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No. S138873
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985,
c. C36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57, AS
AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF ARTHON
INDUSTRIES LIMITED, ARTHON CONTRACTORS INC., ARTHON EQUIPMENT LTD.,
COALMONT ENERGY CORP., ROBEKA PROJECTS INC. AND 0755049 B.C. LTD.

TWELFTH REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA INC.

MARCH 17, 2015

EXHIBIT No. 6
ON THE EXAMINATION OF

James A. Riley IN

The Catalyst Capital Corp v. Mayne et al.

HELD ON May 13, 2015
NEESON & ASSOCIATES COURT REPORTING
& CAPTIONING INC. TORONTO, ONT.



ALVAREZ & MARSAL

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1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. ("A&M" or the "Monitor") was appointed as Monitor pursuant to the order (the "Initial Order") pronounced by the Supreme Court of British Columbia (this "Honourable Court") on November 29, 2013 on the application of Arthon Industries Limited ("Industries") and certain of its subsidiaries and affiliated companies identified in Appendix "A" (collectively, the "Petitioners" or the "Company") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"). The proceedings brought by the Petitioners under the CCAA will be referred to as the "CCAA Proceedings".
- 1.2 The Petitioners, along with other subsidiaries and affiliated entities that are not directly included in the CCAA Proceedings will be collectively referred to as the "Arthon Group".
- 1.3 The Initial Order granted a stay of proceedings (the "Stay of Proceedings") against or in respect of the Company and its assets until December 20, 2013 or such other date as this Honourable Court may subsequently order (the "Stay Period"). Further orders have been granted extending the Stay Period to February 18, 2015.
- 1.4 The Stay of Proceedings in respect of Arthon Contractors Inc. expired on June 3, 2014 and that entity filed a voluntary assignment in bankruptcy on June 27, 2014. A&M was named as trustee and that appointment was affirmed at the first meeting of creditors held on July 14, 2014 in Kelowna, British Columbia.
- 1.5 The Petitioners filed amended plans of arrangement (the "Plans") for each of Industries and Robeka Projects Inc. ("Robeka") which were approved by requisite majorities of affected creditors at meetings held on December 15, 2014. This Honourable Court granted an order sanctioning and approving the Plans on December 19, 2014 (the "Sanction Order").
- 1.6 On January 7, 2015, an order was granted releasing 0755049 B.C. Ltd. ("075") from the CCAA Proceedings as well as discharging and releasing the Monitor from its duties in relation to 075.
- 1.7 On January 29, 2015 this Honourable Court granted an order:
- a) approving an asset purchase agreement between Coalmont Energy Corp. ("Coalmont") and Sandhill Materials Inc. ("Sandhill") and vesting those assets in a newly formed subsidiary of Industries incorporated as 1025194 B.C. Ltd. ("102");
 - b) approving an asset purchase agreement between Arthon Equipment Ltd. ("Equipment") and Industries and vesting those assets in Industries;

- c) providing that, following completion of the sales of the assets of each of Coalmont and Equipment, the director of both shall be entitled to assign each into bankruptcy (the “Bankruptcy Orders”); and
- d) extending the Stay of Proceedings in relation to each of Equipment and Coalmont (the “Extension Order”) until the earlier of:
 - i. February 18, 2015; or
 - ii. the date on which the respective company is assigned into bankruptcy.

1.8 The Initial Order together with select motion material and other documentation filed in the CCAA, including the Monitor’s reports, are posted on the Monitor’s Website.

2.0 PURPOSE OF REPORT

2.1 This Twelfth Report of the Monitor (the “Twelfth Report”) is intended to provide this Honourable Court with select information in respect of the CCAA Proceedings, including:

- a) an update on the status of the restructuring;
- b) a summary of the activities performed by the Monitor and its legal counsel;
- c) a summary of the professional fees and disbursements of the Monitor and its legal counsel;
and
- d) the Monitor’s comments with respect to its application for an order approving the fees of the Monitor and its legal counsel and discharging A&M from its duties as Monitor (the “Discharge Order”).

3.0 TERMS OF REFERENCE

3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of the Company and its advisors (“Management”). Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Company. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy of any information contained in this report, or otherwise used to prepare this report.

- 3.2 Certain of the information referred to in the reports of the Monitor may consist of financial forecasts and/or projections prepared by Management. An examination or review of financial forecasts and projections and procedures as outlined in the Chartered Professional Accountants Canada Handbook has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from these forecasts and/or projections, even if the assumptions materialize, and the variations could be significant.
- 3.3 Unless otherwise stated, all monetary amounts contained in the Twelfth Report are expressed in Canadian dollars.

4.0 RESTRUCTURING PROCESS

Industries, Robeka, 075

- 4.1 As described in our Eleventh Report dated January 27, 2015, the Petitioners filed Plans for Industries and Robeka which were approved by the requisite majorities of affected creditors at meetings held on December 15, 2014 and the Plans were approved and sanctioned by this Honourable Court on December 19, 2014. Plan Termination Certificates in respect of Robeka and Industries were filed on March 17, 2015, thereby effecting the deemed discharge of A&M as Monitor pursuant to the Sanction Orders.
- 4.2 On January 7, 2015, an order was granted releasing 075 from the CCAA Proceedings as well as discharging and releasing the Monitor from its duties in relation to 075.

Coalmont

- 4.3 As described in the Eleventh Report, Sandhill entered into an asset purchase agreement with Coalmont which was approved by this Honourable Court on January 29, 2015. The transaction was closed on February 12, 2015 and the assets of Coalmont were vested in 102.
- 4.4 Pursuant to the Bankruptcy Orders, Coalmont made a voluntary assignment in bankruptcy on February 18, 2015 and A&M was appointed as trustee in bankruptcy, which was affirmed at the first meeting of creditors held on March 10, 2015 in Kelowna, British Columbia.

Equipment

- 4.5 As described in the Eleventh Report, Industries entered into an asset purchase agreement with Equipment which was approved by this Honourable Court on January 29, 2015. The transaction was closed on February 12, 2015 and the assets of Equipment were sold to Industries.
- 4.6 Pursuant to the Bankruptcy Orders, Equipment made a voluntary assignment in bankruptcy on February 18, 2015 and A&M was appointed as trustee in bankruptcy, which was affirmed at the first meeting of creditors held on March 10, 2015 in Kelowna, British Columbia.

5.0 SUMMARY OF PROFESSIONAL ACTIVITIES

- 5.1 The activities performed by Alvarez & Marsal Canada Inc. in its capacity as Monitor in the CCAA Proceedings include, among other things:
- a) dealing with discussions with Management and the Company's legal counsel, Davis LLP, regarding its business, financial affairs and restructuring progress;
 - b) dealing with discussions with Blake, Cassels & Graydon LLP ("Blakes") who were retained to act as independent legal counsel to the Monitor;
 - c) dealing with discussions with HSBC Bank Canada and its counsel, Fasken Martineau DuMoulin LLP;
 - d) dealing with discussions with representatives of Callidus Capital Corp. and its counsel, Borden Ladner Gervais LLP;
 - e) dealing with discussions with unsecured creditors and other stakeholders;
 - f) establishing the Monitor's Website and posting thereto of available Court materials and other relevant documentation;
 - g) preparing and issuing of notices required under the CCAA, Initial Order and the Claims Process Order dated October 30, 2014;
 - h) managing, in conjunction with the Petitioners, the claims process undertaken to determine the nature and quantum of creditor claims against Industries, Robeka, Coalmont and 075 pursuant to the Claims Process Order;
 - i) preparing of twelve Monitor's reports to provide this Honourable Court and stakeholders with information and recommendations in respect of the CCAA Proceedings;
 - j) attending at Court applications as required;

- k) attending to meetings and discussions with representatives of MNP LLP and MNP Corporate Finance Inc. who generally act as financial advisors and accountants to the Petitioners and who were also retained to undertake a divestiture of the mine located in Coalmont, B.C.;
- l) reviewing the Company's cash flow projections and monitoring progress against forecast;
- m) analysing and reporting on the Plans put forward by Industries and Robeka and chairing the meetings of creditors held to vote on the Plans; and
- n) analysing and reporting on the credit bid transactions undertaken by the Company to effect the transfer of the assets of Equipment and Coalmont to other entities within the Arthon Group.

5.2 Blakes advised the Monitor on all aspects of these proceedings from the period leading up to the granting of the Initial Order to the Monitor's discharge application, including by, among other things:

- a) assisting the Monitor in the discharge of its obligations;
- b) preparing for and attending Court applications;
- c) assisting with the administration and monitoring of the claims processes for Robeka, Industries, 075 and Coalmont;
- d) attending creditors' meetings for Robeka and Industries;
- e) advising the Monitor with respect to the discharge of its obligations under the plans of arrangement of Robeka and Industries; and
- f) reviewing and assessing the impact of the credit bids for the assets of Coalmont and Equipment on the Petitioners' stakeholders.

6.0 PROFESSIONAL FEES

6.1 Summarized in the table below are the professional fees and disbursements and applicable taxes of the Monitor and its legal counsel for the period November 28, 2013 through to January 31, 2015.

Arthon Industries Ltd. et al. Summary of Professional Fees of the Monitor and its Legal Counsel For the period November 28, 2013 to January 31, 2015						
Firm	Fees	Disbursements	PST	GST	Total	
Alvarez & Marsal Canada Inc.	\$ 620,243.75	\$ 13,964.42	\$ -	\$ 31,710.41	\$ 665,918.58	
Blakes, Cassels & Graydon LLP	140,378.50	1,086.70	9,826.55	7,069.30	158,361.05	
Total	\$ 760,622.25	\$ 15,051.12	\$ 9,826.55	\$ 38,779.70	\$ 824,279.63	

- 6.2 Attached as Appendix "B" is a summary of the Monitor's professional fees and disbursements for the period ended January 31, 2015. Appendix "B" also includes a summary of the name, position, hourly rate and hours charged by the Monitor's professional staff and details of its out of pocket disbursements.
- 6.3 Attached as Appendix "C" is a summary of the hours, professional fees and disbursements charged by the Monitor's legal counsel for the period ended January 31, 2015.
- 6.4 The Monitor has accrued and unbilled fees and disbursements relating to this matter of approximately \$30,000 and anticipates having additional fees to completion of \$5,000. The Monitor's legal counsel anticipated having additional and accrued fees of \$15,000.
- 6.5 The Petitioners have approved and paid in full the Monitor's fees and disbursements for the period ended January 31, 2015 and the Monitor is not aware of any creditor and/or stakeholder in the CCAA Proceedings that has taken issue with the professional fees charged in this matter to date.
- 6.6 The Monitor is of the view that the fees and disbursements charged by its legal counsel have been necessarily incurred and that the hours and rates charged are fair and reasonable.

7.0 **DISCHARGE ORDER**

- 7.1 The Monitor will be filing a notice of application for an order (the "Discharge Order") to provide for, among other things:
- a) approval of the Monitor's fees and those of its legal counsel; and
 - b) confirmation and approval of the deemed discharge of A&M as the Monitor of certain of the Petitioners pursuant to Orders granted by this Honourable Court and discharging A&M from its duties as Monitor over the remaining Petitioners.
- 7.2 Based on the foregoing, and as the Monitor is not aware of any outstanding matters relating to the CCAA Proceedings, the Monitor respectfully requests that this Honourable Court grant the Discharge Order.

All of which is respectfully submitted to this Honourable Court this 17th day of March, 2015.

Alvarez & Marsal Canada Inc.
in its capacity as Monitor of
Arthon Industries Ltd. and those
affiliated and subsidiary companies listed



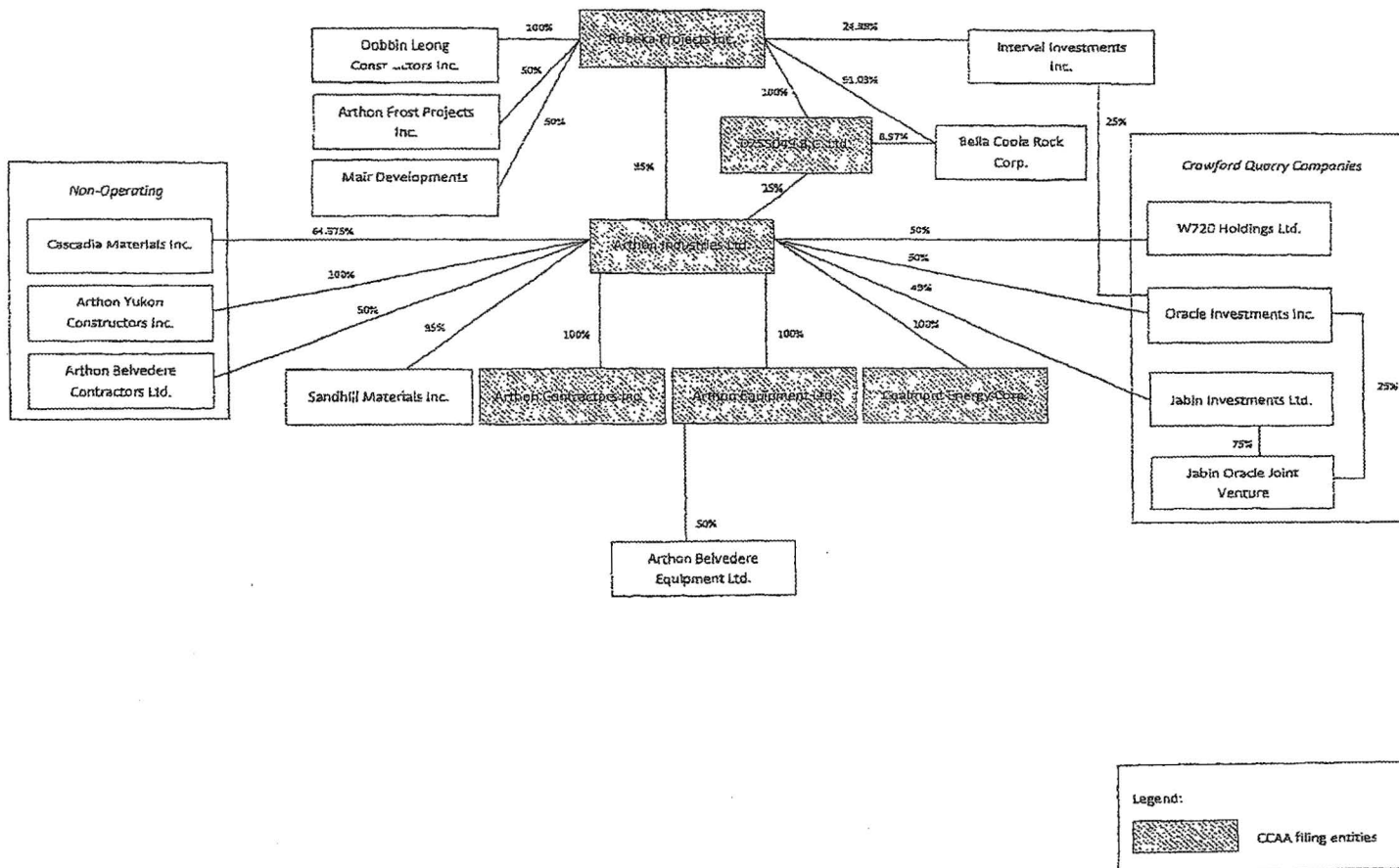
Per: Peter Gibson
Senior Vice President



Per: Tom Powell
Director

APPENDIX A

Corporate Organization Chart
As At January 31, 2014



APPENDIX B

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APPENDIX B

Arthon Industries Ltd. et al.
 Summary of the Monitor's Statements of Account
 For the period November 28, 2013 to January 31, 2015

Invoice Number	Period	Fees	Disbursements	GST	Total
1	November 28, 2013 to December 6, 2013	\$ 44,400.00	\$ -	\$ 2,220.00	\$ 46,620.00
2	December 7, 2013 to December 14, 2013	32,225.00	1,698.88	1,701.19	35,725.07
3	December 15, 2013 to December 21, 2013	30,912.50	1,375.56	1,614.40	33,902.46
4	December 22, 2013 to January 4, 2014	7,312.50	367.22	383.99	8,063.71
5	January 5, 2014 to January 18, 2014	15,831.25	1,310.49	857.09	17,998.83
6	January 19, 2014 to January 25, 2014	14,456.25	-	722.81	15,179.06
7	January 26, 2014 to February 15, 2014	34,512.50	180.00	1,734.63	36,427.13
8	February 16, 2014 to March 8, 2014	60,750.00	-	3,037.50	63,787.50
9	March 9, 2014 to April 5, 2014	27,943.75	-	1,397.19	29,340.94
10	April 6, 2014 to May 9, 2014	78,156.25	125.54	3,914.09	82,195.88
11	May 10, 2014 to May 31, 2014	8,912.50	238.54	457.55	9,608.59
12	June 1, 2014 to June 30, 2014	11,700.00	290.32	599.52	12,589.84
13	July 1, 2014 to August 31, 2014	44,893.75	593.46	2,274.36	47,761.57
14	September 1, 2014 to September 30, 2014	7,175.00	26.73	360.09	7,561.82
15	October 1, 2014 to November 30, 2014	97,700.00	2,198.97	4,994.95	104,893.92
16	December 1, 2014 to December 31, 2014	73,987.50	3,374.40	3,868.10	81,230.00
17	January 1, 2015 to January 31, 2015	29,275.00	2,184.31	1,572.97	33,032.28
		<u>\$ 620,243.75</u>	<u>\$ 13,964.42</u>	<u>\$ 31,710.41</u>	<u>\$ 665,918.58</u>

Arthon Industries Ltd. et al.
Summary of the Monitor's Professional Fees and Disbursements
For the period November 28, 2013 to January 31, 2015

Alvarez & Marsal Canada Inc. Professionals		Hourly		Total
Name	Position	Rate	Hours	Fees
Todd Martin	Managing Director	\$ 625	25.00	\$ 15,625.00
Peter Gibson	Senior Advisor	550	281.50	154,825.00
Callum Beveridge	Senior Director	475	4.00	1,900.00
Tom Powell (*)	Director	450	711.50	305,318.75
Vicki Chan (*)	Senior Associate	375	284.50	100,525.00
Marianna Lee (*)	Analyst	300	151.75	40,650.00
Monica Cheung	Executive Assistant	100	14.00	1,400.00
				620,243.75
Disbursements				
Airfare				1,828.75
Postage				1,268.10
Taxi fares				306.07
Advertisements				6,238.99
Courier				426.56
Website maintenance				2,340.00
Meals				694.85
Parking				8.10
Printing				853.00
				13,964.42
GST				31,710.41
Total fees, disbursements and tax				\$ 665,918.58

* New rates effective December 1, 2014.

Arthon Industries Ltd. et al.
 Summary of the Monitor's Legal Counsel's Statements of Account
 For the period November 28, 2013 to January 31, 2015

Invoice Number	Period	Hours	Fees	Disbursements	PST	GST	Total
Blakes, Cassels & Graydon LLP							
1739439	November 28, 2013 to December 6, 2013	20.10	\$ 9,952.50	\$ 88.75	\$ 696.68	\$ 502.07	\$ 11,240.00
1740559	December 7, 2013 to December 13, 2013	9.40	4,780.00	-	334.60	239.00	5,353.60
1742662	December 14, 2013 to December 31, 2013	36.10	17,730.00	33.00	1,241.10	888.10	19,892.20
1749825	January 1, 2014 to January 15, 2014	11.30	4,934.00	140.00	345.38	253.71	5,673.09
1751740	January 16, 2014 to January 31, 2014	2.30	1,350.00	-	94.50	67.50	1,512.00
1755696	February 1, 2014 to February 28, 2014	33.90	17,556.00	68.00	1,228.92	881.20	19,734.12
1763347	March 1, 2014 to March 31, 2014	8.20	4,700.00	14.95	329.00	235.75	5,279.70
1768226	April 1, 2014 to April 30, 2014	11.50	6,430.00	14.75	450.10	322.24	7,217.09
1773618	May 1, 2014 to May 31, 2014	25.00	14,375.00	82.25	1,006.25	722.86	16,186.36
1779693	June 1, 2014 to June 30, 2014	0.30	172.50	-	12.08	8.63	193.21
1786227	July 1, 2014 to July 31, 2014	11.60	4,044.50	-	283.12	202.23	4,529.84
1792763	August 1, 2014 to August 31, 2014	4.40	2,500.50	-	175.04	125.03	2,800.57
1799421	September 1, 2014 to September 30, 2014	1.90	1,092.50	-	76.48	54.63	1,223.61
1804188	October 1, 2014 to October 31, 2014	24.70	9,520.50	60.75	666.44	479.07	10,726.76
1809255	November 1, 2014 to November 30, 2014	28.90	13,116.50	306.00	918.16	667.14	15,007.80
1820291	December 1, 2014 to December 31, 2014	34.50	13,590.00	218.25	951.30	690.41	15,449.96
1822287	January 1, 2015 to January 31, 2015	31.10	14,534.00	60.00	1,017.38	729.70	16,341.08
		295.20	\$ 140,378.50	\$ 1,086.70	\$ 9,826.55	\$ 7,069.30	\$ 158,361.05

TAB □□