

COURT FILE NUMBER 20016-05630

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 DOMINION DIAMOND MINES ULC, DOMINION
DIAMOND DELAWARE COMPANY LLC, DOMINION
DIAMOND CANADA ULC, WASHINGTON DIAMOND
INVESTMENTS, LLC, DOMINION DIAMOND HOLDINGS,
LLC AND DOMINION FINCO INC.

DOCUMENT THIRD REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF DOMINION DIAMOND
MINES ULC, DOMINION DIAMOND DELAWARE
COMPANY LLC, DOMINION DIAMOND CANADA ULC,
WASHINGTON DIAMOND INVESTMENTS, LLC,
DOMINION DIAMOND HOLDINGS, LLC AND DOMINION
FINCO INC.

May 14, 2020

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

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THIRD REPORT OF THE MONITOR

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INTRODUCTION

1. On April 22, 2020, Dominion Diamond Mines ULC, Dominion Diamond Delaware Company LLC, Dominion Diamond Canada ULC; Washington Diamond Investments, LLC, Dominion Diamond Holdings, LLC and Dominion Finco Inc. (collectively, “**Dominion**” or the “**Applicants**”) were granted an initial order (the “**Initial Order**”) commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
2. The Initial Order appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”) and established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until May 2, 2020. The Stay of Proceedings has since been extended until and including June 1, 2020 by a subsequent Amended and Reinstated Initial Order granted by this Honourable Court on May 1, 2020.
3. On May 6, 2020 DDJ Capital Management, LLC, Barings LLC and Brigade Capital Management, LP (collectively, the “**Ad Hoc Committee**”) who are holders of a majority of Dominion’s 7.125% senior secured second lien notes due in 2022 (the “**Notes**”) served an application returnable May 8, 2020 for an order authorizing and directing the Applicants to pay and reimburse the reasonable legal and financial advisory expenses to be incurred by the Ad Hoc Committee in these proceedings for the period up to the date on which any debtor-in-possession financing is approved by this Court, subject to further Court order (the “**Ad Hoc Costs Application**”). On May 8, 2020, the Ad Hoc Costs Application was adjourned to May 15, 2020.
4. On May 12, 2020 Wilmington Trust, National Association, in its capacity as Trustee, Notes Collateral Agent, Paying Agent, Transfer Agent and Registrar under an indenture dated October 23, 2017 regarding the Notes (the “**Trustee**”) served an application returnable May 15, 2020 for an order authorizing and directing the Applicants to pay the reasonable post-filing fees and expenses of the Trustee and its counsel, Dentons Canada LLP and Dentons US LLP, in connection with the CCAA Proceedings. (the “**Wilmington Costs Application**” and, together with the Ad Hoc Costs Application, the “**Costs Applications**”).

5. The purpose of this third report of the Monitor is to provide this Honourable Court and the Applicants' stakeholders with information and the Monitor's comments with respect to:
 - a. the Costs Applications; and
 - b. an update with respect to the launching of the CaseLines document management platform in the CCAA Proceedings.

TERMS OF REFERENCE

6. In preparing this report, the Monitor has relied upon certain information (the "**Information**") including Dominion's unaudited financial information, books and records and discussions with senior management ("**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. 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.

THE COST APPLICATIONS

9. The Monitor has reviewed the materials filed by the Trustee and the Ad Hoc Committee with respect to the Costs Applications, and has the following comments:
 - a. neither the Trustee nor the Ad Hoc Committee have provided an estimated amount of the costs for which they seek payment by the Applicants. Without understanding the quantum of what is being requested, the Monitor is unable to assess at this time its potential impact of the relief being sought on the cashflow, operations of the Applicants or the Administration Charge granted in the CCAA Proceedings;

- b. while the Trustee and the Ad Hoc Committee appear to be comprised of and/or represent different groups of holders of the Notes, all those holders share a commonality of interest. They have common holdings in the same debt instruments, secured by common security. The Monitor is unable to determine at this time what role the Trustee may be required to play in the CCAA Proceedings, that is distinct from, or would not overlap substantially, with the role that will be played by the Ad Hoc Committee, who comprise a majority of the holders of the Notes. As such, the Monitor does not at this time see a clear rationale for the request to fund two sets of representatives of holders of the Notes;
 - c. at this stage in the CCAA Proceedings, the Applicants have not agreed nor been directed to pay the legal and advisory costs of any other stakeholder groups; and
 - d. the Monitor understands from the Applicants that it is likely that an application may be filed as early as the week ending May 22, 2020 to approve an interim financing facility and a sales and investment solicitation process. At that time, the identity of the interim lender selected by the Applicants will be known, along with additional details about the timing and likely path of the CCAA Proceedings. That information may further inform whether the reimbursement of costs for the Trustee and/or the Ad Hoc Committee is reasonable, in the circumstances then prevailing.
10. For the reasons set out above, the Monitor is of the view that there is currently insufficient justification to support the relief sought in the Costs Applications.

CASELINES UPDATE

11. As referenced in the Second Report of the Monitor dated May 7, 2020, the Monitor has established up a CaseLines cloud-based document management platform to coordinate the uploading, service and review of Court materials in the CCAA Proceedings, as well as to facilitate Court presentations in a virtual format.

12. The platform was launched on May 11, 2020 and all members of the Service List received an email inviting them to register for CaseLines and corresponding instructions for using the site. As of the time of the completion of this Third Report, 48 individuals have registered on the CaseLines platform. In advance of the May 15, 2020 hearing, parties have been uploading materials onto the platform, making those materials instantly available to all parties and to the Court.

13. The Monitor will work with the CaseLines service provider to provide a webinar training opportunity for all stakeholders who wish to avail themselves of that opportunity.

14. The Monitor will also be bringing an application for an Order setting out the parameters of the parties' use of the CaseLines platform in the CCAA Proceedings.

All of which is respectfully submitted this 14th day of May 2020.

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



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