



Welland Forge Closure Update

Sunday Dec. 6, 2020

There have been a series of conference calls between BDO (Bankruptcy / Insolvency trustee) Welland Forge Legal, Unifor Legal and my office. As stated previous BDO would make this Motion Record available to the Union to review prior to its filing with the court. On Nov. 19, 2020 and again on Nov. 23, 2020 calls between the parties took place to review the Motion Record in its entirety as well a draft bankruptcy proposal for the bargaining unit members.

I requested Unifor Legal provide my office a written interpretation to the Motion Record that will be filed and the draft bankruptcy proposal related to monies owed to our members.

From Unifor Legal:

In the matters raised in a Motion Record for a motion returnable in court on Wednesday Nov. 25, 2020, and the company's draft bankruptcy proposal.

The Motion Record is for two things. It is for the court's approval of an administration charge, which is a form of security to protect the payments to the proposal trustee, and its lawyers, and the company's lawyers in connection with the proposal process for \$200K. It is also for approval of the sale of the three specified pieces of major equipment to a related company.

The Motion Record which includes the First Report of the proposal trustee (BDO) outlines in some detail the efforts in 2016 and 2018 to sell the whole business. It also outlines the rationale for the proposed sale of the three major assets to the related company based on the limited pool of buyers, the logistics and cost of removal of the equipment, and the appraised values. A key point is that the sale is to be for greater than the appraised values. We do not have the appraised values but that confidential document is filed with the court. Court approval is required where assets are sold in a proposal outside of the normal course of business.

The Motion Record is not about approval of the draft bankruptcy proposal. That is done later by creditors, not the court. However, the approval of the sale of assets appears central to the proposal. If we are supportive of the proposal, we should indicate at a minimum that we do not oppose the relief sought in the motion record.

The proposal must be seen as an alternative to bankruptcy. A bankruptcy will occur if the proposal is rejected. Employees have already received wages and vacation pay and I understand there are no pension arrears to the DC plan. All are entitled to eight weeks of

termination pay and severance pay calculated in accordance with the collective agreement at a rate of 1.5 weeks per year with no five year minimum. The company has provided calculations that appear accurate. The bargaining unit employees are owed termination pay and severance pay in the amount of \$1,418,806.32.

If there is a bankruptcy, employees very likely would see no further recovery other than their WEPPA amounts given the potential claims of secured creditors, which are being postponed in the proposal process as a "goodwill gesture".

The proposal would see bargaining unit employee receive a two-part payment. The first part is their WEPPA amount which for 2020 is \$7,296.17 before the 6.82% reduction or \$6798.57 after the reduction. The second part is 20% payment of the balance.

For a sample employee on the list, his total entitlements are \$32,248.36. He would be paid the maximum WEPPA amount of \$7,296.17 minus the 6.82% administration fee. He also will be paid 20% of the balance of \$24,952.19 which is \$4,990.44. So he would get \$12,286.61 total which is 38 cents on the dollar.

The proposal scenario has two advantages over a bankruptcy. The payment to employees will be larger and will flow from the company through the trustee. The money would be in the trustee's hands within ten days and then paid out to employees. This will be faster than waiting for a WEPPA claim to be processed through the government. The payment to employees will be larger because it will include the 20% additional payment, which employees would not see in a bankruptcy. **End of Legal message**

From Doug Orr: I cannot emphasise enough the importance of what the BDO / Employer proposal means as by controlling the wind down it will actually provide more money than bankruptcy. Based upon and the legal department review my office has concluded it is not in the best interest of our members to oppose the Record of Motion going before the courts Nov. 25, 2020.

In approximately 3 weeks, times if the motion is granted proof of claim forms will be mailed out to each member detailing the termination pay and severance amounts owed. Each worker will have to send it back to BDO. We are discussing sending with the proof of claim a proxy to allow the Local Union to vote on behalf of the members at a meeting arranged by BDO and the unsecured creditors in this group.

I will continue to provide information as it becomes available.

Regards,
Doug Orr,
Unifor National Representative