000,000

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Page 1 of 2

Property Classification	Phase-in Assessment for Taxation Years		
	2014	2015	2016
Commercial (CT)	\$1,978,920	\$1,978,920	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,288,950	\$2,288,950	\$2,288,950
Large Industrial (LT)	\$55,752,130	\$55,752,130	\$55,752,130
Total	\$60,000,000	\$60,000,000	\$60,000,000

1. The parties agree that orders of the Assessment Review Board will be made in accordance with this settlement. The assessed person hereby acknowledges that the appeals for the taxation year described above are settled and no hearing is required.
2. The parties certify that the Minutes of Settlement herein refer only to matters that are properly before the Assessment Review Board and that same contains all information which the parties wish the Board to incorporate into its order.

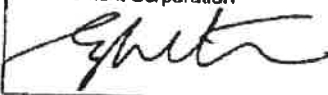
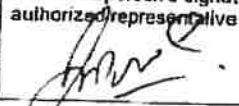
To complete your Appeal Minutes of Settlement, please sign and send a copy of both sides of this form to MPAC in one of the following ways:



Email: casemanagement@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

On behalf of the Municipal Property Assessment Corporation 	Print name GARY MARWAH	Date (yyyy/mm/dd) 2018/07/27
Assessed person's signature or authorized representative 	Print name RAJAT MARWAH	Date (yyyy/mm/dd) August 13, 2018
On behalf of Municipality	Print name and title	Date (yyyy/mm/dd)

Appeal Number: 3036514, 3093646, 3160549

Roll Number: 6761 060 001 00100

00384016-1 - 42086183

Contact Us



Call: 1 866 298-MPAC (6722)
TTY: 1 877 889-MPAC (6722)
Monday to Friday 8 a.m. to 5 p.m.



Email: enquiry@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

If you have any accessibility needs, please let our representatives know how we can assist you.

Appeal Minutes of Settlement
Appeal No.: 3035514, 3093646, 3160549
Hearing No.:



MUNICIPAL PROPERTY
ASSESSMENT CORPORATION
SOCIÉTÉ D'ÉVALUATION
FONCIÈRE DES MUNICIPALITÉS

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Roll Number: 5761 060 001 00100
Location/Legal Description: WALLACE TERR
Taxation Years: 2014, 2015, 2016

Between:
ESSAR STEEL ALGOMA INC
Assessed Person(s)
Appellant

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION FIELD OFFICE NO.
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Respondents

and

City of Sault Ste Marie
Municipality

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Property Classification	Phase-in Assessment for Taxation Years		
	2014	2015	2016
Commercial (CT)	\$1,978,920	\$1,978,920	\$1,978,920
Large Industrial: Excess	\$2,268,950	\$2,268,950	\$2,268,950
Land (LU)			
Large Industrial (LT)	\$55,752,130	\$55,752,130	\$55,752,130
Total	\$60,000,000	\$60,000,000	\$60,000,000

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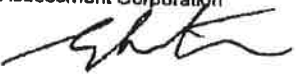
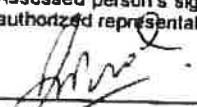
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Email: casemanagement@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

On behalf of the Municipal Property Assessment Corporation 	Print name GERRY MARWAH	Date (yyyy/mm/dd) 2018/07/27
Assessed person's signature or authorized representative 	Print name RAJAT MARWAH	Date (yyyy/mm/dd) August 13, 2018
On behalf of Municipality	Print name and title	Date (yyyy/mm/dd)

Appeal Number: 3035514, 3093646, 3160549

Roll Number: 5761 060 001 00100

00384019-2 - 42086183

Contact Us



Call: 1 866 295 MPAC (6722)
TTY 1 877 889-MPAC (6722)
Monday to Friday 8 a.m. to 5 p.m.



Email: enquiry@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

If you have any accessibility needs, please let our representatives know how we can assist you.

SCHEDULE "C"
ASSESSMENT AGREEMENT

ASSESSMENT AGREEMENT MADE AS OF July 27, 2018
(the "Assessment Agreement")

B E T W E E N:

ESSAR STEEL ALGOMA INC.

(hereinafter referred to as "Essar")

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

(hereinafter referred to as "MPAC")

and

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

(hereinafter referred to as "the City")

and

ALGOMA STEEL INC.

(formerly 1076318 B.C. LTD.)

(hereinafter referred to as "Algoma")

(collectively referred to as the "Parties")

WHEREAS:

A. The Parties have reached an agreement (the "Assessment Agreement"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, regarding the assessments to be returned for property known municipally as Wallace Terrance Awenge and identified by assessment roll number 5761 060 001 00100 (the "Subject Property") for the 2014 to 2020 taxation years;

B. Essar is the registered owner of the Subject Property;

C. Essar, together with certain of its affiliates including Essar Steel Algoma Inc. USA ("Algoma USA", and together with Essar, the "Vendors"), are applicants in proceedings before the Ontario Superior Court of Justice (Commercial List) (the "CCAA Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in Court

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File No. CV-000011169-00CL (the "CCAA Proceedings"), in which Ernst & Young Inc. has been appointed by the CCAA Court as Monitor of the Vendors;

D. Algoma is seeking through the CCAA Proceedings to acquire title to the Subject Property and certain other assets of the Vendors (collectively, the "Purchased Assets") pursuant to an Asset Purchase Agreement (the "APA") between the Vendors and Algoma (the "Acquisition Transaction"). The APA and the Acquisition Transaction contemplated thereby will be subject to the approval of the CCAA Court (the "Approval and Vesting Order"), and if approved, shall be implemented upon the delivery of a certificate by the Monitor to Algoma and the Vendors certifying that the conditions of the Acquisition Transaction set out in the APA have been satisfied or waived (the "Monitor's Certificate"), in accordance with the Approval and Vesting Order;

E. Algoma and the City have entered into a confidential high level term sheet re property taxes dated August 4, 2017 (the "Property Tax Term Sheet") that is subject to the negotiation and execution of a definitive legally binding agreement between Algoma and the City (the "Property Tax Agreement"); and

F. The Parties wish to have this Assessment Agreement reduced to writing for certainty amongst all parties;

NOW THEREFORE the Parties hereto agree as follows:

**A. Agreement Respecting 2012 Current Value Assessment (the "2012 CVA")
Returned for the 2014 to 2016 Taxation Years**

1. The Parties hereto, by their respective solicitors or on their own behalf, and, for certainty, subject to the provisions of sections 21 to 23 of this Assessment Agreement, agree to settle the appeals made to the Assessment Review Board (the "Board") under s. 40 of the Assessment Act in respect of the Subject Property for the 2014 to 2016 taxation years without costs, subject to the approval of the Board, as set out in Minutes of Settlement attached as Schedule A (the "MOS"). The MOS shall be executed by Essar, MPAC and the City and filed with the Board within 30 days after the Effective Time, as that term is defined in section 21.
2. Any other proceedings or applications initiated pursuant to the provisions of the Assessment Act in respect of the Subject Property for the 2014 through 2016 taxation years which are not currently reflected on the Board's E-Status

appeal system ("E-status") shall be deemed to be expressly withdrawn at the Effective Time.

B. Agreement Respecting the 2016 Base Year Current Value Assessment Returned for the 2017 and 2018 Taxation Years

3. The Parties acknowledge that the current value assessment for the 2016 base year, returned for the Subject Property for the 2017 and 2018 taxation years, is \$39,773,000 (the "**2016 CVA**"), classified as follows:

CT	1,057,400
LT	37,300,700
LU	1,414,900

and that Essar has filed an appeal under s. 40 of the Assessment Act in respect of such assessment, currently reflected on E-status as appeal number 3255169 and a deemed appeal for the 2018 taxation year, currently reflected on E-status as appeal number 3314805. MPAC has delivered a Property Profile Report to the other parties by way of a PDF consisting of 943 pages which provides particulars of the manner in which the 2016 CVA has been determined (the "2016 PPR").

4. The Parties hereto, by their respective solicitors or on their own behalf, and, for certainty, subject to the provisions of sections 21 to 23 of this Assessment Agreement, agree that Essar will withdraw any request for reconsideration filed under s. 39.1 of the Assessment Act in respect of the Subject Property for the 2017 or 2018 taxation years within 30 days after the Effective Time.
5. Any other proceedings or applications initiated pursuant to the provisions of the Assessment Act in respect of the Subject Property for the 2017 and 2018 taxation years which are not currently reflected on the ARB E-Status appeal system shall be deemed to be expressly withdrawn at the Effective Time.

C. Agreement Respecting 2016 CVA to be Returned for the 2019 and 2020 Taxation Years

6. Subject to Part D, and provided there are no legislative or regulatory changes which prevent such action, and unless:
- i) MPAC issues a notice of assessment pursuant to the provisions of section 33 or section 34 of the Assessment Act (a "Supp/Omit") in

respect of the Subject Property with an effective date after January 1, 2017; or

- ii) there has been a change in the assessment of the Subject Property in accordance with the provisions of this Assessment Agreement;

the 2016 CVA shall be returned for the Subject Property for each of the 2019 and 2020 taxation years

7. Subject to Part D, and provided that the 2016 CVA is returned for the Subject Property in accordance with the provisions of this Assessment Agreement for the 2019 and 2020 taxation years, then unless

- i) a Supp/Omit has been issued in respect of the Subject Property with an effective date after January 1, 2017; or
- ii) there has been a change in the assessment of the Subject Property other than in accordance with the provisions of this Assessment Agreement;

neither Essar or Algoma as the case may be, nor the City, nor any agents or counsel acting on their behalf, shall cause any requests for reconsideration or appeals to be filed in respect of the Subject Property pursuant to the provisions of the Assessment Act in connection with the 2019 and 2020 taxation years.

8. Subject to Part D, if either Essar or Algoma as the case may be, or the City file or cause to be filed any requests for reconsideration or appeals in relation to the current value assessment of the Subject Property for the 2019 and 2020 taxation years made in accordance this Assessment Agreement, then unless:

- i). a Supp/Omit has been issued in respect of the Subject Property after the date of this Assessment Agreement; or
- ii). there has been a change in the assessment in respect of the Subject Property other than in accordance with the provisions of this Assessment Agreement;

this Assessment Agreement may be referenced as a complete defence to said requests for reconsideration or appeals, and the party filing the requests for reconsideration or appeals contrary to the express terms of this Assessment Agreement shall forthwith withdraw said requests or appeals and pay the respondents to those proceedings all costs incurred in the defence of same as may be determined by the Board, or in the event the Board declines jurisdiction, then

as may be determined by a single arbitrator appointed in accordance with the provisions of the Arbitration Act, 1991.

9. Subject to Part D, in the event that MPAC returns a current value assessment for the Subject Property other than the 2016 CVA for the 2019 or 2020 taxation years, then unless:
- i). a Supp/Omit has been issued in respect of the Subject Property after the date of this Assessment Agreement; or
 - ii). there has been a change in the assessment in respect of the Subject Property in accordance with the provisions of this Assessment Agreement;

this Assessment Agreement may be referenced as a complete defence to said assessment and the assessment of the Subject Property shall be the 2016 CVA, and MPAC shall pay the other parties to those proceedings all costs incurred in the enforcing the provisions of this Assessment Agreement with respect to such assessment as may be determined by the Board, or in the event the Board declines jurisdiction, then as may be determined by a single arbitrator appointed in accordance with the provisions of the Arbitration Act, 1991.

D. Assessment Changes after January 1, 2017 and Rights of Reconsideration and Appeal

10. This Assessment Agreement shall not limit MPAC's ability to issue Supp/Omits related to the Subject Property with effective dates from January 1, 2017 to December 31, 2020 which result from the erection, alteration, enlargement or improvement of any building, structure, machinery, equipment or fixture or any portion thereof that commences to be used for any purpose on or after January 1, 2017 as may be required by the provisions of the Assessment Act or Regulation 282/98 under the Assessment Act ("R. 282/98").
11. If any Supp/Omits are issued by MPAC with effective dates on or after January 1, 2017, both Essar or Algoma, as the case may be, and the City shall have the right to file appeals and/or requests for reconsideration ("Appeals") with respect to the Supp/Omits or with respect to any other change or amendment to the 2016 CVA returned for the 2017 to 2020 taxation years not contemplated by this Assessment Agreement, in accordance with the Assessment Act, and this Assessment Agreement shall not preclude any such Appeals.

12. The current value of improvements at the Subject Property assessed under any Supp/Omit, as may be determined after any appeals by Essar or Algoma, as the case may be, or by the City shall be added to the 2016 CVA for all applicable taxation years after the effective date of each Supp/Omit, and such additions shall be deemed to be changes made pursuant to the provisions of this Assessment Agreement.
13. The parties agree that MPAC shall not issue Supp/Omits in respect of any improvement described on the 2016 PPR which is valued based an allowance of 100% for functional obsolescence or in respect of any improvement located at the Subject Property as of January 1, 2017 which is valued at nil and not described in the 2016 PPR in the event that such improvement commences to be used for any purpose after January 1, 2017.
14. MPAC shall change the assessment of the subject property for the 2019 or 2020 taxation year, as the case may be, in the event that:
 - i) any improvement described on the 2016 PPR which is valued based an allowance of 100% for functional obsolescence commences to be used for any purpose after January 1, 2017,
 - ii) any improvement located at the Subject Property as of January 1, 2017 which is valued at nil and not described in the 2016 PPR commences to be used for any purpose after January 1, 2017, or
 - iii) the use of any improvement described on the 2016 PPR for any purpose ceases after January 1, 2017

(each of which is referred to as a "Year End Change"). A Year End Change shall be effective for the taxation year(s) commencing after the taxation year in which the Year End Change occurs. A Year End Change shall be deemed to be a change made in accordance with the provisions of this Assessment Agreement. For the exclusive and limited purpose of challenging the amount of the change to the assessment as a result of a Year End Change, or challenging MPAC's failure to make a Year End Change when required to do so pursuant to the provisions of this Agreement, Essar or Algoma, as the case may be, or the City will have the right to file an assessment appeal. The parties agree that the whole question of the assessment shall not be reopened on the appeal and that the issues on the appeals of any change in the assessment as a result of a Year End Change, or of any change in the assessment which should have been made as a result of a Year

End Change, shall be restricted to determination of the correct amount of the change to the assessment as a result of the Year End Change.

15. Notwithstanding the provisions of this Assessment Agreement, in the event that any buildings, structures or other assessable and taxable land on the Subject Property was razed by fire, demolition or otherwise after January 1, 2017 or was damaged by fire, demolition or otherwise after January 1, 2017 so as to render it substantially unusable for the purposes for which it was used immediately prior to the damage, or in the event that there is a change in the use of a particular building or structure after January 1, 2017 so that the building or structure should be included in a different tax class for purposes of R. 282/98 or Regulation 400/98 under the Education Act R.S.O. 1990 c. E-2 ("R. 400/98"), Essar or Algoma, as the case may be, will provide written documentation evidencing such demolition or change in use to MPAC and MPAC will agree to review said information and revise the assessment for the next taxation year to reflect such demolition activity or class change if it considers it to be appropriate to do so. If the decision made by MPAC with respect to the assessment for the Subject Property for that next taxation year, including, for certainty, a decision by MPAC declining to revise the amount of the current value assessment for the next taxation year or declining to make a tax class change), is not satisfactory to Essar or Algoma, as the case may be, or to the City, it is agreed that for the exclusive and limited purpose of challenging the change to the current value assessment so returned to reflect the demolition activity or to challenge MPAC's failure to make a change to the amount of the current value assessment to reflect the demolition activity or to challenge MPAC's decision changing the tax class or declining to change the tax class, Essar or Algoma, as the case may be, or the City will have the right to file an assessment appeal to determine the correct amount of the valuation change to the current value assessment as a result of the demolition activity, should such have occurred, and to determine the correct tax class as a result of the change of use, should a change of use have occurred.
16. Essar or Algoma, as the case may be, shall advise MPAC annually by the last business day in August in each calendar year during the period 2018 to 2020 regarding the particulars of the construction or installation of any improvements which has occurred during the period since the most recent reporting under this section, or in the case of the first report, since January 1, 2017. Such notice shall be delivered to the MPAC Valuation Manager for Industrial Resource Properties in care of Municipal Property Assessment Corporation, 1340 Pickering Parkway, Suite 101, Pickering, Ontario, L1V 0C4 by registered mail or email (provided

acknowledgement from MPAC is received). MPAC shall be entitled to inspect the Subject Property each year following receipt of such notice.

E. Municipal Act Applications for 2017 through 2020 Taxation Years

17. This Assessment Agreement shall not preclude Essar or Algoma, as the case may be, from making applications to the City pursuant to the *Municipal Act, 2001* for 2017 and subsequent taxation years. The parties agree that:
- i). in any applications under s. 364 of the *Municipal Act, 2001* ("Vacancy Applications") in respect of taxation years 2017 to 2020, the value of any eligible property in such applications shall be determined in accordance with the costing, methodology and allowances for obsolescence set out in the 2016 PPR; and
 - ii). in any applications under s. 357(1)(d) of the *Municipal Act, 2001* ("Demolition Applications") in respect of taxation years 2017 to 2020, applications shall be made only in respect of an improvement razed by fire, demolition or otherwise after January 1 2017 or damaged by fire, demolition or otherwise after January 1, 2017 so as to render it substantially unusable for the purposes for which it was used immediately prior to the damage. The value of the improvement which is the subject of such an application shall be determined in accordance with the costing, methodology and allowances for obsolescence set out in the 2016 PPR.

In the event that Essar or Algoma, as the case may be, makes a Vacancy Application or a Demolition Application other than as permitted by this Assessment Agreement or makes a Vacancy Application or a Demolition Application as permitted by this Assessment Agreement and asserts a valuation which is not in accordance with the provisions of this Assessment Agreement, this Assessment Agreement may be referenced as a complete defence to such assertion.

F. Legal Advice and Good Faith

18. Each Party has received independent legal advice in respect of the terms of this Assessment Agreement, or expressly waived the right to same, and by execution of this document confirms its understanding of and agreement to the terms of this Assessment Agreement.

19. The Parties agree to act in good faith with respect to the provisions of this Assessment Agreement as it applies to the assessment of the Subject Property for the 2017 to 2020 taxation years. The Parties acknowledge that it is not possible to foresee all eventualities which may occur as such may relate to the determination of the current value or classification of the Subject Property for the taxation years referenced in this Assessment Agreement, and confirm their intention to resolve any issues which may arise by analogy to and application of the principles set out herein.

Transmission and Execution

20. The parties agree that this Assessment Agreement may be signed in counterpart and transmission by email is accepted by all if an acknowledgement of receipt is received.

Conditional on Sale


21. This Assessment Agreement and the MOS will be held in escrow and will not come into force until all of the following events have occurred (the "Effective Time"):
- i) all of the Vendors' right, title and interest in and to the Purchased Assets have vested absolutely in Algoma upon the delivery of the Monitor's Certificate, in accordance with the Approval and Vesting Order;
 - ii) Algoma and the City execute the Property Tax Agreement; and
 - iii) Algoma and the City notify Essar and MPAC that the Property Tax Agreement has been executed.
22. This Assessment Agreement and the MOS shall be deemed to immediately take effect at the Effective Time without the necessity of further action by the Parties.
23. In the event that the Acquisition Transaction cannot be completed and the APA terminates in accordance with its terms, this Assessment Agreement and the MOS shall be null and void and shall not come into effect.

{remainder of page intentionally left blank; signatures to follow}

Dated this ____ day of _____, 2018.

ESSAR STEEL ALGOMA INC.

Per:


Name: RATAT MARWAN

Title: CFO

I have authority to bind the Corporation

Dated this ____ day of _____, 2018.

CORPORATION OF THE CITY OF SAULT

STE. MARIE

Per:

Name:


Title:

I have authority to bind the Corporation

Dated this 22 day of July, 2018.

**MUNICIPAL PROPERTY ASSESSMENT
CORPORATION**

Per:


Name: Greg Martino


Title: VP & Ch. of Valuation & Standards Officer

I have authority to bind the Corporation

Dated this 8th day of August, 2018.

ALGOMA STEEL INC.

Per:


Name: Christopher Capezuti

Title: Authorized Signatory

I have authority to bind the Corporation

SCHEDULE "A"

Appeal Minutes of Settlement
Appeal No.: 3035514, 3093646, 3160549
Hearing No.:



MUNICIPAL PROPERTY
ASSESSMENT CORPORATION
SOCIÉTÉ D'ÉVALUATION
FONDIÈRE DES MUNICIPALITÉS

MINUTES OF SETTLEMENT FOR ASSESSMENTS MADE UNDER
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IN THE MATTER OF Appeals Made Pursuant to Section 40 of the
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Between:
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Assessed Person(s)
Appellant

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION FIELD OFFICE NO.

31
Respondents

and

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Municipality

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	2014	2015	2016
Commercial (CT)	\$1,978,920	\$1,978,920	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,288,950	\$2,288,950	\$2,288,950
Large Industrial (LT)	\$55,752,130	\$55,752,130	\$55,752,130
Total	\$60,000,000	\$60,000,000	\$60,000,000

- 1 The parties agree that orders of the Assessment Review Board will be made in accordance with this settlement. The assessed person hereby acknowledges that the appeals for the taxation year described above are settled and no hearing is required.
- 2 The parties certify that the Minutes of Settlement herein refer only to matters that are properly before the Assessment Review Board and that same contains all information which the parties wish the Board to incorporate into its order.

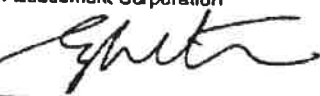
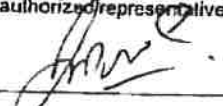
To complete your Appeal Minutes of Settlement, please sign and send a copy of both sides of this form to MPAC in one of the following ways:



Email: casemanagement@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

On behalf of the Municipal Property Assessment Corporation 	Print name GARY MARWAD	Date (yyyy/mm/dd) 2018/07/27
Assessed person's signature or authorized representative 	Print name RAJAT MARWAH	Date (yyyy/mm/dd) August 13, 2018
On behalf of Municipality	Print name and title	Date (yyyy/mm/dd)

Appeal Number: 3036514, 3093648, 3180549

Roll Number: 5761 060 001 00100

00384016-1 - 42086183

Contact Us



Call: 1 866 298-MPAC (6722)
TTY 1 877 889-MPAC (6722)
Monday to Friday 8 a.m. to 5 p.m.



Email: enquiry@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

If you have any accessibility needs, please let our representatives know how we can assist you.

Appeal Minutes of Settlement
Appeal No.: 3035514, 3093646, 3160549
Hearing No.:



MINUTES OF SETTLEMENT FOR ASSESSMENTS MADE UNDER
SECTION 36 OF THE ASSESSMENT ACT
IN THE MATTER OF Appeals Made Pursuant to Section 40 of the
Assessment Act, R.S.O. 1990, c. A31, as amended, with respect to:
Roll Number: 5761 060 001 00100
Location/Legal Description: WALLACE TERR
Taxation Years: 2014, 2015, 2016

Between:
ESSAR STEEL ALGOMA INC
Assessed Person(s)
Appellant

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION FIELD OFFICE NO.
31
Respondents

and

City of Sault Ste Marie
Municipality

The following reflects the settlement reached between the parties:

Appealed Property Assessment

Property Classification	Current Value Assessed	
	2008	2012
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,952,660
Large Industrial (LT)	\$99,145,700	\$77,839,560
Commercial (CT)	\$2,840,300	\$2,206,780
Total	\$104,746,000	\$82,999,000

Property Classification	Phase-in Assessment for Taxation Years		
	2014	2015	2016
Large Industrial: Excess Land (LU)	\$2,856,330	\$2,904,495	\$2,952,660
Large Industrial (LT)	\$77,839,560	\$77,839,560	\$77,839,560
Commercial (CT)	\$2,206,780	\$2,206,780	\$2,206,780
Total	\$82,902,670	\$82,950,835	\$82,999,000

Revised Property Assessment

Property Classification	Current Value Assessed	
	2008	2012
Commercial (CT)	\$2,840,300	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,268,950
Large Industrial (LT)	\$99,145,700	\$55,752,130
Total	\$104,746,000	\$60,000,000

Property Classification	Phase-in Assessment for Taxation Years		
	2014	2015	2016
Commercial (CT)	\$1,978,920	\$1,978,920	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,268,950	\$2,268,950	\$2,268,950
Large Industrial (LT)	\$55,752,130	\$55,752,130	\$55,752,130
Total	\$60,000,000	\$60,000,000	\$60,000,000

1. The parties agree that orders of the Assessment Review Board will be made in accordance with this settlement. The assessed person hereby acknowledges that the appeals for the taxation year described above are settled and no hearing is required.
2. The parties certify that the Minutes of Settlement herein refer only to matters that are properly before the Assessment Review Board and that same contains all information which the parties wish the Board to incorporate into its order.


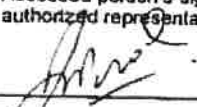
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Email: casemanagement@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

On behalf of the Municipal Property Assessment Corporation 	Print name GARY MARANO	Date (yyyy/mm/dd) 2018/07/27
Assessed person's signature or authorized representative 	Print name RAJAT MARWAH	Date (yyyy/mm/dd) August 13, 2018
On behalf of Municipality	Print name and title	Date (yyyy/mm/dd)

Appeal Number: 3035514, 3093646, 3160549

Roll Number: 5761 060 001 00100

00384019-2 - 42086183

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Toronto, ON M1S 5T9

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SCHEDULE "D"

	Education	Municipal	Total	2018 Interest	Payments	August 31, 2018 Amount Due
Pre-filing						
Approved per Agreement	1,268,520.44	7,674,730.66	8,943,251.10	894,325.11	894,325.11	8,943,251.10
Post-filing						
2016	796,448.99	4,234,275.11	5,030,724.10	55,558.47	5,086,282.57	-
2017	505,145.31	5,036,147.30	5,541,292.61	544,436.44	1,330,665.72	4,755,063.33
Approved per Agreement	1,301,594.30	9,270,422.41	10,572,016.71	599,994.91	6,416,948.29	4,755,063.33
2018			6,148,177.07	238,726.60	238,726.60	6,148,177.07
Total	2,570,114.74	16,945,153.07	25,663,444.88	1,733,046.62	7,550,000.00	19,846,491.49
						Total due August 31

Notes:

- 1) The agreement in principle was based upon an Implementation Date of December 31, 2017. City did not agree to waive interest beyond this date. Interest is due for 2018.
- 2) As per the agreement in principle, payments were applied to post-filing taxes after 2018 interest was paid
- 3) Assumes that a payment is made on August 1, 2018

Page 2 of agreement

- Item #2 - no change - still \$9 million for settlement
- Item #3 - post petition adjusted property taxes payable as of August 31, 2018 is \$10,903,240.40 which includes \$1,455,447.90 installment due on September 5, 2018.

Ever Algorithmic
Schedule of Payments and Interest

2017	
01-May-17	\$50,000.00
01-Jun-17	\$50,000.00
05-Jul-17	\$50,000.00
12-Aug-17	\$50,000.00
05-Sep-17	\$50,000.00
23-Oct-17	\$60,000.00 (\$50.0k Oct, \$10.0k Aug/Sept)
02-Nov-17	\$50,000.00
01-Dec-17	\$50,000.00
	<u>\$3,550,000.00</u>

Taxes Due per agreement 2017
2016
\$,033,724.13 \$,541,232.61

Balance Due (December 31, 2017)

	2016	2017	2018	Arrears	Start	Pro Interest	Total	Balance	to Taxes		
2018	Interest	Interest	Interest	Fee			Interest				
01-Jan-18	\$50,000.00	18,509.45	59,266.16	-	-	111,790.64	199,565.85	300,134.25	1,180,383.95	5,341,292.61	
01-Feb-18	\$50,000.00	14,793.61	64,166.16	-	-	111,790.64	195,810.42	304,189.08	876,100.37	5,541,292.61	
01-Mar-18	\$50,000.00	10,991.22	69,166.16	30,233.01	5.00	111,790.64	212,246.06	287,753.64	588,246.41	5,541,292.61	
01-Apr-18	\$50,000.00	7,354.13	69,166.16	20,233.07	-	111,790.64	208,544.30	291,355.80	296,950.53	5,541,292.61	
01-May-18	\$50,000.00	3,712.38	69,166.16	40,466.08	-	111,790.64	275,235.25	374,761.71	22,235.85	5,541,292.61	
01-Jun-18	\$50,000.00	277.82	69,166.16	40,466.08	-	111,790.64	221,890.70	773,299.50	5,285,319.19		
01-Jul-18	\$50,000.00	-	66,066.49	38,355.18	5.00	111,790.64	184,621.11	764,478.69	5,101,841.50		Balance Due July 31, 2018
01-Aug-18	\$50,000.00	-	62,773.01	38,355.18	-	111,790.64	183,279.32	765,777.18	4,755,054.34		Balance Due August 31, 2018
	<u>4,000,000.00</u>	<u>55,558.37</u>	<u>\$46,436.44</u>	<u>238,715.50</u>	<u>10.00</u>	<u>894,325.11</u>	<u>1,733,046.62</u>	<u>2,156,959.34</u>			

Total to date 7,550,000.00

32772040.7

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

BY-LAW 2018-181

AGREEMENT: (C3.14(3)) A by-law to authorize the execution of the Assessment Review Board Minutes of Settlement for Assessments Made Under Section 36 of the *Assessment Act* between the City, Municipal Property Assessment Corporation and Essar Steel Algoma Inc. regarding Wallace Terrace (Roll No. 5761 060 001 00100).

THE COUNCIL of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

1. **EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Assessment Review Board Minutes of Settlement for Assessments Made Under Section 36 of the *Assessment Act* between the City, Municipal Property Assessment Corporation and Essar Steel Algoma Inc. regarding Wallace Terrace (Roll No. 5761 060 001 00100) for the 2014, 2015 and 2016 taxation years, a copy of which is attached as Schedule "A" hereto.

2. **SCHEDULE "A"**

Schedule "A" forms part of this by-law.

3. **EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

PASSED in open Council this 20th day of August, 2018.

MAYOR - CHRISTIAN PROVENZANO

DEPUTY CITY CLERK – RACHEL TYCZINSKI

Schedule "A"

Appeal Minutes of Settlement
Appeal No.: 3035514, 3093646, 3160549
Hearing No.:



MUNICIPAL PROPERTY
ASSESSMENT CORPORATION
SOCIÉTÉ D'ÉVALUATION
FONCIÈRE DES MUNICIPALITÉS

MINUTES OF SETTLEMENT FOR ASSESSMENTS MADE UNDER
SECTION 36 OF THE ASSESSMENT ACT
IN THE MATTER OF Appeals Made Pursuant to Section 40 of the
Assessment Act, R.S.O. 1980, c. A31, as amended, with respect to:
Roll Number: 5761 060 001 00100
Location/Legal Description: WALLACE TERR
Taxation Years: 2014, 2015, 2016

Between:

ESSAR STEEL ALGOMA INC

Assessed Person(s)

Appellant

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION FIELD OFFICE NO.

31

Respondents

and

City of Sault Ste Marie
Municipality

The following reflects the settlement reached between the parties:

Appealed Property Assessment

Property Classification

Current Value Assessed

	2008	2012
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,952,660
Large Industrial (LT)	\$99,145,700	\$77,839,560
Commercial (CT)	\$2,840,300	\$2,206,780
Total	\$104,746,000	\$82,999,000

Property Classification

Phase-in Assessment for Taxation Years

	2014	2015	2016
Large Industrial: Excess Land (LU)	\$2,856,330	\$2,904,495	\$2,952,660
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Commercial (CT)	\$2,206,780	\$2,206,780	\$2,206,780
Total	\$82,902,670	\$82,950,835	\$82,999,000

Revised Property Assessment

Property Classification

Current Value Assessed

	2008	2012
Commercial (CT)	\$2,840,300	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,268,950
Large Industrial (LT)	\$99,145,700	\$55,752,130
Total	\$104,746,000	\$60,000,000

Property Classification	Phase-in Assessment for Taxation Years		
	2014	2015	2016
Commercial (CT)	\$1,978,920	\$1,978,920	\$1,978,920
Large Industrial: Excess	\$2,268,950	\$2,268,950	\$2,268,950
Land (LU)			
Large Industrial (LT)	\$55,752,130	\$55,752,130	\$55,752,130
Total	\$60,000,000	\$60,000,000	\$60,000,000

- 1 The parties agree that orders of the Assessment Review Board will be made in accordance with this settlement. The assessed person hereby acknowledges that the appeals for the taxation year described above are settled and no hearing is required.
- 2 The parties certify that the Minutes of Settlement herein refer only to matters that are properly before the Assessment Review Board and that same contains all information which the parties wish the Board to incorporate into its order.


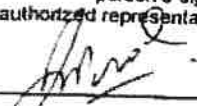
To complete your Appeal Minutes of Settlement, please sign and send a copy of both sides of this form to MPAC in one of the following ways:



Email: casemanagement@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

On behalf of the Municipal Property Assessment Corporation 	Print name GARY MARANO	Date (yyyy/mm/dd) 2018/07/27
Assessed person's signature or authorized representative 	Print name RAJAT MARWAH	Date (yyyy/mm/dd) August 13, 2018
On behalf of Municipality	Print name and title Christian Provenzano Rachel Tyczinski	Date (yyyy/mm/dd) 2018/08/20

Appeal Number: 3035514, 3093646, 3160549

Roll Number: 5761 060 001 00100

00384019-2 - 42086183

Contact Us



Call: 1 866 296 MPAC (6722)
TTY: 1 877 669 MPAC (6722)
Monday to Friday 8 a.m. to 5 p.m.



Email: enquiry@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

If you have any accessibility needs, please let our representatives know how we can assist you.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

BY-LAW 2018-182

AGREEMENT: (C3.14(3)) A by-law to authorize the execution of the Assessment Agreement between the City, Municipal Property Assessment Corporation, Essar Steel Algoma Inc. and Algoma Steel Inc. (formerly 1076318 B.C. LTD.) regarding Wallace Terrace (Roll No. 5761 060 001 00100) for the 2014 to 2020 taxation years.

THE COUNCIL of The Corporation of the City of Sault Ste. Marie, pursuant to section 9 of the *Municipal Act, 2001*, S.O. 2001, c. 25, **ENACTS** as follows:

1. **EXECUTION OF DOCUMENT**

The Mayor and City Clerk are hereby authorized for and in the name of the Corporation to execute and affix the seal of the Corporation to the Assessment Agreement between the City, Municipal Property Assessment Corporation, Essar Steel Algoma Inc. and Algoma Steel Inc. (formerly 1076318 B.C.LTD.) regarding Wallace Terrace (Roll No. 5761 060 001 00100) for the 2014 to 2020 taxation years, a copy of which is attached as Schedule "A" hereto.

2. **SCHEDULE "A"**

Schedule "A" forms part of this by-law.

3. **EFFECTIVE DATE**

This by-law takes effect on the day of its final passing.

PASSED in open Council this 20th day of August, 2018.4048

MAYOR - CHRISTIAN PROVENZANO

DEPUTY CITY CLERK – RACHEL TYCZINSKI

Schedule "A"

ASSESSMENT AGREEMENT MADE AS OF July 27, 2018 (the "Assessment Agreement")

BETWEEN:

ESSAR STEEL ALGOMA INC.

(hereinafter referred to as "Essar")

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

(hereinafter referred to as "MPAC")

and

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

(hereinafter referred to as "the City")

and

ALGOMA STEEL INC.

(formerly 1076318 B.C. LTD.)

(hereinafter referred to as "Algoma")

(collectively referred to as the "Parties")

WHEREAS:

- A. The Parties have reached an agreement (the "Assessment Agreement"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, regarding the assessments to be returned for property known municipally as Wallace Terrance Awenge and identified by assessment roll number 5761 060 001 00100 (the "Subject Property") for the 2014 to 2020 taxation years;
- B. Essar is the registered owner of the Subject Property;
- C. Essar, together with certain of its affiliates including Essar Steel Algoma Inc. USA ("Algoma USA", and together with Essar, the "Vendors"), are applicants in proceedings before the Ontario Superior Court of Justice (Commercial List) (the "CCAA Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in Court

File No. CV-000011169-00CL (the "CCAA Proceedings"), in which Ernst & Young Inc. has been appointed by the CCAA Court as Monitor of the Vendors;

D. Algoma is seeking through the CCAA Proceedings to acquire title to the Subject Property and certain other assets of the Vendors (collectively, the "Purchased Assets") pursuant to an Asset Purchase Agreement (the "APA") between the Vendors and Algoma (the "Acquisition Transaction"). The APA and the Acquisition Transaction contemplated thereby will be subject to the approval of the CCAA Court (the "Approval and Vesting Order"), and if approved, shall be implemented upon the delivery of a certificate by the Monitor to Algoma and the Vendors certifying that the conditions of the Acquisition Transaction set out in the APA have been satisfied or waived (the "Monitor's Certificate"), in accordance with the Approval and Vesting Order;

E. Algoma and the City have entered into a confidential high level term sheet re property taxes dated August 4, 2017 (the "Property Tax Term Sheet") that is subject to the negotiation and execution of a definitive legally binding agreement between Algoma and the City (the "Property Tax Agreement"); and

F. The Parties wish to have this Assessment Agreement reduced to writing for certainty amongst all parties;

NOW THEREFORE the Parties hereto agree as follows:

**A. Agreement Respecting 2012 Current Value Assessment (the "2012 CVA")
Returned for the 2014 to 2016 Taxation Years**

1. The Parties hereto, by their respective solicitors or on their own behalf, and, for certainty, subject to the provisions of sections 21 to 23 of this Assessment Agreement, agree to settle the appeals made to the Assessment Review Board (the "Board") under s. 40 of the Assessment Act in respect of the Subject Property for the 2014 to 2016 taxation years without costs, subject to the approval of the Board, as set out in Minutes of Settlement attached as Schedule A (the "MOS"). The MOS shall be executed by Essar, MPAC and the City and filed with the Board within 30 days after the Effective Time, as that term is defined in section 21.
2. Any other proceedings or applications initiated pursuant to the provisions of the Assessment Act in respect of the Subject Property for the 2014 through 2016 taxation years which are not currently reflected on the Board's E-Status

appeal system ("E-status") shall be deemed to be expressly withdrawn at the Effective Time.

B. Agreement Respecting the 2016 Base Year Current Value Assessment Returned for the 2017 and 2018 Taxation Years

3. The Parties acknowledge that the current value assessment for the 2016 base year, returned for the Subject Property for the 2017 and 2018 taxation years, is \$39,773,000 (the "2016 CVA"), classified as follows:

CT	1,057,400
LT	37,300,700
LU	1,414,900

and that Essar has filed an appeal under s. 40 of the Assessment Act in respect of such assessment, currently reflected on E-status as appeal number 3255169 and a deemed appeal for the 2018 taxation year, currently reflected on E-status as appeal number 3314805. MPAC has delivered a Property Profile Report to the other parties by way of a PDF consisting of 943 pages which provides particulars of the manner in which the 2016 CVA has been determined (the "2016 PPR").

4. The Parties hereto, by their respective solicitors or on their own behalf, and, for certainty, subject to the provisions of sections 21 to 23 of this Assessment Agreement, agree that Essar will withdraw any request for reconsideration filed under s. 39.1 of the Assessment Act in respect of the Subject Property for the 2017 or 2018 taxation years within 30 days after the Effective Time.
5. Any other proceedings or applications initiated pursuant to the provisions of the Assessment Act in respect of the Subject Property for the 2017 and 2018 taxation years which are not currently reflected on the ARB E-Status appeal system shall be deemed to be expressly withdrawn at the Effective Time.

C. Agreement Respecting 2016 CVA to be Returned for the 2019 and 2020 Taxation Years

6. Subject to Part D, and provided there are no legislative or regulatory changes which prevent such action, and unless:
- i) MPAC issues a notice of assessment pursuant to the provisions of section 33 or section 34 of the Assessment Act (a "Supp/Omit") in

respect of the Subject Property with an effective date after January 1, 2017; or

- ii) there has been a change in the assessment of the Subject Property in accordance with the provisions of this Assessment Agreement;

the 2016 CVA shall be returned for the Subject Property for each of the 2019 and 2020 taxation years.

- 7. Subject to Part D, and provided that the 2016 CVA is returned for the Subject Property in accordance with the provisions of this Assessment Agreement for the 2019 and 2020 taxation years, then unless:

- i) a Supp/Omit has been issued in respect of the Subject Property with an effective date after January 1, 2017; or
- ii) there has been a change in the assessment of the Subject Property other than in accordance with the provisions of this Assessment Agreement;

neither Essar or Algoma as the case may be, nor the City, nor any agents or counsel acting on their behalf, shall cause any requests for reconsideration or appeals to be filed in respect of the Subject Property pursuant to the provisions of the Assessment Act in connection with the 2019 and 2020 taxation years.

- 8. Subject to Part D, if either Essar or Algoma as the case may be, or the City file or cause to be filed any requests for reconsideration or appeals in relation to the current value assessment of the Subject Property for the 2019 and 2020 taxation years made in accordance this Assessment Agreement, then unless:

- i). a Supp/Omit has been issued in respect of the Subject Property after the date of this Assessment Agreement; or
- ii). there has been a change in the assessment in respect of the Subject Property other than in accordance with the provisions of this Assessment Agreement;

this Assessment Agreement may be referenced as a complete defence to said requests for reconsideration or appeals, and the party filing the requests for reconsideration or appeals contrary to the express terms of this Assessment Agreement shall forthwith withdraw said requests or appeals and pay the respondents to those proceedings all costs incurred in the defence of same as may be determined by the Board, or in the event the Board declines jurisdiction, then

as may be determined by a single arbitrator appointed in accordance with the provisions of the Arbitration Act, 1991.

9. Subject to Part D, in the event that MPAC returns a current value assessment for the Subject Property other than the 2016 CVA for the 2019 or 2020 taxation years, then unless:
- i). a Supp/Omit has been issued in respect of the Subject Property after the date of this Assessment Agreement; or
 - ii). there has been a change in the assessment in respect of the Subject Property in accordance with the provisions of this Assessment Agreement;

this Assessment Agreement may be referenced as a complete defence to said assessment and the assessment of the Subject Property shall be the 2016 CVA, and MPAC shall pay the other parties to those proceedings all costs incurred in the enforcing the provisions of this Assessment Agreement with respect to such assessment as may be determined by the Board, or in the event the Board declines jurisdiction, then as may be determined by a single arbitrator appointed in accordance with the provisions of the Arbitration Act, 1991.

D. Assessment Changes after January 1, 2017 and Rights of Reconsideration and Appeal

10. This Assessment Agreement shall not limit MPAC's ability to issue Supp/Omits related to the Subject Property with effective dates from January 1, 2017 to December 31, 2020 which result from the erection, alteration, enlargement or improvement of any building, structure, machinery, equipment or fixture or any portion thereof that commences to be used for any purpose on or after January 1, 2017 as may be required by the provisions of the Assessment Act or Regulation 282/98 under the Assessment Act ("R. 282/98").
11. If any Supp/Omits are issued by MPAC with effective dates on or after January 1, 2017, both Essar or Algoma, as the case may be, and the City shall have the right to file appeals and/or requests for reconsideration ("Appeals") with respect to the Supp/Omits or with respect to any other change or amendment to the 2016 CVA returned for the 2017 to 2020 taxation years not contemplated by this Assessment Agreement, in accordance with the Assessment Act, and this Assessment Agreement shall not preclude any such Appeals.

12. The current value of improvements at the Subject Property assessed under any Supp/Omit, as may be determined after any appeals by Essar or Algoma, as the case may be, or by the City shall be added to the 2016 CVA for all applicable taxation years after the effective date of each Supp/Omit, and such additions shall be deemed to be changes made pursuant to the provisions of this Assessment Agreement.
13. The parties agree that MPAC shall not issue Supp/Omits in respect of any improvement described on the 2016 PPR which is valued based an allowance of 100% for functional obsolescence or in respect of any improvement located at the Subject Property as of January 1, 2017 which is valued at nil and not described in the 2016 PPR in the event that such improvement commences to be used for any purpose after January 1, 2017.
14. MPAC shall change the assessment of the subject property for the 2019 or 2020 taxation year, as the case may be, in the event that:
 - i) any improvement described on the 2016 PPR which is valued based an allowance of 100% for functional obsolescence commences to be used for any purpose after January 1, 2017,
 - ii) any improvement located at the Subject Property as of January 1, 2017 which is valued at nil and not described in the 2016 PPR commences to be used for any purpose after January 1, 2017, or
 - iii) the use of any improvement described on the 2016 PPR for any purpose ceases after January 1, 2017

(each of which is referred to as a "Year End Change"). A Year End Change shall be effective for the taxation year(s) commencing after the taxation year in which the Year End Change occurs. A Year End Change shall be deemed to be a change made in accordance with the provisions of this Assessment Agreement. For the exclusive and limited purpose of challenging the amount of the change to the assessment as a result of a Year End Change, or challenging MPAC's failure to make a Year End Change when required to do so pursuant to the provisions of this Agreement, Essar or Algoma, as the case may be, or the City will have the right to file an assessment appeal. The parties agree that the whole question of the assessment shall not be reopened on the appeal and that the issues on the appeals of any change in the assessment as a result of a Year End Change, or of any change in the assessment which should have been made as a result of a Year

End Change, shall be restricted to determination of the correct amount of the change to the assessment as a result of the Year End Change

15. Notwithstanding the provisions of this Assessment Agreement, in the event that any buildings, structures or other assessable and taxable land on the Subject Property was razed by fire, demolition or otherwise after January 1, 2017 or was damaged by fire, demolition or otherwise after January 1, 2017 so as to render it substantially unusable for the purposes for which it was used immediately prior to the damage, or in the event that there is a change in the use of a particular building or structure after January 1, 2017 so that the building or structure should be included in a different tax class for purposes of R. 282/98 or Regulation 400/98 under the Education Act R.S.O. 1990 c. E-2 ("R. 400/98"), Essar or Algoma, as the case may be, will provide written documentation evidencing such demolition or change in use to MPAC and MPAC will agree to review said information and revise the assessment for the next taxation year to reflect such demolition activity or class change if it considers it to be appropriate to do so. If the decision made by MPAC with respect to the assessment for the Subject Property for that next taxation year, including, for certainty, a decision by MPAC declining to revise the amount of the current value assessment for the next taxation year or declining to make a tax class change), is not satisfactory to Essar or Algoma, as the case may be, or to the City, it is agreed that for the exclusive and limited purpose of challenging the change to the current value assessment so returned to reflect the demolition activity or to challenge MPAC's failure to make a change to the amount of the current value assessment to reflect the demolition activity or to challenge MPAC's decision changing the tax class or declining to change the tax class, Essar or Algoma, as the case may be, or the City will have the right to file an assessment appeal to determine the correct amount of the valuation change to the current value assessment as a result of the demolition activity, should such have occurred, and to determine the correct tax class as a result of the change of use, should a change of use have occurred.
16. Essar or Algoma, as the case may be, shall advise MPAC annually by the last business day in August in each calendar year during the period 2018 to 2020 regarding the particulars of the construction or installation of any improvements which has occurred during the period since the most recent reporting under this section, or in the case of the first report, since January 1, 2017. Such notice shall be delivered to the MPAC Valuation Manager for Industrial Resource Properties in care of Municipal Property Assessment Corporation, 1340 Pickering Parkway, Suite 101, Pickering, Ontario, L1V 0C4 by registered mail or email (provided

acknowledgement from MPAC is received). MPAC shall be entitled to inspect the Subject Property each year following receipt of such notice.

E. Municipal Act Applications for 2017 through 2020 Taxation Years

17. This Assessment Agreement shall not preclude Essar or Algoma, as the case may be, from making applications to the City pursuant to the *Municipal Act, 2001* for 2017 and subsequent taxation years. The parties agree that:
- i). in any applications under s. 364 of the *Municipal Act, 2001* ("Vacancy Applications") in respect of taxation years 2017 to 2020, the value of any eligible property in such applications shall be determined in accordance with the costing, methodology and allowances for obsolescence set out in the 2016 PPR; and
 - ii). in any applications under s. 357(1)(d) of the *Municipal Act, 2001* ("Demolition Applications") in respect of taxation years 2017 to 2020, applications shall be made only in respect of an improvement razed by fire, demolition or otherwise after January 1 2017 or damaged by fire, demolition or otherwise after January 1, 2017 so as to render it substantially unusable for the purposes for which it was used immediately prior to the damage. The value of the improvement which is the subject of such an application shall be determined in accordance with the costing, methodology and allowances for obsolescence set out in the 2016 PPR.

In the event that Essar or Algoma, as the case may be, makes a Vacancy Application or a Demolition Application other than as permitted by this Assessment Agreement or makes a Vacancy Application or a Demolition Application as permitted by this Assessment Agreement and asserts a valuation which is not in accordance with the provisions of this Assessment Agreement, this Assessment Agreement may be referenced as a complete defence to such assertion.

F. Legal Advice and Good Faith

18. Each Party has received independent legal advice in respect of the terms of this Assessment Agreement, or expressly waived the right to same, and by execution of this document confirms its understanding of and agreement to the terms of this Assessment Agreement.

19. The Parties agree to act in good faith with respect to the provisions of this Assessment Agreement as it applies to the assessment of the Subject Property for the 2017 to 2020 taxation years. The Parties acknowledge that it is not possible to foresee all eventualities which may occur as such may relate to the determination of the current value or classification of the Subject Property for the taxation years referenced in this Assessment Agreement, and confirm their intention to resolve any issues which may arise by analogy to and application of the principles set out herein.

Transmission and Execution

20. The parties agree that this Assessment Agreement may be signed in counterpart and transmission by email is accepted by all if an acknowledgement of receipt is received.

Conditional on Sale


21. This Assessment Agreement and the MOS will be held in escrow and will not come into force until all of the following events have occurred (the "Effective Time"):
- i) all of the Vendors' right, title and interest in and to the Purchased Assets have vested absolutely in Algoma upon the delivery of the Monitor's Certificate, in accordance with the Approval and Vesting Order;
 - ii) Algoma and the City execute the Property Tax Agreement; and
 - iii) Algoma and the City notify Essar and MPAC that the Property Tax Agreement has been executed.
22. This Assessment Agreement and the MOS shall be deemed to immediately take effect at the Effective Time without the necessity of further action by the Parties.
23. In the event that the Acquisition Transaction cannot be completed and the APA terminates in accordance with its terms, this Assessment Agreement and the MOS shall be null and void and shall not come into effect.

{remainder of page intentionally left blank; signatures to follow}

Dated this ____ day of _____, 2018.

ESSAR STEEL ALGOMA INC.

Per:


Name: KATAR MARLOW

Title: CFO

I have authority to bind the Corporation

Dated this 20 day of August, 2018.

**CORPORATION OF THE CITY OF SAULT
STE. MARIE**

Per:

Christian Provenzano
Mayor

Name: Rachel Tycziński
Title: Deputy City Clerk

I have authority to bind the Corporation

Dated this 22 day of July, 2018.

**MUNICIPAL PROPERTY ASSESSMENT
CORPORATION**

Per:


Name: Greg Martino

Title: VP & CC of Valuation & Standards Office

I have authority to bind the Corporation

Dated this 8th day of August, 2018.

ALGOMA STEEL INC.

Per:


Name: Christopher Capozzi

Title: Authorized Signatory

I have authority to bind the Corporation

Appeal Minutes of Settlement
 Appeal No.: 3035514, 3093646, 3160549
 Hearing No.:

SCHEDULE "A"



MUNICIPAL PROPERTY
 ASSESSMENT CORPORATION
 SOCIÉTÉ D'ÉVALUATION
 FONCIÈRE DES MUNICIPALITÉS

MINUTES OF SETTLEMENT FOR ASSESSMENTS MADE UNDER
 SECTION 35 OF THE ASSESSMENT ACT
 IN THE MATTER OF Appeals Made Pursuant to Section 40 of the
Assessment Act, R.S.O. 1990, c. A31, as amended, with respect to:
 Roll Number: 5761 060 001 00100
 Location/Legal Description: WALLACE TERR
 Taxation Years: 2014, 2015, 2016

Between:
ESSAR STEEL ALGOMA INC
 Assessed Person(s)
 Appellant

and

MUNICIPAL PROPERTY ASSESSMENT CORPORATION FIELD OFFICE NO.
31
Respondents

and

City of Sault Ste Marie
 Municipality

The following reflects the settlement reached between the parties:

Appealed Property Assessment

Property Classification	Current Value Assessed	
	2008	2012
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,952,660
Large Industrial (LT)	\$99,145,700	\$77,839,560
Commercial (CT)	\$2,840,300	\$2,206,780
Total	\$104,746,000	\$82,999,000

Property Classification	Phase-In Assessment for Taxation Years		
	2014	2015	2016
Large Industrial: Excess Land (LU)	\$2,856,330	\$2,904,495	\$2,952,660
Large Industrial (LT)	\$77,839,560	\$77,839,560	\$77,839,560
Commercial (CT)	\$2,206,780	\$2,206,780	\$2,206,780
Total	\$82,902,670	\$82,950,835	\$82,999,000

Revised Property Assessment

Property Classification	Current Value Assessed	
	2008	2012
Commercial (CT)	\$2,840,300	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,760,000	\$2,268,950
Large Industrial (LT)	\$99,145,700	\$55,752,130
Total	\$104,746,000	\$60,000,000

**Property
Classification**

Phase-in Assessment for Taxation Years

	2014	2015	2016
Commercial (CT)	\$1,978,920	\$1,978,920	\$1,978,920
Large Industrial: Excess Land (LU)	\$2,288,950	\$2,288,950	\$2,288,950
Large Industrial (LT)	\$55,752,130	\$55,752,130	\$55,752,130
Total	\$60,000,000	\$60,000,000	\$60,000,000

1. The parties agree that orders of the Assessment Review Board will be made in accordance with this settlement. The assessed person hereby acknowledges that the appeals for the taxation year described above are settled and no hearing is required.
2. The parties certify that the Minutes of Settlement herein refer only to matters that are properly before the Assessment Review Board and that same contains all information which the parties wish the Board to incorporate into its order.


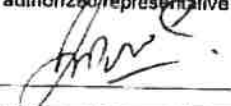
To complete your Appeal Minutes of Settlement, please sign and send a copy of both sides of this form to MPAC in one of the following ways:



Email: casemanagement@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

On behalf of the Municipal Property Assessment Corporation 	Print name GARY MARSDIO	Date (yyyy/mm/dd) 2018/07/27
Assessed person's signature or authorized representative 	Print name RAJAT MARWAH	Date (yyyy/mm/dd) August 13, 2018
On behalf of Municipality	Print name and title	Date (yyyy/mm/dd)

Appeal Number: 3036514, 3093646, 3180549

Roll Number: 6761 080 001 00100

00384016-1 - 42086183

Contact Us



Call: 1 866 298-MPAC (6722)
TTY 1 877 888-MPAC (6722)
Monday to Friday 8 a.m. to 5 p.m.



Email: enquiry@mpac.ca



Write: MPAC, P.O. Box 9808
Toronto, ON M1S 5T9

If you have any accessibility needs, please let our representatives know how we can assist you.

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