

## **Frequently Asked Questions – Employees**

### **1. What is the CCAA?**

- The Companies' Creditors Arrangement Act, or "CCAA" is a federal statute that enables companies to restructure their financial affairs and operations under the supervision of the Courts.
- As part of the CCAA proceedings, the Court grants a "stay of proceedings" in favour of the Company which prevents creditors from taking action against the Company, giving it the time and stability to enable it to restructure while continuing to operate.
- A monitor is appointed by the Court to oversee the restructuring and report periodically to the Court.

### **2. What is the Monitor?**

- The Monitor is an officer of the Court whose responsibilities include assisting the Company with its restructuring, reporting to the Court from time to time on the progress of the CCAA proceedings and, ultimately, providing a recommendation on any plan of arrangement or proposed sale. In this case, FTI Consulting has been appointed as Monitor.
- The Company will be giving its full co-operation to the Monitor.

### **3. What is the Company's plan?**

- The Company has concluded that given its debt obligations and the on-going losses, continued operations cannot be sustained within Signatures current business model. Operations at two of Signature's facilities; the Richmond Hill plant and the St. Therese plant have been temporarily shut down while the Company implements a financial and operational restructuring.
- The Company has reached an agreement with its immediate parent which; at a minimum, will support the continued operation of the Pickering facility. In addition, the Company will be undertaking a marketing process to determine if there is a buyer for the Company, that may result in the continued operation of all three facilities. If another buyer is not found the Company expects that unless significant reductions in labour costs together with improvements in volume and pricing can be obtained, Signature's operations will have to be rationalized to a single plant, most likely at its operating facility in Pickering.

### **4. Is the Company bankrupt?**

- No. Under Canadian insolvency and restructuring laws, "bankruptcy" is a specific type of proceeding under which an insolvent company's operations are terminated and its assets are sold or "liquidated" by a trustee in bankruptcy.
- The CCAA proceedings, amongst other things, prevents creditors from forcing the Company into bankruptcy. For this reason, CCAA proceedings are sometimes referred to as "bankruptcy protection".

### **5. Why did the Company file CCAA?**

- The Company's financial performance has been adversely affected by the recent downturn in the economy and it is experiencing significant financial losses. The Company believes that a restructuring under the CCAA is appropriate to deal with both its financing requirements and its operational concerns in an effort to protect the long-term viability of the Company.

### **6. What happens in a CCAA filing?**

- The Company is given time to develop and implement a strategy to restructure its business. Generally a business can be restructured by a sale of assets or through a "plan of arrangement" under which the financial and operational affairs of the Company are restructured through compromises with creditors (for example, creditors settle for something less than the amount they believe they are owed, but more than they would receive in the event the Company were to go bankrupt).
- The Court will put a "stay of proceedings" in place to prevent creditors from taking actions that could destabilize the Company or force it into bankruptcy.
- Subject to the oversight of the Court, the Company remains in control of its business and operations and can take steps to complete its financial and operational restructuring and improve long-term viability.
- If a plan of arrangement has been developed, creditors are given the ability to vote on the plan. If it is approved by the creditors and the Court, the Company implements the plan and "emerges" from CCAA, as a continuing business, completing the process.

### **7. How long will the CCAA proceeding take to complete?**

- At this time, it is not possible to say how long the proceedings will take to complete. However, as we have disclosed to the Court, we have signed an agreement that is expected to form the basis of our restructuring strategy, so we expect the proceedings to be relatively short.
- The Court has granted a stay of proceedings of 30 days, which is the maximum allowed by law on an initial application under the CCAA. The Company is entitled to request extensions of that time and these extensions are routinely granted as long as the Company continues to work in good faith towards a sale or restructuring.

### **8. Who is now in charge of the Company?**

- The executive management team remains in control of the Company and its operations, subject to the specific requirements of the CCAA Orders.

### **9. What does the filing mean for the Company's operations?**

- We have undertaken an extensive review of our customer profitability and utilization levels. In order for the Company to continue as a going concern certain rationalization efforts are necessary. The St. Therese and Richmond Hill facilities will remain on temporary shut down during the stay period. A marketing process

will be undertaken to determine if there is a potential purchaser who is interested in buying the Company and restarting these facilities.

- The Company is seeking to negotiate a reduction in labour costs along with improvements in volumes and pricing, but if no buyer is found, it may be necessary to close two of the facilities and consolidate operations into one facility, most likely, the Pickering plant.
- We will continue to work with our customers to ensure a smooth transition during this process.
- We will provide more detail on the operational restructuring once plans have been finalized. Information about the marketing process can be found on the Monitor's website <http://cfcanada.fticonsulting.com/signature>

**10. Does the Company have sufficient financing to continue operations?**

- Yes. We have arranged for and the Court has approved "debtor in possession" or DIP financing to ensure we have sufficient cash to fund the Company's operations during the restructuring process.

**11. How will I be paid my wages/salary going forward?**

- Wages and salaries will continue to be paid in the normal course for services performed during the proceedings.

**12. I am owed wages up to the filing date. Will I be paid? What about my unpaid expenses?**

- Yes, wages and salaries will continue to be paid to employees who continue to work in the normal course, in accordance with normal payroll practices.
- Expenses submitted in accordance with the Company's policy will be reimbursed.

**13. How will my vacation entitlements be affected?**

- Your vacation entitlements are not affected by the CCAA proceedings. You must continue to comply with normal policies and procedures with regard to approval of time off.

**14. Will my benefits package continue?**

- Yes, benefits arrangements for employees remain unchanged during the process.

**15. Are there going to be lay-offs?**

- Yes, unfortunately there are. As part of the restructuring process and in order to ensure the longer term viability of Signature it is essential that an operational restructuring take place and this does include staff reductions. We will be communicating directly with those affected.

**16. How does the CCAA filing affect the Collective Bargaining Agreement?**

- The Collective Bargaining Agreement cannot be unilaterally amended or terminated by Signature; however, each union has been asked to re-open their contracts for negotiation.

**17. What do I do if I have a grievance during the CCAA proceedings?**

- The union continues to represent its members, although certain procedures may change as a result of the CCAA. If you have any questions or concerns do not hesitate to speak to your union representative.

**18. Will the union be involved in the restructuring?**

- The union and our employees are key constituents in the CCAA proceedings. We will comply with the terms of the applicable Collective Bargaining Agreement and applicable labour laws when it comes to consulting with the union.

**19. How will I be kept informed of developments during the proceedings?**

- We will provide periodic updates on the progress of the restructuring and any key developments. In addition, Court materials, including Monitor's reports, will be available on the internet at <http://cfcanada.fticonsulting.com/signature>.
- Information on the negotiations with the unions is available at [questions@improvingsignature.com](mailto:questions@improvingsignature.com).

**20. What does the CCAA filing mean for the Company's pension plans and their assets?**

- The Company's pension plans currently remain intact. The Initial CCAA Order allows the Company to continue to make normal contributions to the registered pension plans in respect of ongoing service for active employees and the Company intends to make such contributions. Similarly, all employee contributions deducted from salary have been remitted and the Company will continue to do so. Pension fund assets are held separately from the Company's assets. They are not subject to claims by the Company's creditors and can't be used to satisfy other financial obligations of the Company such as obligations owing to secured creditors or trade creditors.

**21. Will the Company continue to make payments to my pension plan?**

- The Initial CCAA Order allows the Company to continue to make regular contributions in respect of ongoing service for active employees to the pension plans and the Company intends to make such payments as required. Similarly, all employee contributions deducted from salary have been remitted and we will continue to do so.
- Special payments, to fund the pension deficit of a defined benefit plan will not be made during the course of the CCAA.

**22. I am a retiree and currently receiving a pension from the Company. Will there be any impact on the amount of my pension payments?**

- Monthly pension payments to current retirees from the Company's registered pension plans are not affected by the initial CCAA order. These payments will continue in the same amount.

**23. I am entitled to a defined contribution pension, is the pension money in my member account at risk?**

- No. Money in your member account is separate from the general assets of the Company. Because of this separation, money in your account cannot be touched in order to pay the Company's operating expenses or to satisfy any creditor claim. The money continues to be invested in the manner you have directed.

**24. Are the Company's defined benefit pension plans underfunded?**

- Yes. If they were wound-up today, each of the defined benefit plans would be underfunded. For the time being, the pension plans remain in place and pension payments will continue as usual. However, special payments to fund pension deficits will be suspended during the CCAA proceedings. If any of the defined benefit plans are wound-up, however, the plan deficiency will become important. In the event of a wind-up, annuities would be purchased for pensioners based on the level of funding available in each defined benefit plan that is wound-up. The purchase of such annuities could potentially lock in a loss due to low market levels, but having an annuity will prevent your money from exposure to future market fluctuation

**25. Why are the defined benefit plans underfunded?**

- Pension plan assets are invested by the plans' fund managers. The downturn in financial markets has meant that pension assets have lost value and the dramatic decline in the interest rates used in the valuation of pension plans has increased the liabilities calculated under the defined benefit plans. As a result, the defined benefit plans show a deficit. It is important to note, however, that it is not uncommon for pension plans to be underfunded and Canadian pension benefits standards legislation specifically contemplates this possibility.

**26. Does the Company intend to wind-up any of its pension plans as part of the CCAA process?**

- The Company does not plan to immediately wind-up any of its pension plans. However, as we have detailed in our Court filing materials, the St. Therese and Richmond Hill facilities may have to be closed if a potential purchaser is not found who is prepared to keep those facilities operating or if suitable operational improvements and cost reductions are not achieved. Regrettably, should this

occur, it is expected that the defined benefit pension plans affecting employees at those locations will be wound up.

- Based on the operational restructuring, if certain plants are closed down, it is expected that the Salaried Staff Plan for those facilities may not be sustainable and will be wound up as well.

**27. If the defined benefit plans are terminated and wound-up, what happens?**

- If a pension plan is terminated and wound up, the pension assets which have accumulated to the wind-up date would be available for distribution to plan members. The market value of the plan's assets at the time the termination report is approved will affect the amount of members' pension benefits. Assets will be distributed in accordance with the plan text and applicable pension benefits standards legislation. If the market value of the assets is less than the wind-up liabilities under the plan, then an adjustment to the benefits of all members could occur. Where the plan is a defined benefit plan registered in Ontario and there are not sufficient assets to provide all benefits, limited protection is provided to Ontario members by the Pension Benefits Guarantee Fund (PBGF).

**28. What is the PBGF?**

- The PBGF is a program paid for by employers with defined benefit pension plans through an annual assessment based on the number of Ontario plan members and the plan's financial situation. In situations where an employer is insolvent and there is an underfunding in the plan on its wind-up, the PBGF will top up the benefits received under the plan by the plan's Ontario members, within prescribed limits. Those limits may mean that retirees receive less than expected.

**29. Does the PBGF cover all of the Company's employees?**

- No. The PBGF covers only those individuals in the defined benefit component of the pension plan who worked in Ontario, during the period they worked in Ontario.

**30. Is there a pension benefits guarantee fund in Quebec?**

- No. Ontario is currently the only province with a guarantee fund.

**31. If all or a portion of the Company is sold to another organization, what happens to the pension plans? Would the purchaser be responsible for maintaining the same pension plans or could the plans' rules or the Company's contributions change?**

- In general, absent a specific provision to the contrary in a collective agreement, there would be no obligation on a purchaser to maintain the terms of the original plans. To try to provide a generic answer is not easy because too many factors could come into play. For example, if one company were sold to another company, the purchaser might not wish to assume the responsibility for the other company's pension plan obligations. In such a case, the selling company's plan might be terminated, in whole or in part, and the assets distributed amongst the plan members, retirees and other beneficiaries. In another scenario, the acquiring company could decide to assume the obligations of the other company's pension plan, in which case pension regulator's approval must be obtained for the transfer of the assets and liabilities to the purchaser's pension plan.

### **32. Who can I contact about my pension?**

- You can obtain further information about your pension by calling by contacting your pension administrator. Ontario employees can also call the Financial Services Commission of Ontario at 416 226-7776, while Quebec employees can contact the Régie des rentes du Québec at 418 643-7421.
- Employees can examine, at the Company's offices, or order copies of certain documents that have been filed with the Financial Services Commission of Ontario or the Régie des rentes du Québec, as applicable. Information to be disclosed by the plan administrator on request includes: annual information returns, financial statements, actuarial reports, plan text, amendments and the statement of investment policies and procedures.

### **33. What do I do if I have other questions?**

- For every-day business questions, you should continue to speak to your supervisor.
- For questions relating to the CCAA proceedings, you can call the Monitor at 905 427 6550 and select option 2 or 1 866 587-5780 and select option 2 or by email at [signature@fticonsulting.com](mailto:signature@fticonsulting.com).