



COURT FILE NUMBER 2001-05482

COURT COURT OF QUEEN'S BENCH OF ALBERTA JS Oct 01 2020
J. Eidsvik

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

September 23, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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SIXTH REPORT OF THE MONITOR

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INTRODUCTION

1. On May 1, 2020, JMB Crushing Systems Inc. (“**JMB**”) and 2161889 Alberta Ltd. (collectively, 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 which was subsequently amended and restated on May 11, 2020 (the “**ARIO**”).
2. The ARIO provides for, among other things:
 - a. a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until July 31, 2020;
 - b. the appointment of FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”); and
 - c. the approval of a sale or investment solicitation process (“**SISP**”).
3. On September 11, 2020, this Honourable Court granted an order extending the Stay of Proceedings until September 25, 2020.
4. On September 23, 2020, the Applicants filed a Notice of Application for an order extending the Stay of Proceedings until a date to be determined by the Court (the “**Extension Order**”).
5. The purpose of this report is to provide this Honourable Court and the Applicants’ stakeholders with information with respect to:
 - a. an update on the SISP; and
 - b. the Applicants’ application for the Extension Order; and
 - c. the Monitor’s conclusion and recommendation.

TERMS OF REFERENCE

6. 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 and the Chief Restructuring Advisor (the “**CRA**” and collectively, “**Management**”).
7. 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.
8. 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.
9. 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

UPDATE ON THE SISP

11. As described in the Fifth Report of the Monitor dated September 10, 2020 (the “**Fifth Report**”), Sequeira Partners, in its capacity as sales agent (the “**Sales Agent**”), in consultation with the Monitor, the CRA, and certain secured lenders, has been negotiating with a potential purchaser regarding a preferred bid that may provide for the sale of the majority of JMB’s remaining assets.

12. The various documents and agreements with respect to the potential transaction have advanced since the date of the Fifth Report but have not yet been finalized. The Monitor expects to bring an application before this Honourable Court to approve any such transaction in the coming weeks.
13. In the Fifth Report, it was reported that the potential transaction was contemplated to have an effective date of September 15, 2020 (the “**Effective Date**”), after which the operating costs of the Applicants would be incurred by the prospective purchaser to avoid deterioration of recoveries to the Applicants’ stakeholders. The Monitor has been advised that this has not yet been agreed to and is subject to ongoing discussions among the potential purchaser, the Applicants, the Applicants’ secured creditors and the Monitor.
14. The Fourth Cash Flow Statement included in the Fifth Report was based on, among other things, the assumption that operating costs after the Effective Date would be incurred by the prospective purchaser. Due to uncertainty surrounding the Effective Date, it is unknown whether this assumption remains valid. However, the Applicants have approximately \$2.0 million of cash on hand as at September 18, 2020, some of which may be available to fund the Applicants’ near-term operating costs.
15. In order to mitigate the deterioration of value from ongoing operating costs, the Monitor is of the view that the Applicants should urgently seek to close the transaction in the immediate near term.

STAY EXTENSION

16. The Extension Order does not include a proposed term of the extension to the Stay of Proceedings being sought but rather the Applicants are seeking an extension until a date to be determined by the Court.
17. The Monitor has considered JMB’s application to extend the Stay of Proceedings and has the following comments:

- a. a brief extension will provide the Applicants and the Monitor with time to address certain key issues with the prospective purchaser and work towards finalizing a transaction;
- b. the Monitor is not aware of opposition to a short-term extension by the Applicants' secured lenders and understands that the secured lenders are supportive of the Applicants seeking to close the potential transaction;
- c. the Applicants are acting in good faith and with due diligence;
- d. while the potential purchasers and the Applicants' secured lenders have not yet reached an agreement with respect to the Effective Date, the Applicants have sufficient liquidity to fund near term operating costs; and
- e. JMB's prospects of effecting a viable restructuring will be enhanced by a short-term extension of the Stay of Proceedings.

MONITOR'S CONCLUSION AND RECOMMENDATION

18. Overall, in the absence of opposition from the Applicants' affected secured creditors, the Monitor is supportive of a short-term extension to the Stay of Proceedings of one to two weeks while the Applicants seek to address certain key issues with the potential purchaser and reach an arrangement with respect to the funding of operating costs pending the conclusion of a successful transaction.

All of which is respectfully submitted this 23rd day of September, 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 large, stylized initial 'T'.

Tom Powell
Senior Managing Director