

March 14, 2016

Andrew J. Hatnay
Direct Dial: 416-595-2083
Direct Fax: 416-204-2872
ahatnay@kmlaw.ca

Without Prejudice

Via Facsimile and Email

Graham Letto, M.H.A.
Labrador West District
House of Assembly
Newfoundland and Labrador
217 Drake Avenue
Labrador City, NL A2V 2B6

Dear Mr. Letto:

Re: Wabush Mines
Companies' Creditors Arrangement Act, R.S.C. , 1985, c. C-36 ("CCAA")
Québec Superior Court File No. 500-11-048114-157
Our File No. 15/1359

Re: Contributory Pension Plan for Salaried Employees of Wabush Mines
(the "Salaried Plan"), Newfoundland Registration No. 0021314

We are writing further to the meetings for all Wabush employees and retirees and their beneficiaries that were recently held in Wabush with you and others, including Ms. Yvonne Jones, M.P., to explain the status of the Wabush Mines CCAA proceedings, the impacts on employees, retirees, and surviving beneficiaries, and next steps.

As you know, the Wabush employees and retirees have been hit very hard by the events in this CCAA proceeding. We were encouraged to hear at the meeting that your office is seeking ways to assist the Wabush employees and retirees.

a) Termination of health and life benefits

As you are aware, immediately after obtaining CCAA protection, the company terminated health and life insurance benefits ("OPEBs") with effectively no notice, causing the employees and retirees immediate financial hardship. The motions that we brought before the CCAA Judge and the Quebec Court of Appeal did not result in the restoration of those benefits due to the threat made in court by Cliffs Mining Company ("CMC"), who is also the DIP lender, to terminate its DIP loan if the court ordered the reinstatement of OPEBs. Those threats caused the courts to be

concerned with a bankruptcy of the Wabush CCAA Entities. The courts acknowledged in their decisions that the termination of OPEB has caused "hardship" to the retirees.

We are writing to request that the Newfoundland government immediately look into ways to assist the Wabush Mines employees and retirees who have been impacted by the company terminating their OPEBs. There are a number of potential ways for your government to provide assistance in these circumstances. For example, a temporary fund can be set up to provide coverage for health benefits, similar to the Ontario Transition Fund set up by the Ontario government to provide a fund of \$3 million to retirees for health benefits that were suspended in the CCAA proceeding of U.S. Steel Canada. Alternatively, a special regulation(s) and/or expansive interpretations of the existing Newfoundland provincial drug benefit plan can be invoked to enable greater access to that program by Wabush employees and retirees during this difficult period for them. You will recall one person at the meeting on March 11, 2016 indicated that she had lost her eligibility for the Newfoundland Drug Program since she had to withdraw funds from her retirement RRSP to cover living expenses, and the withdrawal was counted in her "income" and caused her disqualification from the program. We expect there are many more individuals in those type of situations. As another example, one way to assist such individuals is to "grandfather" qualified Wabush individuals in the program without counting their additional income, such as an RRSP withdrawal at this time.

b) Pension benefit reductions

On December 16, 2015, the Newfoundland Superintendent of Pensions, Michael Delaney, ordered the wind up of the Wabush Salaried Plan and Wabush Union Plan. Shortly thereafter, the Superintendent directed the company to impose reductions to the monthly pension benefits in the amount of 25% for salaried retirees (and 21% for unionized retirees), which took effect as of March 1, 2016. While we are asserting priority claims on behalf of the Salaried Plan beneficiaries under the statutory deemed trust priority provisions in the Newfoundland *Pensions Benefits Act*, if those claims are contested by other creditors or stakeholders, they could take several months and possibly longer to resolve. During that time, retirees will have to endure the reductions to their pension benefits which, when combined with the termination of their OPEBs, create prolonged hardship for employees and retirees.

The Newfoundland government should take over the administration of the Wabush Salaried Plan

As an alternative to the traditional wind up process and the crystallization of wind up liability that the wind up creates, we are requesting that the Newfoundland government immediately take over the administration of the Salaried Plans similar to the approach used by the Pension Benefit Guaranty Corporation in the United States. Under this scenario, the government could continue administer the plan indefinitely on a going concern basis, thus avoiding the crystallization of the wind up liability, and the plan could continue to pay full pension benefits without reduction. CMC is a solvent corporation that is not under CCAA protection, who is expressly identified as an "Employer" under the Salaried Plan document and as such, CMC remains liable to continue funding the Salaried Plan so that the plan pays all pension benefits in full. In this scenario, we would envisage that the Newfoundland government need not make any contributions to the plan, and the reductions to monthly pension benefits could be quickly revoked.


There is ample precedent of provincial governments adopting creative solutions and passing special pension regulations to deal with a variety of problems that arise both in and outside insolvency proceedings. We believe the proposal that the Newfoundland government take over the administration of the Salaried Plan would be a practical and cost-effective alternative to simply winding up the Salaried Plan and imposing pension benefit reductions, and would benefit the affected Newfoundland and Labrador residents tremendously with minimal or no cost to the Newfoundland government.

We are writing to the Newfoundland Superintendent of Pensions under separate cover to confirm that our clients do not support the request by the Wabush CCAA Entities (but apparently not a request by CMC, who is also the administrator of the Salaried Plan) to appoint an external administrator to take over the administration of the Salaried Plan. We will copy you on that correspondence as well.

Thank you for your consideration of this letter. We look forward to speaking with you further at your earliest convenience.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH/vdl

cc. Yvonne Jones, Member of Parliament, *Labrador*
Michael Delaney, Superintendent of Pensions, *Government of Newfoundland and Labrador*
Mayor Colin Vardy, *Town of Wabush*
Daniel Boudreault, *Philion Leblanc Beaudry Avocats s.a.*
Euclid Hache, Staff Representative, *United Steelworkers*
Doug Mitchell, *Irving Mitchell Kalichman LLP*
Nigel Meakin, FTI Consulting (Monitor)
Client Committee
Nicholas Scheib, *Scheib Legal*
Barbara Walancik, *Koskie Minsky LLP*

KM-2104048v1