

KOSKIE MINSKY

October 28, 2016

James Harnum
Direct Dial: 416-542-6285
Direct Fax: 416-204-2819
jharnum@kmlaw.ca

Via Mail

Dear Former Danier Employee:

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

**Re: Employee Claims
Our File No. 16-0281**

As you know, Koskie Minsky LLP was appointed Representative Counsel to the former employees ("Danier Employees") of Danier Leather Inc. ("Danier") pursuant to an order of the Ontario Superior Court of Justice ("Court") dated May 18, 2016. Our law firm was appointed by the Court to represent the interests of the Danier Employees in the bankruptcy and receivership of Danier.

We write to update you on recent events, and give notice of an upcoming court hearing.

On November 8, 2016, a motion to approve a methodology for the valuation of employee claims against Danier ("Employee Claims Methodology") will be heard before a judge of the Ontario Superior Court. The motion will be heard in Toronto at 330 University Avenue, on the 8th Floor. The motion is being brought by KSV Kofman Inc., the bankruptcy trustee of Danier's estate (the "Trustee"). Representative Counsel is fully supportive of the Employee Claims Methodology and will appear in Court to argue that it should be approved. There is no need for any individual Danier Employee to attend the motion.

The Employee Claims Methodology was reached after extensive negotiations between Representative Counsel and the Trustee, with input from the employee committee and the group of creditor-representative inspectors who were appointed in the Danier bankruptcy. The Employee Claims Methodology is subject to Court approval, and Representative Counsel believes that it is appropriate and beneficial to employees, and provides a fair and reasonable resolution of all employee claims arising upon termination of employment with Danier.

The Employee Claims Methodology will provide a claim value to each of you, based upon the personal information contained in Danier's records. You will have an opportunity to review the personal information prior to your claim being finalized. In addition to seeking the approval of the Employee Claims Methodology, the Trustee will also be seeking approval of a Personal Information Verification procedure which Representative Counsel helped to develop. Representative Counsel will send a form to each Danier Employee which sets out the personal information on which its claim is valued, and each of you will have an opportunity, should you feel it necessary, to dispute the information in Danier's records and provide evidence that Danier's records are incorrect.

The Employee Claims Methodology will provide for the valuation of all employment-related claims. Upon the Information Verification Procedure being completed, and the distribution of

funds pursuant to the Employee Claims Methodology, all employment-related claims against Danier will be extinguished. A summary of the Employee Claims Methodology is below.

Summary of Methodology

Each Danier Employee has a potential claim against the Danier Estate as a result of the termination of their employment (a "Termination Claim"). Each Termination Claim falls into one of three categories:

- Employees who signed employment contracts (including offer letters) which limited their entitlement on termination of employment to that provided in the applicable employment standards legislation in their province ("ESA Employees");
- Employees who signed employment contracts (including offer letters) which include a provision specifying the employee's entitlement on termination of employment which was greater than that provided by the applicable employment standards act ("Greater Benefit Contract Employees"); and
- Employees whose employment contracts (including offer letters) did not include a provision specifying the employee's entitlement on termination of employment ("Common Law Employees").

Each of these categories is subject to a different methodology for the valuation of their Termination Claims. The methodology applicable to each category is described below.

ESA Employees

- ESA Employees with fewer than 10 years of service at Danier as of March 21, 2016 will have their claims valued on the basis of the employment standards legislation in their province of employment.
- ESA Employees with 10 years of service or more as of March 21, 2016 will have their claims valued on the basis of the employment standards legislation in their province of employment or two weeks of pay per year of service, whichever is higher.
- Employees in the regional municipality of York and the City of Toronto in Ontario, as well as employees in the city of Montreal in Quebec and employees in British Columbia may also qualify for an additional payment in respect of an alleged entitlement under the mass termination provisions in those provinces employment standards legislation.

Greater Benefit Contract Employees

- Employees in this group will have their claim valued based on the specific wording in their employment contract.

Common Law Employees

- The methodology for common law employees takes into account factors such as the employee's age, length of service, character of employment and availability of alternate employment. In summary, it is intended to estimate the anticipated time it will take for an employee to find a comparable job at a new employer (i.e., mitigate the employee's alleged damages). As a result, employees with fewer years of service and/or lower wage rates are likely to find a comparable job sooner and will therefore likely have a smaller claim than those employees with longer service and/or higher hourly rates.
- Common law employees who earned between the applicable minimum wage and \$14.50 per hour will have their claim valued on the basis of 2.7 weeks of pay per completed year of service.
- Common law employees who earned greater than \$14.50 per hour will have their claim valued on the basis of 3.3 weeks of pay per completed year of service.

Claims for Other Amounts

- Those employees who were entitled to health and welfare benefits from Danier will have an additional value attached to their claim to recognize the loss of benefits during their notice period.
- There will also be a small amount added to each employee's claim for the loss of the employee discount.
- If there are additional losses that you have suffered as a result of your termination of employment (for example, unpaid expenses), you are required to provide details of such alleged losses on your Information Verification form or you will be barred from pursuing such amounts.

Contact Information for Koskie Minsky LLP

Toll-free Hotline: 1-844-819-8528

Email: DanierRepCounsel@kmlaw.ca

Website: kmlaw.ca/DanierRepCounsel

Yours truly,

KOSKIE MINSKY LLP



James Harnum

c: Andrew Hatnay (Koskie Minsky LLP)