KOSKIE MINSKY
JUSTICE MATTERS

December 9, 2016

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Via Mail

Dear Former Danier Employee:

Re: In the Matter of Danier Leather Inc. (in bankruptcy)
Court File No. 31-2084381

Re: Update on Distributions from Danier's Estate and related issues
Our File No. 16-0281

The purpose of this letter is to update you on the bankruptcy proceedings of Danier Leather Inc. ("Danier"). We have several items of interest to report.

Distributions from Danier's Estate

KSV Kofman Inc., the Trustee in Bankruptcy of Danier (the "Trustee"), has informed us that it intends to pay an interim distribution to all creditors, including employees (the "First Distribution"). The First Distribution will pay 50% of the claim identified on the Personal Information Verification Forms that you were sent a few weeks ago (the "Original Claim").

If you have no changes to the Personal Information identified on that form, you will be entitled to further distributions in respect of the other 50% of your claim. It is presently expected that your claims will be paid in full.

If you do make a change to your Personal Information that is accepted by the Trustee and this increases the value of your Original Claim, you will be entitled to a new claim amount (the "Revised Claim"). Those former employees with Revised Claims will be entitled to distributions until the Revised Claim is paid in full. For example, if your Original Claim was $10,000, and your Revised Claim is $12,000, you will receive $5,000 on the First Distribution and the balance on further distributions.

While it is currently anticipated that all claims will be paid in full, if something unexpected occurs and claims are not to be paid in full, the further distributions will be adjusted to ensure that all unsecured creditors[1], including former employees, will recover the same percentage on their claims.

We are not yet able to specify when these payments will be made, but we anticipate that the First Distribution will be made in early 2017. The Trustee would be prepared to make the First Distribution now, but Service Canada requires that it first review a draft schedule detailing the

[1] Other than secured and preferred creditors.

amounts payable to each employee so that it can advise of any adjustments and/or withholdings (e.g., in respect of any overpayment of Employment Insurance benefits or WEPP payments) the Trustee must make, and Service Canada advises that process will take at least eight weeks. The Trustee has already submitted the draft schedule to Service Canada. We understand that the Trustee is hopeful to make the balance of the distributions in the first quarter of 2017.

Impact of Wage Earner Protection Program ("WEPP") and Employment Insurance ("EI")

For those former employees who applied for WEPP or EI, the amount that you receive from any distributions may be impacted due to amounts owing with respect to those programs.

In terms of WEPP, Service Canada will provide the Trustee with a list of all former employees who received payments from WEPP. The amount of your WEPP payment will be deducted from your First Distribution, and if amounts are still owed in relation to WEPP after your First Distribution, the remainder will be deducted from your next distribution.

The process with respect to repaying any EI overpayment is more complicated and will take some time, as discussed above. The Trustee is statutorily required to provide Service Canada with a list of all former employees who received termination or severance pay from Danier. This reporting obligation applies to all former employees of Danier who will receive a distribution, regardless of whether their termination entitlement is to ESA, Common Law or Greater Benefit (as those terms are defined in your Personal Information Verification Form).

Service Canada then provides a list to the Trustee of all former employees who received payments from EI. The Trustee has advised us that it will then deduct amounts owing in relation to EI from the First Distribution, and if amounts are still owed in relation to EI after your First Distribution, the remainder will be deducted from your next distribution. If you have questions about this process or about what amounts will be or have been deducted from your claim, please contact the Trustee directly (contact information below) as Representative Counsel is not involved in the EI process.

Directing Your Claim Amount to an RRSP

The Trustee has agreed to assist former employees of Danier with claims of at least $50,000 and who have eligible contribution room to have some or all of their distributions paid directly to an RRSP. If you have sufficient RRSP contribution room, and wish to take advantage of this process, please complete the attached form and send it back to us and the Trustee, with your most recent Notice of Assessment from the CRA, by **January 7, 2017**.

Yours truly,

KOSKIE MINSKY LLP

James Harnum

RRSP AUTHORIZATION FORM

Please fill out the following information if you have a claim amount of at least $50,000 and wish to have some or all of your claim paid directly into your RRSP.

Please note that if you elect to have only a portion of your claim directed to your RRSP the remainder will be paid subject to normal statutory withholding.

Employee Name _____

Danier Employee Number _____

Amount to Contribute Directly to RRSP **$**_____

RRSP Account Number _____

RRSP Financial Institution _____

Authorization and Direction

I, _____, hereby authorize and direct KSV Kofman Inc., in its capacity as Trustee in Bankruptcy of Danier Leather Inc., and not in its personal or corporate capacity, to pay the amount identified above directly into my RRSP. I confirm that I have sufficient RRSP contribution room for this amount, and I have attached my most recent Notice of Assessment from the CRA.

Signature of Employee _____

Witness _____

Please send your completed form and a copy of your Notice of Assessment to both Koskie Minsky and KSV.

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