

April 5, 2019

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Dear Sir or Madam:

**Re: Wabush Mines – Proceedings under the *Companies' Creditors Arrangement Act*,
R.S.C., 1985, c. C-36 ("CCAA")
Incorrect Tax Slip Issue**

It has been brought to our attention by former employees and retirees that the income tax slips mailed to you by the Monitor reporting the payments (also known as "distributions") it made in 2018 under the Wabush Mines CCAA Plan of Compromise may have incorrectly reported some of those payments as being taxable.

You will recall that we prepared and submitted claims on behalf of the non-union employees and retirees in the CCAA claims process for losses due to terminated: a) health benefits; b) life insurance; c) supplementary pension benefits; and, d) unpaid housing reimbursements. The distribution by the Monitor for each claim is subject to different tax treatment, and therefore needs to be accurately reflected on the tax slip otherwise a former employee and retiree is exposed to paying more tax than necessary.

The Monitor has told us that it reported the total payment it made for all the different claims listed above in one total amount in box 67 of the tax slip, in accordance with the methodology that had been confirmed to them in advance by Canada Revenue Agency and Revenu Québec. This is, however, incorrect as an amount reported in box 67 is for retiring allowances and is taxable unless the amount in the box is transferred into a locked-in retirement account by the employer.

In our view, some of the distributions contained in that total amount reflect non-taxable amounts and therefore should not have been reported on the tax slip at all. You may recall that in November 2018, we informed former employees and retirees that distributions for claims based on the termination of life insurance and unpaid housing reimbursements were not considered taxable, and that no tax withholdings at source were taken by the Monitor for these distributions to former employees and retirees.

All other distributions paid, such as the distribution for terminated health benefits are considered taxable and should be reported on the tax slip.

The Monitor has told us that it is in contact with the Canada Revenue Agency and Revenu Québec about this issue and that they are working to resolve the tax slip issue. They will be sending a letter to former employees and retirees providing further instructions as may be necessary.

If you have not already completed your income tax return for 2018, we suggest you wait completing your taxes until you have received the correspondence from the Monitor which is expected in mid-April, 2019.

If you have already filed your taxes, the Monitor's correspondence will contain instructions from Canada Revenue Agency and Revenu Québec as to how to amend your tax return, if necessary.

Please continue to check for updates on the issue at Koskie Minsky's website at: <https://kmlaw.ca/cases/wabushrepcounsel/#developments>.

We apologize for this inconvenience. The Monitor is working with Canada Revenue Agency and Revenu Québec to resolve this issue as soon as possible.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay

cc. Court-appointed Representatives
Barbara Walancik, Amy Tang, *Koskie Minsky LLP*