

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-048114-157

**IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED:**

**BLOOM LAKE GENERAL PARTNER
LIMITED, QUINTO MINING
CORPORATION, 8568391 CANADA
LIMITED, CLIFFS QUÉBEC IRON
MINING ULC, WABUSH IRON CO.
LIMITED AND WABUSH RESOURCES
INC.**

Petitioners

- and -

**THE BLOOM LAKE IRON ORE MINE
LIMITED PARTNERSHIP, BLOOM
LAKE RAILWAY COMPANY LIMITED,
WABUSH MINES, ARNAUD RAILWAY
COMPANY AND WABUSH LAKE
RAILWAY COMPANY LIMITED**

Mises-en-cause

- and -

FTI CONSULTING CANADA INC.

Monitor

**FIFTIETH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On January 27, 2015, Bloom Lake General Partner Limited (“**BLGP**”), Quinto Mining Corporation (“**Quinto**”), 8568391 Canada Limited (“**856**”) and Cliffs Québec Iron Mining ULC (“**CQIM**”) (collectively, the “**Bloom Lake Petitioners**”) sought and obtained an initial order (as amended, restated or rectified from time to time, the “**Bloom Lake Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) from the Superior Court of Québec (the “**Court**”), providing for, *inter alia*, a stay of proceedings against the Bloom Lake Petitioners until February 26, 2015, (the “**Bloom Lake Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The relief granted in the Bloom Lake Initial Order was also extended to The Bloom Lake Iron Ore Mine Limited Partnership (“**BLLP**”) and Bloom Lake Railway Company Limited (“**BLRC**” and, together with Bloom Lake LP, the “**Bloom Lake Mises-en-Cause**” and together with the Bloom Lake Petitioners, the “**Bloom Lake CCAA Parties**”). The proceedings commenced under the CCAA by the Bloom Lake CCAA Parties will be referred to herein as the “**CCAA Proceedings**”.

2. On May 20, 2015, the CCAA Proceedings were extended to include Wabush Iron Co. Limited (“**WICL**”), Wabush Resources Inc. (“**WRI**” and together with WICL, the “**Wabush Petitioners**”), Wabush Mines, Arnaud Railway Company (“**Arnaud**”) and Wabush Lake Railway Company Limited (“**Wabush Railway**” and, collectively with Arnaud and Wabush Mines, the “**Wabush Mises-en-Cause**” and together with the Wabush Petitioners, the “**Wabush CCAA Parties**”) pursuant to an initial order (as amended, restated or rectified from time to time, the “**Wabush Initial Order**”) providing for, *inter alia*, a stay of proceedings against the Wabush CCAA Parties until June 19, 2015, (the “**Wabush Stay Period**”). The Bloom Lake CCAA Parties and the Wabush CCAA Parties will be referred to collectively herein as the “**CCAA Parties**”.
3. The Bloom Lake Stay Period and the Wabush Stay Period (together, the “**Stay Period**”) have been extended from time to time and currently expires on May 30, 2019.
4. On November 5, 2015, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Claims Procedure Order**”) approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties and their current and former directors and officers (as amended, the “**Claims Procedure**”).
5. On March 26, 2018, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Post-Filing Claims Procedure Order**”) approving a procedure for the submission, evaluation and adjudication of claims against the CCAA Parties or their directors and officers arising since the commencement dates of the CCAA Proceedings (the “**Post-Filing Claims Procedure**”).
6. On June 29, 2018, Mr. Justice Hamilton J.S.C. (as he then was) granted an Order (the “**Sanction Order**”), *inter alia*, sanctioning the amended and restated joint plan of compromise and arrangement of the Participating CCAA Parties dated May 16, 2018 (as amended from time to time, the “**Plan**”).

7. On July 31, 2018, the Monitor issued and filed the Plan Implementation Date Certificate, *inter alia* certifying that:
 - (a) The Monitor had received from each of the Participating CCAA Parties and the Parent, the applicable Conditions Certificate confirming fulfilment or waiver of the conditions precedent to implementation of the Plan as set out in Section 11.3 of the Plan, and in accordance with the Sanction Order, and
 - (b) The Plan Implementation Date had occurred in accordance with the Plan.
8. The first interim distributions to Affected Third Party Unsecured Creditors were made from each of the Unsecured Creditor Cash Pools in August and September 2018, with approximately \$132.4 million being distributed to Affected Third Party Unsecured Creditors pursuant to the Plan.
9. To date, the Monitor has filed forty-nine reports in respect of various aspects of the CCAA Proceedings. The purpose of this, the Monitor's Fiftieth Report (this "**Report**"), is to provide information to the Court with respect to:
 - (a) The receipts and disbursements of the CCAA Parties for the period November 17, 2018 to April 30, 2019;
 - (b) The CCAA Parties' current cash balances;
 - (c) The progress of the Claims Procedure;
 - (d) The progress of the Post-Filing Claims Procedure;
 - (e) Matters completed since the date of the Monitor's Forty-Ninth Report;
 - (f) The progress of other ongoing matters to be completed in the CCAA Proceedings; and

- (g) The CCAA Parties' request for an extension of the Stay Period to February 28, 2020 (the "**Stay Extension Motion**"), and the Monitor's recommendation thereon.

TERMS OF REFERENCE

- 10. In preparing this Report, the Monitor has relied upon unaudited financial information of the CCAA Parties, the CCAA Parties' books and records, certain financial information prepared by the CCAA Parties and discussions with various parties (the "**Information**").
- 11. Except as described in this Report:
 - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
- 12. The Monitor has prepared this Report in connection with the Stay Extension Motion which is scheduled to be heard May 24, 2019, and should not be relied on for other purposes.
- 13. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor or the Plan.

EXECUTIVE SUMMARY

REQUEST FOR EXTENSION OF STAY PERIOD

15. In summary, and for the reasons set out in this Report, it is the Monitor's view that:
 - (a) The CCAA Parties have acted, and are acting, in good faith and with due diligence; and
 - (b) Creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to February 28, 2020.
16. If the extension of the Stay Period is granted as requested, the Monitor intends to issue a report providing a status update on or around October 31, 2019.
17. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to February 28, 2020.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO APRIL 30, 2019

18. The CCAA Parties' actual cash flow on a consolidated basis for the period from November 17, 2018, to April 30, 2019, is summarized below:

	Bloom Lake CCAA Parties	Wabush CCAA Parties
	\$000	\$000
Receipts	293	68
Disbursements:		
Payroll & Employee Benefits		
Termination & Severance		
Utilities		
Other Operating Disbursements	(4)	(34)
Operating Cash Flows	289	34
Tax Refunds/Sale Proceeds	1,994	574
Allocation Methodology Transfers	(82)	82
Transfer from Related Party Distributions		
Third Party Distributions	(212)	(2,197)
Restructuring Professional Fees	(2,270)	(706)
Net Cash Flow	(281)	(2,213)

CURRENT CASH BALANCES

19. As previously reported, all transactions are being processed through the Monitor's accounts on behalf of the CCAA Parties. As at April 30, 2019, the Monitor held approximately \$42.1 million on behalf of the Bloom Lake CCAA Parties and approximately \$6.6 million on behalf of the Wabush CCAA Parties, each net of unrepresented cheques.

20. Unrepresented cheques include 82 cheques in the aggregate amount of \$271,015.50 issued in respect of the interim distributions under the Plan. Of these, 80 cheques in the aggregate amount of \$260,168.03 are stale-dated. Stale-dated cheques for the interim distribution will be reissued on the request of the creditor entitled to the payment or together with the final distributions under the Plan.

21. In addition, Revenu Québec ("RQ") has yet to cash three cheques in the aggregate amount of \$269,808.25 issued in remittance of withholdings on the interim distributions.

THE CLAIMS PROCEDURE

22. All claims filed pursuant to the Claims Procedure Order have now been finally determined, with the exception of the claims described below:

- (a) Certain claims of RQ in the aggregate amount of \$13,565,511.95 in respect of sales and corporate taxes. The Monitor has requested additional information regarding these claims but RQ has been slow to respond;
- (b) The claims of the City of Vermont in the amount of \$27,010,686.80 with respect to property taxes, the determination of which is dependent on the outcome of the municipal tax contestation as discussed later in this Report;
- (c) The claims of two construction legal hypothec creditors in the aggregate amount of \$3,862,078.26. While the aggregate quantum of these claims has been allowed, the determination of the portion that is secured on proceeds of realization and the portion that is unsecured is also dependent on the outcome of the municipal tax contestation; and
- (d) The claims of the Commission Scolaire du Fer (“CSF”) in the aggregate amount of \$2,123,051.83. While these claims have been finally determined in accordance with the Claims Procedure Order, these claims are the subject of the CSF Claim Amendment Motion and are also dependent on the outcome of the municipal tax assessment.

THE POST-FILING CLAIMS PROCEDURE

23. All Post-Filing Claims and the one D&O Post-Filing Claim have been finally determined, except two claims, each in the amount of \$11,983,831.37, by City of Vermont, which claims are subject to the municipal tax contestation.

24. As previously reported, in addition to the Post-Filing Claims filed by other creditors in accordance with the provisions of the Post-Filing Claims Procedure Order, CSF sent an email to the Monitor on May 18, 2018, prior to the Post-Filing Claims Bar Date stating:

“Je vous transmets en annexe le solde dû à la Commission Scolaire en date 21 mai 2018.

Lors de notre dernier courriel en décembre 2015, le solde qui vous a été acheminé était de 2,123,051.83\$ (voir courriel transféré). Le nouveau solde dû à la Commission Scolaire du Fer est de 2,410,156.68\$, incluant les intérêts courus depuis cette période.”¹

25. CSF did not file a Post-Filing Proof of Claim as required by the Post-Filing Claims Procedure Order.

MATTERS COMPLETED SINCE THE MONITOR’S FORTY-NINTH REPORT

26. Several open matters have been completed since the date of the Monitor’s Forty-Ninth Report, summarized as follows:
- (a) Transfer and easement rights related to the Air Monitoring Station in the Town of Wabush have been resolved;
 - (b) Post-closing matters related to the sale of the remaining employee houses have been completed;

¹ “I am sending you the balance due to the School Board dated May 21, 2018. In our last email in December 2015, the balance that was sent to you was \$ 2,123,051.83 (see email forwarded). The new balance due to the Commission Scolaire du Fer is \$ 2,410,156.68, including accrued interest since that period.”

- (c) Matters relating to the USW Late Employee Claims and Salaried Late Employee Claims have been resolved and interim distributions on account of such Claims have been made;
- (d) Final determination of the appeal of the Allocation Methodology Order by the City of Fermont was made with the Supreme Court of Canada denying leave to appeal on January 24, 2019;
- (e) The contestations of municipal tax assessments by the City of Sept-Îles in respect of certain pre- and post-filing periods were settled and orders reflecting such settlement were obtained from the Tribunal Administratif du Québec (“TAQ”). The amounts owing in respect of such assessments that were secured on the net proceeds of realizations have now been paid²;
- (f) The Arbitration Recognition Proceedings commenced by Worldlink in the US Court³ have been dismissed;
- (g) Various payroll and tax audits have been completed;
- (h) Tax matters related to Wabush Railway and BLGP have been completed, enabling the closure of certain tax accounts in preparation for the wind-up of those companies in accordance with the Plan;
- (i) The CCAA Parties have taken steps toward implementing the wind-up of the Cliffs Canadian Retirement Plan, the group RRSP plans and the Deferred Profit-Sharing Plan; and

² Subject to a difference of approximately \$87,500 between the Monitor’s calculations and those of the City of Sept-Îles which is yet to be resolved.

³ Civil Action No. 17 Civ. 8485, seeking to obtain recognition of a pre-filing arbitration award, was commenced by Worldlink in United States District Court for the Southern District of New York on December 15, 2017. The commencement of such action was in breach of the stay granted in the CCAA Proceedings.

- (j) Tax reporting slips in respect of interim distributions made to individuals have been issued.

EMPLOYEE TAX REPORTING SLIPS

- 27. In February of 2019, the Monitor, on behalf of the Participating CCAA Parties, issued the applicable 2018 tax slips to individuals that received an interim distribution from one or more of the Unsecured Creditor Classes. Those 2018 tax slips were prepared in accordance with the methodology that had been confirmed in advance by Canada Revenue Agency (“**CRA**”) and RQ, as applicable. Specifically, all amounts paid in the interim distribution were reported on the applicable tax slips, without distinction between taxable and non-taxable amounts.
- 28. Questions regarding the inclusion of the non-taxable parts of the interim distribution on the 2018 tax slips were subsequently raised by certain Employee Creditors and Representative Counsel.
- 29. The Monitor raised the matter with CRA and RQ, each of which eventually confirmed that, notwithstanding their prior confirmation of the methodology used to prepare the 2018 tax slips, the non-taxable components of the interim distribution should not have been included in the tax slips. As a result, it became necessary to amend or cancel some, but not all, of the 2018 tax slips.
- 30. On or around April 12, 2019, a notice was posted on the Monitor’s Website summarizing the foregoing and on or around April 18, 2019, each of the individuals that had received an interim distribution was notified by letter whether their tax slip(s) had been cancelled, amended or that no change was required. Copies of cancelled or amended tax slip(s) were provided with the letter, where applicable.
- 31. It was subsequently found that an amount was included in an incorrect box when the service provider prepared the amended tax slips. This issue was corrected by the issuance of further amended tax slips on or around May 10, 2019.

ONGOING MATTERS TO BE COMPLETED IN THE CCAA PROCEEDINGS

32. Apart from final resolution of the outstanding claims described earlier in this Report and future distributions pursuant to the Plan, the key matters to be completed in the CCAA Proceedings are summarized as follows:

- (a) The completion of various CRA and RQ tax audits and other matters and the collection of any remaining refund amounts owing to the CCAA Parties. The CRA and RQ tax audits are discussed in more detail later in this Report;
- (b) The realization of any value attributable to the Twin Falls shares;
- (c) The adjudication of the pending contestation of certain City of Fermont municipal tax assessments, or settlement thereof. The status of such contestation is discussed in more detail later in this Report;
- (d) The determination of the CSF Claim Amendment Motion, the hearing of which has been postponed pending a decision in the appeal of a preliminary decision rendered by TAQ in connection with the pending City of Fermont municipal tax assessment contestation, or settlement thereof, as discussed later in this Report;
- (e) The dissolution of various legal entities as contemplated by the Plan, as appropriate;
- (f) The completion of the wind-up of the Cliffs Canadian Retirement Plan and the Wabush Group RRSP Plan;
- (g) The collection of any amounts recoverable from the FX Class Action Claims, as described in the Monitor's Forty-Seventh Report, and the Canadian FX Class Action Claims, as described in the CCAA Parties' motion for an extension of the Stay Period;

- (h) The payment of final distributions under the Plan. It is not currently anticipated that a further interim distribution will be made prior to the final distribution. The timing and quantum of the final distribution is dependent on the resolution of the various outstanding matters in the CCAA Proceedings, including the various municipal tax contestations, the various tax audits and the collection of tax refunds believed to be owing. The timing for resolution of these matters is uncertain and largely outside of the control of the Monitor and the CCAA Parties;
- (i) The filing of final tax returns; and
- (j) The completion of the necessary statutory and administrative steps for the termination of the CCAA Proceedings and the discharge of the Monitor.

CRA AND RQ TAX AUDITS AND OTHER TAX MATTERS

- 33. A number of CRA and RQ audits and assessments have been resolved to date but several remain in progress. Potential sales tax refunds of approximately \$11.4 million claimed by the CCAA Parties remain outstanding.
- 34. The CCAA Parties, with the assistance of the Monitor, have been diligent in addressing audit and information requests from CRA and RQ. However, the pace of activity by the tax authorities has been slow and there has been little success resulting from the efforts of the Monitor to encourage the tax authorities to accelerate matters.
- 35. Given the number of open tax issues and the length of time it has been taking for the tax authorities to review and address matters, the Monitor is concerned that unless CRA and RQ accelerate their activities, it will take a significant period for matters to be resolved and for any available refunds to be collected and be available for distribution pursuant to the Plan.

CITY OF FERMONT MUNICIPAL TAX CONTESTATIONS

36. There are two bases to the pending contestation of the assessed value of the Bloom Lake Mine for the 2013-2015 triennial tax roll:
- (a) That the mine is not taxable (the “**Land Only Appeal**”); and
 - (b) That, in the event that the Land Only Appeal fails and the mine is therefore taxable, the assessed value should be reduced from \$318 million to \$105 million (the “**Assessed Value Appeal**”).
37. The TAQ issued a decision rejecting the Land Only Appeal, which decision has been appealed with leave, with a hearing on the merits scheduled before the Court of Québec for September 17-18, 2019. The TAQ has not yet heard the Assessed Value Appeal as it would be moot in the event that the Land Only Appeal succeeds.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

38. The Stay Period currently expires on May 30, 2019. Additional time is required for the CCAA Parties and the Monitor to complete the activities necessary to finalize the CCAA Proceedings, including the activities described earlier in this Report.
39. The CCAA Parties now seek an extension of the Stay Period to February 28, 2020.
40. As the CCAA Parties no longer have any operations, future receipts and disbursements, other than the legal and professional costs of the CCAA Proceedings, will be *de minimis*. Accordingly, consistent with the approach taken in connection with previous extensions of the Stay Period, no weekly cash forecast has been prepared for the proposed extension of the Stay Period as such a weekly forecast would provide no meaningful information.
41. The CCAA Parties have sufficient liquidity to fund the CCAA Proceedings during the requested extension of the Stay Period.

42. Based on the information currently available, the Monitor believes that creditors of the CCAA Parties would not be materially prejudiced by an extension of the Stay Period to February 28, 2020.
43. The Monitor also believes that the CCAA Parties have acted, and are acting, in good faith and with due diligence.
44. The Monitor therefore respectfully recommends that this Honourable Court grant the CCAA Parties' request for an extension of the Stay Period to February 28, 2020. If the extension of the Stay Period is granted as requested, the Monitor intends to issue a report providing a status update on or around October 31, 2019.

The Monitor respectfully submits to the Court this, its Fiftieth Report.

Dated this 13th day of May, 2019.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Bloom Lake General Partner Limited, Quinto Mining Corporation,
8568391 Canada Limited, Cliffs Québec Iron Mining ULC,
Wabush Iron Co. Limited, Wabush Resources Inc.,
The Bloom Lake Iron Ore Mine Limited Partnership,
Bloom Lake Railway Company Limited, Wabush Mines,
Arnaud Railway Company and Wabush Lake Railway Company Limited



Nigel D. Meakin
Senior Managing Director



Michael Basso
Director