

COURT FILE NUMBER 2001-05482

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF A PLAN OF
ARRANGEMENT OF JMB CRUSHING SYSTEMS INC.
AND 2161889 ALBERTA LTD.

DOCUMENT FIRST REPORT OF FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR OF JMB CRUSHING
SYSTEMS INC. AND 2161889 ALBERTA LTD.

May 8, 2020

ADDRESS FOR SERVICE AND
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FIRST REPORT OF THE MONITOR

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INTRODUCTION

1. On May 1, 2020, JMB Crushing Systems Inc. and 2161889 Alberta Ltd. (“**JMB**” or the “**Applicants**”) commenced proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order provides for, among other things:
 - a. a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until May 11, 2020;
 - b. the appointment of FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”);
 - c. the granting of certain Court-ordered charges, including an administration charge (the “**Administration Charge**”), a charge securing interim financing (the “**Interim Lenders’ Charge**”) and a directors and officers charge (the “**D&O Charge**”);
 - d. the approval of a debtor-in-possession interim revolving credit facility (the “**ATB Facility**”) to be provided by ATB Financial (“**ATB**”) to a maximum amount of \$900,000 and an alternate interim revolving credit facility (the “**CARC Facility**”) and collectively, the “**Facilities**”) to a maximum amount of \$900,000 to be provided by Canadian Aggregate Resources Corporation (“**CARC**” and collectively, the “**Interim Lenders**”), provided that the aggregate amounts drawn on the Facilities shall not exceed \$500,000 until further order of this Honourable Court; and
 - e. the approval of a sale and investment solicitation process (the “**SISP**”).

3. On May 8, 2020, the Applicants filed a notice of application returnable May 11, 2020 for an Amended and Reinstated Initial Order (the “**ARIO**”) which provides for:
 - a. an extension of the Stay of Proceedings to July 31, 2020 (the “**Stay Extension**”);
 - b. a declaration that the maximum aggregate amount available under the Facilities shall be increased to \$900,000; and
 - c. an order appointing Sequeira Partners as the sale advisor (the “**Sale Advisor**”) to carry out the SISP in cooperation with the Applicants and the Monitor.

PURPOSE

4. The purpose of this report is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to the following:
 - a. a summary of the initial activities of the Monitor subsequent to the date of the Initial Order;
 - b. the amount and priority of Court-ordered charges;
 - c. the appointment of the Sale Advisor;
 - d. the key components and timelines of the SISP;
 - e. the Facilities and proposed increases to the maximum borrowing availability;
 - f. an updated cash flow statement (the “**Cash Flow Statement**”) for the 13-week period ending July 31, 2020 (the “**Forecast Period**”) as well as the key assumptions on which the Cash Flow Statement is based;
 - g. JMB’s application for the Stay Extension;

- h. the process the Applicants are proposing to address lienable accounts payable due to subcontractors in respect of certain construction projects for which JMB has significant project accounts receivable; and
- i. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

- 5. In preparing this report, the Monitor has relied upon certain information (the “**Information**”) including JMB's unaudited financial information, books and records and discussions with senior management (“**Management**”).
- 6. Except as described in this report, 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.
- 7. 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.
- 8. Future oriented financial information reported to be 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.
- 9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

OVERVIEW OF JMB AND CAUSES OF INSOLVENCY

- 10. JMB is an aggregate production and supply company based in Bonnyville, Alberta. It is owned by a private equity investor, Canadian Aggregate Resources Corp. (95.2%) and Mr. Jeff Buck, CEO (4.8%).

11. The Applicants are involved in road building and other industrial projects serving the construction and oil and gas industries as well as municipal and provincial governments. They own or have exclusive access to 48 gravel pit locations and 10 surface material leases throughout Alberta.
12. The principal secured creditors of JMB are ATB Financial (“**ATB**”) and Fiera Private Debt Fund VI LP, by its general partner Integrated Private Debt Fund GP Inc. and Fiera Private Debt Fund V LP, by its general partner Integrated Private Debt Fund GP Inc., acting in its capacity as collateral agent for and on behalf of and for the benefit of Fund VI (collectively, “**Fiera**”). ATB’s primary security interests are the Applicants’ accounts receivable and inventory while Fiera holds security against the Applicants’ fixed asset and gravel resources. The Monitor plans to instruct its legal counsel to review the respective security interests of ATB and Fiera and will report on the validity and enforceability of each lenders’ security in due course.
13. JMB’s operating results have deteriorated in recent years as a result of a prolonged downturn in oil and gas markets and have more recently been impacted by the public health emergency caused by COVID-19.
14. JMB’s liquidity has been further challenged by interruption of its accounts receivable collections as a result of subcontractors registering builders’ liens and making other claims against customer’s projects. As a result, the Applicants have been unable to meet their obligations as they generally become due and have been reliant on limited protective disbursements from ATB and CARC to fund critical expenses such as payroll.
15. The business and affairs of the Applicants and the causes of their insolvency are described in further detail in the Affidavit of Jeff Buck dated April 16, 2020 (the “**Buck Affidavit**”).

INITIAL ACTIVITIES OF THE MONITOR

16. The Monitor’s activities during the CCAA Proceedings to date have included the following:

- a. retaining McCarthy Tétrault LLP to act as independent legal counsel to the Monitor;
- b. ongoing discussions with Management, the Applicants' legal counsel, Gowling WLG, and RLH regarding JMB's business and financial affairs;
- c. attending telephone discussions with ATB, its legal counsel and financial advisors;
- d. attending telephone conference with Fiera and its legal counsel;
- e. assisting the Applicants with preparing the SISP and retaining the Sales Advisor;
- f. preparing and issuing notices required under the CCAA and Initial Order, including the following:
 - i. notices to creditors as referenced in paragraph 47 of the Initial order was mailed on May 6, 2020 to known creditors;
 - ii. notices to creditors to be published in the Edmonton Journal on May 8 and May 15, 2020;
 - iii. Form 1 and Form 2 notices issued to the Office of the Superintendent of Bankruptcy in the prescribed form as required under section 23(1)(f) of the CCAA; and
- g. reviewing various cash flow statements and financial projections prepared by Management.

AMOUNT AND PRIORITY OF COURT ORDERED CHARGES

17. The Initial Order provides for certain Court-ordered charges that rank in priority to all other charges and security interests against the Applicants. The nature and charges and the relative priorities of each charge are described below.

Administration Charge

18. JMB sought an Administration Charge in the amount of \$300,000. The beneficiaries of the Administration Charge are the Monitor, counsel to the Monitor and the counsel to the Applicants. The Administration Charge serves as security for the professional fees and disbursements of the beneficiaries incurred both before and after the granting of the Initial Order.

19. The Monitor has reviewed the underlying assumptions upon which the Applicants have based the quantum of the Administration Charge, including the potential complexities of these proceedings and the services to be provided by the beneficiaries of the Administration Charge and is of the view that the quantum of the Administration Charge is reasonable and appropriate in the circumstances, in particular based off of the cash flow projections prepared by the Applicants in contemplation of these proceedings.

20. The Administration Charge ranks in priority to the Interim Lenders' Charge.

Interim Lenders' Charge

21. The Initial Order provides for the Interim Lenders' Charge in favour of the Interim Lenders in an amount not to exceed the aggregate amount outstanding under the Facilities and understands that the Interim Lenders were not prepared to advance funds under the Facilities without the benefit of the Interim Lenders' Charge. Without the funds from the Interim Lenders, JMB would be unable to undertake an organized restructuring in these proceedings, which would be to the detriment of all stakeholders. Accordingly, the

Monitor is of the view that the Interim Lenders' Charge is reasonable and appropriate in the circumstances.

22. The Interim Lenders' Charge ranks subordinate to the Administration charge and in priority to the D&O Charge.

D&O Charge

23. The Applicants sought a D&O Charge in the amount of \$250,000.
24. The beneficiaries of the D&O Charge are the directors and officers of the Applicants. It is the Monitor's view that the continued support and service of the directors and officers during the CCAA Proceedings is beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders.
25. The Monitor has reviewed the underlying calculations upon which the Applicants have based the estimate of the potential liability in respect of the directors' statutory obligations and is of the view that the D&O Charge is reasonable in relation to the quantum of the estimated potential liability and appropriate in the circumstances.
26. The Monitor has not reviewed the terms of the insurance policies held by the Applicants, but notes that the directors and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under an existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the Initial Order.
27. The Monitor believes that the Court-ordered charges and their priority are required and reasonable in the circumstances of the CCAA Proceedings in order to preserve the going concern operations of the Applicants and maximize the recoveries to all stakeholders.

APPOINTMENT OF THE SALE ADVISOR

28. On May 8, 2020, after reviewing competitive proposals from two established corporate finance firms, JMB entered into an agreement with the Sale Advisor to assist Management and the Monitor with conducting the SISP.
29. The Sales Advisor's engagement letter is included as a confidential exhibit to the Second Affidavit of Jeff Buck dated May 8, 2020 (the "**Second Buck Affidavit**"). The advisory fees contemplated in the engagement letter are outlined below:
- a. a monthly work fee;
 - b. upon completion of a transaction, the Sale Advisor will be paid a fee for service ("**Success Fee**");
 - c. in the event a transaction occurs with the existing shareholders of JMB, the Success Fee will be reduced to a lower amount (again sealed for confidentiality reasons);
 - d. in the event JMB enters into a formal receivership or bankruptcy, the Sale Advisor will be entitled to a fee (the "**Keep-Whole Fee**") unless the Sale Advisor continues to be retained; and
 - e. all necessary expenses and other disbursements related to the engagement will be invoiced along with the monthly work fee.
30. The Monitor has reviewed the terms of the Sale Advisor's engagement letter and is of the view that the monthly work fees, Success Fee and the Keep-Whole Fee are appropriate in the circumstances. Furthermore, the Monitor has discussed Sale Advisors' engagement letter with both ATB and Fiera who are also in agreement with the appropriateness of the engagement letter in the circumstance.

SALE AND INVESTMENT SOLICITATION PROCESS

31. JMB, with the assistance of its legal advisors and the Monitor has developed a SISP which was approved by this Honourable Court on May 1, 2020.
32. The SISP documents the terms under which the proposed Sale Advisor will market JMB's assets for sale and present the opportunity for parties to make an investment in the Applicants' business. The SISP is to be led by the Monitor with the assistance of the Sale Advisor.
33. The key components of the SISP include the following:
 - a. any sale of the property or business will be on an "as-is, where-is" basis and all rights, titles and interests will be transferred to a purchaser free and clear of any claims or interests and pursuant to an approval and vesting order;
 - b. the Sale Advisor, with assistance from the Monitor, is to perform the following activities:
 - i. prepare a process summary (the "**Teaser Letter**") outlining the process, a non-disclosure agreement (an "**NDA**") and a confidential information memorandum ("**CIM**");
 - ii. gather sufficient due diligence materials to populate an electronic data room (the "**Data Room**");
 - iii. prepare a list of potential bidders ("**Potential Bidders**") and send the Teaser Letter and NDA to the Potential Bidders;
 - iv. cause a notice of the SISP to be posted on the Sale Advisor's website; and

- v. provide access to the Data Room and related materials to the Potential Bidders who have supplied the NDA and other required information (“**Phase 1 Qualified Bidder**”).
- c. Phase I Qualified Bidders who wish to pursue the opportunity must deliver a Letter of Intent (“**LOI**”) by June 19, 2020 (the “**Phase I Bid Deadline**”), specifying whether they are interested in a sale proposal or an investment proposal;
- d. following the Phase I Bid Deadline, the Monitor will assess the LOIs in consultation with the Sale Advisor and determine which bids will become a “**Phase 2 Qualified Bidder**” subject to the following criteria:
 - i. whether there is a bona fide interest in completing a sale or investment proposal; and
 - ii. whether the Phase I Qualified Bidder has sufficient financial capability to consummate such a transaction.
- e. the Sale Advisor, in consultation with the Monitor will prepare a bid process letter for Phase 2, including a draft purchase/investment agreement to be made available in the Data Room;
- f. Phase 2 Qualified Bidders who wish to make a formal sale or investment proposal shall submit such offer by 5:00pm (Mountain Daylight Time) on July 20, 2020;
- g. bids received which comply with the requirements set out in the SISP, including a duly executed transaction document, will become **Phase 2 Qualified Bids**;
- h. the Monitor is able to terminate the SISP under the following circumstances:
 - i. no Phase 2 Qualified Bids are received; or

- ii. the Phase 2 Qualified Bids received are unlikely to result in a consummated transaction, or
 - iii. proceeding with the SISP is not in the best interests of JMB and its stakeholders.
-
- i. the Monitor, in consultation with the Sale Advisor, JMB, ATB and Fiera, will review and evaluate each Phase 2 Qualified Bid and determine if there is a highest or otherwise best bid (the “**Successful Bid**”); and
 - j. the Monitor shall seek, among other things, approval from this Honourable Court for the consummation of any Successful Bid.

34. The Monitor has the following comments in respect of the SISP:

- a. the Sale Advisor has the appropriate experience and qualifications to execute the SISP;
- b. key stakeholders, including ATB and Fiera have been consulted in respect of the SISP and retention of the Sale Advisor;
- c. the role of the Monitor and the Sale Advisor as provided for in the SISP will manage against potential conflicts of interest that may arise among board members and Management that may wish to participate in the SISP;
- d. the SISP is structured to allow the process to be terminated by the Monitor if no bids are received or proceeding with the SISP is not in the best interests of JMB and its stakeholders, thereby avoiding incremental costs of continuing a process without prospects of a successful transaction;

- e. the process for preparation and distribution of information to potentially interested parties is reasonable and preserves the confidentiality of such information where applicable;
 - f. the timeframe to market and sell the business and/or property, while aggressive and compressed, is appropriate in light of JMB's circumstances and the liquidity constraints JMB is working with under the CCAA Proceedings; and
 - g. the process and criterion for assessment and comparison of offers is structured to identify the highest and/or best offer.
35. The Monitor is advised by the Applicants and RLH that RLH may submit a stalking horse bid to purchase some or all of the Applicants' assets under the SISP. As at the time of this Report, no stalking horse bid has been submitted. The Monitor intends to provide updates to this Honourable Court with respect to the details of any such stalking horse bids if they are received.
36. Overall, it is the Monitor's view that the SISP terms and timeframe are reasonable in the circumstances and afford the Applicants with an opportunity to pursue a successful restructuring transaction in a fair and transparent manner.

INTERIM FINANCING

37. JMB is unable to pay current and ongoing operating expenses without an immediate infusion of cash. Accordingly, the Applicants have arranged for interim financing to fund the continuation of its business and preservation of its assets until it begins to generate sufficient positive cash flow from accounts receivable and ongoing projects to fund short term operations and repay the Facilities.
38. The key commercial terms of the interim financing are as follows:

- a. the Applicants are authorized to borrow up to a maximum of \$900,000 under the Facilities;
- b. the Applicants shall not draw on the CARC facility unless ATB has terminated or is unwilling to permit advances under its facility with the maximum amount available under the CARC facility being reduced by the amounts outstanding under the ATB facility;
- c. all obligations under the Facilities shall be secured by the Interim Lender's Charge;
- d. the following fees and interest are to be paid to the Interim Lenders:
 - i. an interest rate of 10% per annum, calculated and compounded daily; and
 - ii. all out-of-pocket fees and expenses, including legal fees and disbursements.
- e. the ATB Facility is repayable on demand and ATB may terminate the availability thereof (including any undrawn portion) at any time and without notice.
- f. amounts drawn under the facility are to be repaid by the earlier of:
 - i. the end of 12 months following the commencement of the CCAA Proceedings;
 - ii. the implementation of a plan of compromise or arrangement;
 - iii. the completion of a recapitalization or sale of substantially all of the Applicants' assets;
 - iv. the termination of the CCAA Proceedings; and

- v. the occurrence and continuance of an event of default and/or ATB demanding repayment of the indebtedness.

39. The Monitor supports the approval of the Facilities and Interim Lenders' Charge for the following reasons:

- a. the Applicants are in urgent need of funding to support JMB's ordinary operating expenses and restructuring costs;
- b. while the Applicants considered alternative sources of interim financing, ATB is the most practical party to provide short-term financing and the Monitor understands that ATB would be opposed to funds being advanced by other lenders on a priority basis;
- c. the Facilities will provide sufficient liquidity and working capital for the Applicants to make payments critical to their ongoing business operations; and
- d. ATB has advised the Monitor that it would not be prepared to extend the interim financing without the Interim Lenders' Charge.

40. Overall, it is the Monitor's view that the financing contemplated by the Facilities is necessary for the funding of the Applicants' operations and restructuring costs in the near term and will enhance the Applicants' prospects of achieving a successful restructuring.

CASH FLOW STATEMENT

41. The Applicants have prepared the updated Cash Flow Statement to set out the liquidity requirements of JMB during the Forecast Period of the 13 weeks ending July 31, 2020. The Cash Flow Statement is summarized in the following table:

(\$000's)	Forecast Period
Operating Receipts	
Collection of AR	\$ 10,885
Other Receipts	180
Total Operating Receipts	11,065
Operating Disbursements	
Payroll And Source Deductions	(1,719)
Pre-filing Lienable Payables	(3,701)
Royalties	(400)
Fuel	(470)
Repair & Maintenance	(130)
Office Administration	(42)
Insurance & Benefits	(106)
Jobsite Lodging	(51)
Equipment Loan & Lease Payments	(268)
Occupancy	(111)
Other	(150)
Total Operating Disbursements	(7,147)
Non-Operating Receipts & Disbursements	
Interim Financing (Repayment)	(188)
CARC Repayment	(200)
Professional Fees	(830)
Total Disbursements	(8,365)
Net Cash Flow	2,700
Opening Cash Balance	-
Ending Cash	\$ 2,700

42. The Cash Flow Statement is based on the following key assumptions:

- a. operating receipts relate to collection of contract accounts receivable of approximately \$10.9 million as well as \$180,000 of recoveries from Canadian Emergency Wage Subsidies;
- b. operating disbursements relate primarily to ordinary course payments to run JMB's ongoing gravel supply contracts;

- c. pursuant to paragraph 5(d) of the Initial Order, the forecast includes approximately \$3.7 million of payments of pre-filing amounts due to suppliers that may have lien rights in respect of projects for which JMB has substantial accounts receivable. Refer to paragraph 46 for further details on how the Applicants expect to deal with such lien claimants;
 - d. interim financing of \$575,000 is to be advanced and fully repaid during the Forecast Period. ATB and CARC are assumed to be repaid \$188,000 and \$200,000, respectively, as repayment of protective payments made in April 2020 to fund payroll and other critical disbursements while the Applicants prepared for the CCAA Proceedings; and
 - e. professional fees are forecast to be approximately \$830,000 during the period and include the Applicants' legal counsel, the Monitor, the Monitor's legal counsel, certain contract executives of JMB and the Sales Agent's work fee. The forecast does not provide for the Success Fee as it is assumed that it would be paid out of net proceeds of a successful transaction.
43. Overall, the Applicants are forecasting to generate net cash flow of \$2.7 million during the Forecast Period.

Monitor's Report on the Cash Flow Statement

44. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports as follows:
- a. the Cash Flow Statement has been prepared by the Management of the Applicants for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in notes 1 to 15 thereof;

- b. the Monitor's review consisted of inquiries, analytical procedures and discussions related to information supplied by Management and employees of the Applicants. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement;
- c. based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - ii. as at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
 - iii. the Cash Flow Statement does not reflect the probable and hypothetical assumptions;
- d. since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Monitor in preparing this Report; and

- e. the Cash Flow Statement has been prepared solely for the purposes described in the notes to the Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

EXTENSION OF THE STAY OF PROCEEDINGS

45. The Monitor has considered JMB's application for the ARIO and has the following comments:

- a. the Cash Flow Statement forecasts that the Applicants have available liquidity during the period of the Stay Extension;
- b. the Applicants require the Stay Extension in order to conduct the SISP and pursue a restructuring transaction;
- c. certain key stakeholders including ATB, Fiera and RLH are supportive of the Stay Extension;
- d. the Applicants are acting in good faith and with due diligence; and
- e. JMB's prospects of affecting a viable restructuring will be enhanced by the Stay Extension.

BUILDERS' LIEN PROTOCOL

46. As described in the Second Buck Affidavit, JMB has engaged subcontractors (the "**Subcontractors**") to perform certain services in respect of projects owned or managed by Municipal District of Bonnyville ("**Bonnyville**") and EllisDon (the "**Projects**"). The Applicants' have been unable to make payment in full to the Subcontractors for the services they performed. As a result of this non-payment, a number of the Subcontractors have registered builders' liens against the Projects.

47. Both Bonnyville and EllisDon have advised JMB that they will not pay any amounts owing to JMB until the Liens registered against the Projects have been discharged.
48. In order to address the liens and facilitate timely collection of the Project accounts receivable, JMB, in consultation with the Monitor, has proposed a process whereby:
- a. Bonnyville or EllisDon will remit to the Monitor the full amount owing to JMB in respect of work performed on the Projects;
 - b. the Monitor, in consultation with its legal counsel, will confirm the validity and quantum of each lien claimed by each Subcontractor; and
 - c. the Monitor will pay to each Subcontractor the amount validated by the Monitor in respect of the lien registered by that Subcontractor against the Project in exchange for a discharge of the Lien.
49. The proposed process for addressing the liens will provide for orderly payment of the applicable Subcontractors, removal of the liens registered against the Projects and facilitate timely collection of the Project accounts receivable.

MONITOR'S RECOMMENDATIONS

50. The ARIO, the Stay Extension and authorization for increased interim financing will allow JMB to preserve its assets and operations while it collects its contract accounts receivable and pursues a restructuring transaction with the assistance of the Sales Advisor.
51. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the ARIO.

All of which is respectfully submitted this 8th day of May 2020.

FTI Consulting Canada Inc.
In its capacity as Monitor of the Applicants

A handwritten signature in blue ink, appearing to read 'Deryck Helkaa', with a large circular flourish at the end.

Deryck Helkaa
Senior Managing Director

A handwritten signature in black ink, appearing to read 'Tom Powell', with a stylized, angular flourish at the beginning.

Tom Powell
Senior Managing Director

Appendix A

Cash Flow Statement for the Period May 1, 2020 to July 31, 2020

Cash Flow Statement

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
Week Ending	8-May-20	15-May-20	22-May-20	29-May-20	5-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20	3-Jul-20	10-Jul-20	17-Jul-20	24-Jul-20	31-Jul-20	Total	Notes
Opening Cash	\$ -	35,750	500	739,418	293,668	2,139,269	1,989,519	2,260,469	2,061,569	2,193,819	2,048,819	2,143,569	1,992,969	-	
Cash Receipts															
Collection of Canadian Emergency Wage Subsidy	-	-	-	-	-	-	180,000	-	-	-	-	-	-	180,000	2
Collection of Pre-Filing AR - Ellis Don	-	-	-	-	4,861,051	-	-	-	-	-	-	-	-	4,861,051	3
Collection of Pre-Filing AR - MD of Bonnyville	-	-	3,563,768	-	-	-	-	-	-	-	-	-	-	3,563,768	4
Collection of Post Filing AR - MD of Bonnyville	-	-	-	-	-	-	488,250	-	488,250	-	488,250	-	163,351	1,628,101	
Collection of Post Filing AR - West Can	-	-	-	-	-	-	-	-	-	-	-	-	397,000	397,000	5, 6
Collection of Post Filing AR - Alberta Midland	-	-	-	-	-	-	-	-	-	-	-	-	435,000	435,000	5, 6
Total Receipts	-	-	3,563,768	-	4,861,051	-	668,250	-	488,250	-	488,250	-	995,351	11,064,920	
Operating Disbursements															
Payroll And Source Deductions	(283,000)	(65,000)	(135,000)	(301,000)	(135,000)	(65,000)	(135,000)	(65,000)	(135,000)	(65,000)	(135,000)	(65,000)	(135,000)	(1,719,000)	
Pre-filing Lienable Payables - Ellis Don	-	-	-	-	(2,359,000)	-	-	-	-	-	-	-	-	(2,359,000)	7
Pre-filing Lienable Payables - MD	-	-	(1,342,000)	-	-	-	-	-	-	-	-	-	-	(1,342,000)	7
Royalties	-	-	-	-	(400,000)	-	-	-	-	-	-	-	-	(400,000)	8
Fuel	(1,500)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(39,000)	(469,500)	9
Repair & Maintenance	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(130,000)	9
Office Administration	-	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(42,000)	9
Insurance & Benefits	-	(26,000)	-	-	-	-	(3,000)	-	(77,000)	-	-	-	-	(106,000)	10
Jobsite Lodging	(7,250)	(7,250)	(7,250)	(7,250)	(7,250)	(7,250)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(50,500)	9
Equipment Loan & Lease Payments	-	(2,500)	(2,500)	(62,500)	(9,700)	(2,500)	(800)	(57,900)	(38,500)	(4,000)	-	(9,600)	(77,800)	(268,300)	11
Occupancy	(29,500)	(7,500)	-	-	(29,500)	-	(7,500)	-	(29,500)	-	(7,500)	-	-	(111,000)	
Other	-	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(150,000)	12
Total Disbursements	(331,250)	(173,250)	(1,551,750)	(435,750)	(3,005,450)	(139,750)	(212,300)	(188,900)	(346,000)	(135,000)	(208,500)	(140,600)	(278,800)	(7,147,300)	
Non-Operating Receipts & Disbursements															
DIP Financing (Repayment)	427,000	148,000	(763,100)	-	-	-	-	-	-	-	-	-	-	(188,100)	13
CARC Advance (Repayment)	-	-	(200,000)	-	-	-	-	-	-	-	-	-	-	(200,000)	14
Professional Fees	(60,000)	(10,000)	(310,000)	(10,000)	(10,000)	(10,000)	(185,000)	(10,000)	(10,000)	(10,000)	(185,000)	(10,000)	(10,000)	(830,000)	15
Total Disbursements	367,000	138,000	(1,273,100)	(10,000)	(10,000)	(10,000)	(185,000)	(10,000)	(10,000)	(10,000)	(185,000)	(10,000)	(10,000)	(1,218,100)	
Net Cash Flow	35,750	(35,250)	738,918	(445,750)	1,845,601	(149,750)	270,950	(198,900)	132,250	(145,000)	94,750	(150,600)	706,551	2,699,520	
Ending Cash	\$ 35,750	500	739,418	293,668	2,139,269	1,989,519	2,260,469	2,061,569	2,193,819	2,048,819	2,143,569	1,992,969	2,699,520	2,699,520	

Notes

- 1 The Cash Flow Statement has been prepared to set out the post filing liquidity requirements of JMB Crushing Systems Inc. during the 13 weeks ending July 31, 2020 under the Companies' Creditors Arrangement Act proceeding (the "CCAA Proceedings") which commenced effective May 1, 2020.
- 2 Management estimates the company will be eligible for the Canadian Emergency Wage Subsidy from the Government of Canada for the period of May 2020. Management is also evaluating whether the company will be eligible to claim the subsidy for April which would represent an additional receipt of \$180,000.
- 3 Cash receipts and timing of payment on pre-filing amounts due from Ellis Don is contingent upon final settlement of a process with Ellis Don to remit the balance of funds it is holding after the discharge and payment of valid pre-filing liens referred to in Note 7 and payment of the remaining funds into Court for further adjudication of any remaining unpaid valid liens before remaining funds are paid to the company.
- 4 Cash receipts and timing of payment on pre-filing amounts due from MD of Bonnyville is contingent upon agreement of a process that will permit MD of Bonnyville to direct payments to valid pre-filing lienable payables referred in Note 7 and remit the remaining balance to the company.
- 5 Billings are assumed net of third party payables relating to royalties, road use and quality control.
- 6 The forecast receipt from the West Can project is based on an awarded contract with a purchase order and the Alberta Midland project is based on a recently verbally awarded contract and remains subject to receipt of the final purchase order.
- 7 Pre-filing lienable payments represent arrears payments of approximately \$3.7 million relating to potentially lienable payables for the Ellis Don and MD of Bonnyville Pre-filing accounts receivable.
- 8 Royalties relate to current royalties in respect of ongoing operations. Arrears royalty payments are assumed to not be paid.
- 9 Operating expenses are forecasted based on current run rates and are assumed to be paid on a COD basis.
- 10 Insurance & Benefits represent amounts for the company's general insurance policy and employee benefits including a catch up payment to Sunlife for \$55,000.
- 11 Equipment Loan and Lease payments represent scheduled payments for equipment to be utilized going forward.
- 12 Other disbursements includes miscellaneous payments and contingent costs.
- 13 The company received DIP financing from ATB in the amount of \$427,000 on May 6, 2020 which is anticipated to be to be fully utilized during the week ended May 8, 2020.
Additional DIP financing is forecast to be required during the week ended May 15, 2020 in the amount of \$148,000.
Repayment of the DIP financing and a pre-filing advance by ATB during April 2020 in the amount of \$188,100 is forecast to be repaid during the week ended May 22, 2020.
In the event the net receipts from MD of Bonnyville after the discharge of the related Pre-Filing Lienable Payables referred to in Note 7 are not collected as forecast during the week ended May 22, 2020, the DIP financing repayment will not occur and additional Interim Financing will be required.
- 14 The CARC Advance Repayment represents the repayment of amounts advanced to the company by Canadian Aggregate Resources Corporation on or about April 10, 2020.
- 15 Professional fees relate to the Company's legal counsel, the Monitor, the Monitor's legal counsel, corporate finance sales consultant, operational consultant and Chief Restructuring Advisor.