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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

110259

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

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

September 10, 2020

ADDRESS FOR SERVICE AND
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FIFTH 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 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 May 20, 2020, this Honourable Court granted an order which provides for, among other things, a process (the “**Builders’ Lien Protocol**”) to address the validity of any builders’ lien claims of certain subcontractors that JMB had engaged in respect of a project owned by the Municipal District of Bonnyville (the “**MD of Bonnyville**”) while collecting certain outstanding receivables in a timely fashion (the “**Bonnyville Lien Order**”).
4. On May 29, 2020, following the Builders’ Lien Protocol established in the Bonnyville Lien Order, this Honourable Court granted an order (the “**EllisDon Lien Order**”) and together with the Bonnyville Lien Order, the “**Lien Orders**”) which set out a similar Builders’ Lien Protocol but with respect to a project involving 1598313 Alberta Ltd. and Kuwait Petrochemical Limited Partnership as owners and EllisDon Industrial Inc. (“**EllisDon**”) as contractor.

5. On August 26, 2020, this Honourable Court granted orders:
 - a. extending the Stay of Proceedings until September 11, 2020; and
 - b. approving and vesting certain assets of JMB in McDonald Aggregates Inc. (the “**McDonald SAVO**”).
6. On September 9, 2020, the Applicants filed a Notice of Application for an order extending the Stay of Proceedings to September 18, 2020 (the “**Extension Order**”).
7. 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;
 - b. the Applicants’ actual cash receipts and disbursements for the 17-week period ended August 28, 2020 as compared to the Third Cash Flow Statement filed with the fourth report of the Monitor;
 - c. an updated cash flow statement (the “**Fourth Cash Flow Statement**”) prepared by the Applicants for the 25 weeks ending October 23, 2020 including the key assumptions on which the Fourth Cash Flow Statement is based;
 - d. JMB’s application for the Extension Order; and
 - e. the Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

8. 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**”).

9. 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.
10. 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.
11. 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.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

UPDATE ON THE SISP

13. Certain details concerning the SISP are described in the Fourth Report of the Monitor dated August 25, 2020, and are not repeated herein.
14. On September 8, 2020, the Applicants concluded a sale of certain pieces of crushing equipment pursuant to the McDonald SAVO for net proceeds of approximately \$264,000.
15. Sequeira Partners, in its capacity as sales agent (the "**Sales Agent**"), in consultation with the Monitor, the CRA, and certain secured lenders, is negotiating with a potential purchaser regarding an additional preferred bid that may provide for the sale of the majority of JMB's remaining assets. The potential transaction is 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 any further deterioration of recoveries to the Applicants' stakeholders.

16. The Sales Agent, the CRA, the prospective purchaser and certain key affected secured creditors and stakeholders are working towards the finalization of transaction involving the majority of JMB's assets. It is anticipated that the parties will be able to address certain key issues by September 18, 2020. Following the finalization of the various documents and agreements the Monitor will bring an application before this Honourable Court to approve any such transaction.

CASH FLOW VARIANCE ANALYSIS

17. The Monitor has undertaken weekly reviews of JMB's actual cash flows in comparison to those contained in the Third Cash Flow Statement. JMB's actual cash receipts and disbursements as compared to the Third Cash Flow Statement for the period of May 1, 2020, to August 28, 2020, are summarized below:

(\$000's)	Weeks 1 - 17		
	Actual	Forecast	Variance
Operating Receipts			
Collection of Pre-Filing AR - Ellis Don	\$ 2,032	\$ 2,032	\$ -
Collection of Pre-Filing AR - MD of Bonnyville	1,478	1,632	(154)
Collection of Post Filing AR - MD of Bonnyville	1,566	1,566	-
Other Receipts	775	745	29
Total Operating Receipts	5,849	5,974	(125)
Operating Disbursements			
Payroll And Source Deductions	(1,249)	(1,250)	1
Royalties	(408)	(408)	-
Fuel	(206)	(205)	(1)
Repair & Maintenance	(49)	(49)	-
Office Administration	(22)	(28)	6
Insurance & Benefits	(139)	(139)	-
Jobsite Lodging	(21)	(21)	-
Equipment Loan & Lease Payments	(135)	(135)	-
Occupancy	(128)	(127)	(1)
Other	(24)	(26)	2
Total Operating Disbursements	(2,380)	(2,387)	8
Non-Operating Receipts & Disbursements			
CARC Repayment	-	-	-
Professional Fees	(1,147)	(1,338)	191
Total Disbursements	(3,738)	(3,937)	199
Net Cash Flow	2,111	2,038	74
Opening Cash Balance	-	-	-
Ending Cash	\$ 2,111	\$ 2,038	\$ 74

18. Overall, the Applicants realized a favourable net cash flow variance of approximately \$74,000. The key components of the variance are as follows:

- a. the collection of \$154,000 relating to the pre-filing MD of Bonnyville accounts receivable is subject to the outcomes of lien determination hearings scheduled to occur on October 22, 2020; and
- b. professional fees are approximately \$191,000 lower than forecast as a result of timing differences.

19. The Applicants are holding a cash balance of approximately \$2.0 million as at August 28, 2020.

FOURTH CASH FLOW STATEMENT

20. Management has prepared the Fourth Cash Flow Statement which includes forecast results for the eight weeks ending October 23, 2020 (the “**Forecast Period**”). A copy of the Fourth Cash Flow Statement is attached as Appendix “A”.

21. A summary of the Fourth Cash Flow Statement is set out in the below table:

(\$000's)	Weeks 1-17 Actual	Weeks 18-25 Forecast	Total Pro-Forma
Operating Receipts			
Collection of Pre-Filing AR - Ellis Don	\$ 2,032	\$ 167	\$ 2,199
Collection of Pre-Filing AR - MD of Bonnyville	1,478	1,850	3,328
Collection of Post Filing AR - MD of Bonnyville	1,566	-	1,566
SISP Proceeds - McDonald Aggregates Inc.	-	277	277
Other Receipts	775	25	800
Total Operating Receipts	5,849	2,320	8,169
Operating Disbursements			
Payroll And Source Deductions	(1,249)	(69)	(1,318)
Royalties	(408)	-	(408)
Fuel	(205)	(1)	(206)
Repair & Maintenance	(49)	-	(49)
Office Administration	(22)	(7)	(29)
Insurance & Benefits	(139)	(65)	(203)
Jobsite Lodging	(21)	-	(21)
Equipment Loan & Lease Payments	(135)	-	(135)
Occupancy	(128)	(48)	(176)
Other	(24)	(32)	(55)
Total Operating Disbursements	(2,380)	(221)	(2,600)
Non-Operating Receipts & Disbursements			
Interim Financing (Repayment)	(211)	-	(211)
CARC Advance (Repayment)	-	(200)	(200)
Professional Fees	(1,147)	(519)	(1,666)
Total Disbursements	(3,738)	(939)	(4,677)
Net Cash Flow	2,111	1,381	3,492
Opening Cash Balance	-	2,111	-
Ending Cash	\$ 2,111	\$ 3,492	\$ 3,492

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

- a. lien determination notices with respect to the MD of Bonnyville and EllisDon projects were issued by the Monitor on July 17, 2020 and August 20, 2020, respectively. The notice period for lien claimants of the MD of Bonnyville and EllisDon projects to dispute the Monitor's lien determination has now expired, with two parties having filed disputes. Those applications are scheduled to be heard on October 22, 2020. The Fourth Cash Flow Statement includes the release

of the approximately \$2.0 million to JMB in holdbacks related to the EllisDon and MD of Bonnyville projects based on the Monitor's determinations, of which approximately \$1.7 million will be subject to the decisions of this Honourable Court;

- b. receipts related to the sale of equipment to the McDonald SAVO were received on August 31, 2020 with the deposit held by the Monitor to be released to JMB during the week ending September 11, 2020;
 - c. operating disbursements relate primarily to ordinary course payments to fund payroll for the limited amount of staff remaining, basic office needs, insurance, benefits and occupancy costs. As noted above, the Applicants are pursuing a transaction whereby operating costs beyond September 15, 2020 would be borne by the purchaser and this assumption is carried forward in the Fourth Cash Flow Statement; and
 - d. professional fees are forecast to be approximately \$519,000 during the Forecast Period and include accrued and current fees for the Applicants' legal counsel, the Monitor, the Monitor's legal counsel, certain contract executives of JMB and the Sales Agent's September work fee.
23. Overall, the Applicants are forecasting to achieve a net cash flow of approximately \$1.4 million during the Forecast Period and have a remaining cash balance of approximately \$3.5 million as at October 23, 2020.

STAY EXTENSION

24. The Monitor has considered JMB's application to extend the Stay of Proceedings and has the following comments:

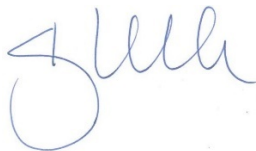
- a. the proposed extension will provide the Monitor with time to address certain key issues with the prospective purchaser and work towards the finalization of a transaction;
- b. the Fourth Cash Flow Statement forecasts that the Applicants have available liquidity during the period of the proposed extension;
- c. the Monitor has been advised that certain stakeholders, including the senior secured creditors, are supportive of the proposed extension;
- d. the Applicants are acting in good faith and with due diligence; and
- e. overall, JMB's prospects of effecting a viable restructuring will be enhanced by an extension of the Stay of Proceedings until September 18, 2020.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

25. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the Extension Order.

All of which is respectfully submitted this 10th day of September, 2020.

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



Deryck Helkaa
Senior Managing Director



Tom Powell
Senior Managing Director

Appendix A

Fourth Cash Flow Statement
for the 25 Weeks Ending October 23, 2020

Second Cash Flow Statement (Notes 1)

	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
Week #	Weeks 1 - 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Weeks 18-25	Weeks 1 -25		
Week Ending		4-Sep-20	11-Sep-20	18-Sep-20	25-Sep-20	2-Oct-20	9-Oct-20	16-Oct-20	23-Oct-20	Total	Total		Notes
Opening Cash	\$ -	\$ 2,111,492	\$ 2,317,023	\$ 1,794,023	\$ 1,786,023	\$ 1,774,023	\$ 1,768,023	\$ 1,762,023	\$ 1,756,023	\$ 2,111,492	\$ -		
Cash Receipts													
Collection of Canadian Emergency Wage Subsidy	642,075	-	-	23,000	-	-	-	-	-	23,000	665,075		
Collection of Pre-Filing AR - EllisDon (net of lien payouts)	2,031,521	-	-	-	-	-	-	-	167,000	167,000	2,198,521		2
Collection of Pre-Filing AR - MD of Bonnyville	1,477,612	-	-	-	-	-	-	-	1,850,000	1,850,000	3,327,612		3
Collection of Post Filing AR - MD of Bonnyville	1,565,745	-	-	-	-	-	-	-	-	-	1,565,745		4
SISP Proceeds - McDonald Aggregates Inc.	-	250,800	26,400	-	-	-	-	-	-	277,200	277,200		
Other Receipts	132,489	2,494	-	-	-	-	-	-	-	2,494	134,983		
Total Receipts	5,849,442	253,294	26,400	23,000	-	-	-	-	2,017,000	2,319,694	8,169,136		
Operating Disbursements													
Payroll And Source Deductions	(1,248,779)	(11,414)	(26,500)	(25,000)	(6,000)	-	-	-	-	(68,914)	(1,317,693)		5,6
Royalties	(407,629)	-	-	-	-	-	-	-	-	-	(407,629)		
Fuel	(205,456)	-	(700)	-	-	-	-	-	-	(700)	(206,156)		5
Repair & Maintenance	(48,916)	-	-	-	-	-	-	-	-	-	(48,916)		
Office Administration	(22,383)	(3,349)	(3,500)	-	-	-	-	-	-	(6,849)	(29,232)		5
Insurance & Benefits	(138,553)	-	(64,500)	-	-	-	-	-	-	(64,500)	(203,053)		7
Jobsite Lodging	(20,605)	-	-	-	-	-	-	-	-	-	(20,605)		5
Equipment Loan & Lease Payments	(135,489)	-	-	-	-	-	-	-	-	-	(135,489)		8
Occupancy	(128,037)	(30,000)	(18,000)	-	-	-	-	-	-	(48,000)	(176,037)		9
Other	(23,680)	(3,000)	(10,700)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(31,700)	(55,380)		10
Total Disbursements	(2,379,527)	(47,763)	(123,900)	(28,000)	(9,000)	(3,000)	(3,000)	(3,000)	(3,000)	(220,663)	(2,600,190)		
Non-Operating Receipts & Disbursements													
DIP Financing (Repayment)	(211,188)	-	-	-	-	-	-	-	-	-	(211,188)		
CARC Advance (Repayment)	-	-	-	-	-	-	-	-	(200,000)	(200,000)	(200,000)		
Professional Fees	(1,147,236)	-	(425,500)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(78,000)	(518,500)	(1,665,736)		11
Total Disbursements	(1,358,424)	-	(425,500)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(278,000)	(718,500)	(2,076,924)		
Net Cash Flow	2,111,492	205,531	(523,000)	(8,000)	(12,000)	(6,000)	(6,000)	(6,000)	1,736,000	1,380,531	3,492,023		
Ending Cash Balance	\$ 2,111,492	\$ 2,317,023	\$ 1,794,023	\$ 1,786,023	\$ 1,774,023	\$ 1,768,023	\$ 1,762,023	\$ 1,756,023	\$ 3,492,023	\$ 3,492,023	\$ 3,492,023		

Notes

- 1 The Fourth Cash Flow Statement has been prepared to set out the post filing liquidity requirements of JMB Crushing Systems Inc. during the eight weeks ending October 23, 2020 under the Companies' Creditors Arrangement Act proceeding (the "CCAA Proceedings") which commenced effective May 1, 2020.
- 2 Cash receipts and timing of payment of pre-filing amounts due from Ellis Don and held by the Monitor are based upon the extent of any appeals received from the Lien Determination Notices issued by the Monitor on August 20, 2020.
- 3 Cash receipts and timing of payment of pre-filing amounts due from MD of Bonnyville and held by the Monitor are dependent on the outcome of a Court hearing scheduled the week of October 19, 2020 in respect of two appeals to the Monitor's Lien Determination Notices.
- 4 Post-filing amounts due from MD of Bonnyville relate to the collection of invoiced amounts for work completed with the timing of receipt of payment based on recent payment terms.
- 5 Active business operations ceased on June 26, 2020 with the completion of the MD of Bonnyville project and the majority of the company's employees were terminated. Forecast operating expenses are based on necessary costs to maintain operations to complete the SISP.
- 6 Payroll and source deductions represent forecast payments to remaining employees for wages.
- 7 Insurance represent the renewal payment for the company's general insurance policy which has been extended to October 31, 2020.
- 8 Equipment Loan and Lease payments represent scheduled payments for automotive equipment currently being utilized.
- 9 Occupancy represents scheduled monthly payments for the company's Edmonton and Bonnyville premises.
- 10 Other disbursements include miscellaneous payments and contingent costs.
- 11 Professional fees relate to the Company's legal counsel, the Monitor, the Monitor's legal counsel, sale consultant, operational consultant and Chief Restructuring Advisor.