



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.**

**EIGHTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**NOVEMBER 26, 2014**



ALVAREZ & MARSAL

**TABLE OF CONTENTS**

1.0 INTRODUCTION..... 3  
2.0 PURPOSE OF REPORT..... 4  
3.0 TERMS OF REFERENCE ..... 4  
4.0 MEETING OF CREDITORS ..... 4  
5.0 OVERVIEW OF THE PLANS ..... 6  
6.0 AFFECTED CREDITORS CLAIMS ..... 6  
7.0 MONITOR’S RECOMMENDATIONS ..... 6

**APPENDICES**

**Appendix A:** Corporate Organization Chart

**Appendix B:** Plan Information Letters

## 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. On October 30, 2014 an order was granted extending the Stay Period to January 30, 2015.
- 1.4 On October 30, 2014 a claims process order (the "**Claims Process Order**") was granted setting out the process for creditors to determine the nature and quantum of their claim for voting and/or distribution purposes.
- 1.5 The Petitioners intend to make an application for each of Industries and Robeka Projects Inc. ("**Robeka**") to be heard by this Honourable Court to seek orders (the "**Meeting Orders**"):
- a) authorizing each of Industries and Robeka to file a plan of arrangement (together, the "**Plans**"); and
  - b) authorizing and directing Industries and Robeka to hold a meeting of creditors with unsecured claims against Industries and Robeka (the "**Affected Creditors**") to vote on a resolution to approve the Plans.
- 1.6 The orders of this Honourable Court, together with select motion material and other documentation filed in the CCAA Proceedings are posted on the Monitor's website at [www.alvarezandmarsal.com/arthon](http://www.alvarezandmarsal.com/arthon) (the "**Monitor's Website**").

## **2.0 PURPOSE OF REPORT**

2.1 This eighth report (the “**Eighth Report**”) is a special purpose report intended to provide this Honourable Court with select information in respect of the CCAA Proceedings that addresses the following matters:

- a) a summary of the Meeting Orders;
- b) an overview of the Plans; and
- c) a summary of the Affected Creditors of Industries and Robeka.

## **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 Eighth Report are expressed in Canadian dollars.

## **4.0 MEETING OF CREDITORS**

4.1 The Petitioners are seeking the Meeting Orders to authorize and direct Industries and Robeka to convene separate meetings of the Affected Creditors for each of these entities (the “**Creditors’ Meetings**”) for the purposes of considering and voting on the Plans. In order for the Petitioners to advance certain components of their overall restructuring as discussed in earlier reports of the

Monitor, they need to conclude the restructurings of Industries and Robeka. Plans of arrangement for certain other members of the Petitioners may be presented later.

- 4.2 Pursuant to the terms of the Meeting Orders, the Creditors' Meetings are scheduled to be held on December 15, 2014 at 10:00 am for Robeka and 11:00 am for Industries at the offices of Davis LLP located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada.
- 4.3 A representative of the Monitor shall be the Chair of the Creditors' Meeting (the "**Chair**"). Persons entitled to attend the Creditors' Meeting are limited to the Affected Creditors or holders of their proxies, representatives of Industries or Robeka, representatives of the Monitor, the Chair, any other person admitted on invitation by the Chair and legal counsel to any other person entitled to attend.
- 4.4 Pursuant to the terms of the Meeting Orders, no later than December 5, 2014, the Monitor is to send to the Affected Creditors copies of the following documents:
- a) the Plans;
  - b) notice of the Creditors' Meeting;
  - c) an overview of the Plans (the "**Plan Information Letter**");
  - d) a proxy form; and
  - e) the Monitor's report in respect of the Plans.
- 4.5 In absence of a vote against the approval of the Plans, in person or by proxy, all Affected Creditors with a proven claim of less than \$5,000 will be deemed to vote in favour of the Plans since it is envisaged that they will receive payment in full.
- 4.6 No later than two business days after the Creditors' Meeting, the Monitor will provide a report to this Honourable Court with respect to the results of the voting at the Creditors' Meeting including whether the Plans were approved by the Affected Creditors voting greater than two thirds in value and majority in number of their voting claims (the "**Required Majorities**").
- 4.7 In the event the Plans have been approved by the Required Majorities, the Petitioners intend to bring a Notice of Application to be heard by this Honourable Court seeking approval of the Plans pursuant to the CCAA.
- 4.8 The Monitor will also make the materials related to the Creditors' Meetings available on its Website.

**5.0 OVERVIEW OF THE PLANS**

5.1 The Monitor will be providing a separate report on the Plans along with its recommendations to the Affected Creditors. However, in advance of that, Industries and Robeka have prepared Plan Information Letters which are attached as Appendix “B”.

**6.0 AFFECTED CREDITORS CLAIMS**

- 6.1 A claims bar date of November 28, 2014 is in effect for claims against the Petitioners.
- 6.2 Industries currently has 46 Affected Creditors with accepted claims of approximately \$434,000 and 37 Affected Creditors with individual claims of less than \$5,000, which total to approximately \$29,000 and would be paid in full pursuant to the terms of its respective plan.
- 6.3 Robeka currently has 7 Affected Creditors with accepted claims of approximately \$10,000 and 6 Affected Creditors with individual claims of less than \$5,000, which total to approximately \$5,000 and would be paid in full pursuant to the terms of its respective plan.
- 6.4 As at the date of this report, there are no disputed claims against Industries or Robeka.

**7.0 MONITOR’S RECOMMENDATIONS**

7.1 The Monitor is of the view that the Company continues to act in good faith and with due diligence and, with a view to advancing the restructuring, is now in a position to convene a meeting of the Affected Creditors to vote on the Plans as they relate to Industries and Robeka. Accordingly, the Monitor supports the Meeting Orders for Industries and Robeka as sought by the Petitioners.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 26<sup>th</sup> day of November, 2014.

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



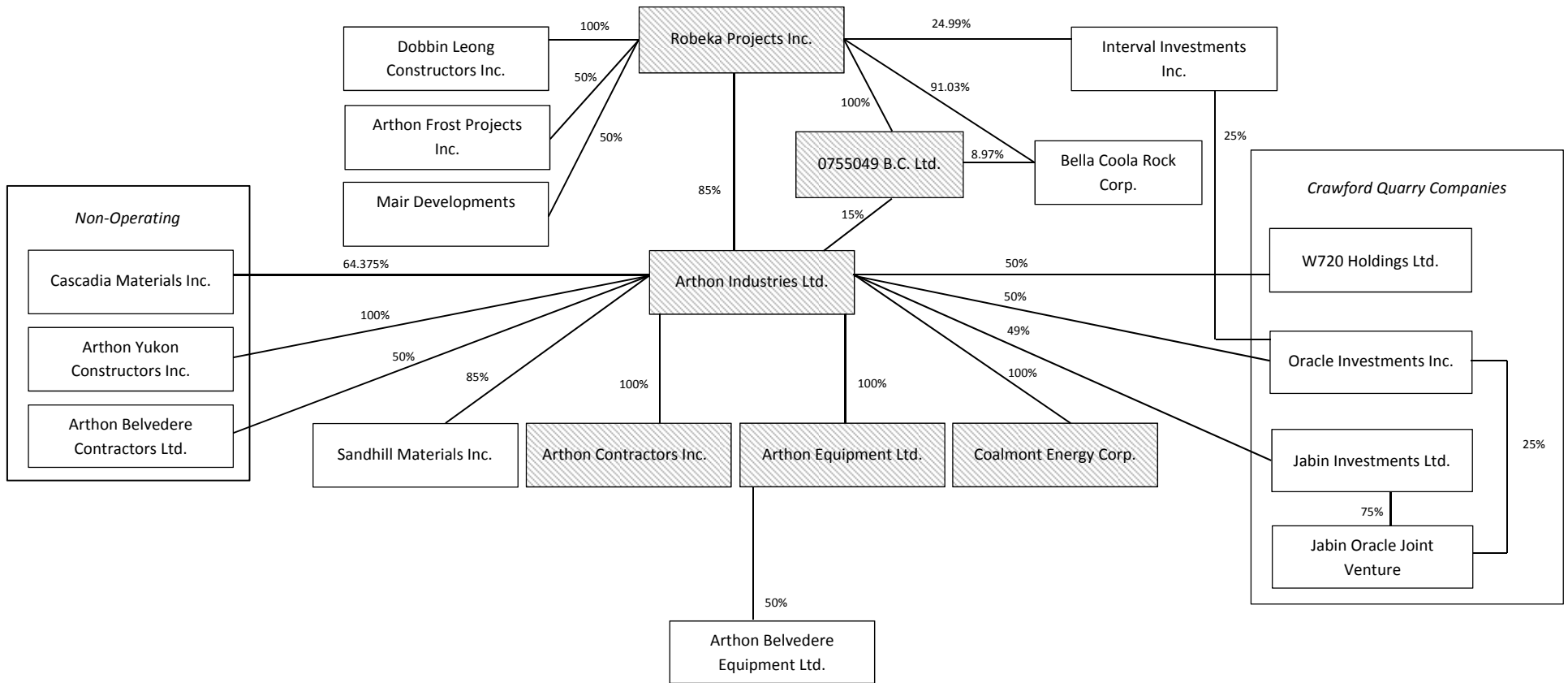
Per: Peter Gibson  
Senior Vice President




Per: Tom Powell  
Director

## **APPENDIX A**

**Corporate Organization Chart**  
**As At January 31, 2014**



**Legend:**

 CCAA filing entities



## **APPENDIX B**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

PETITIONERS

**PLAN INFORMATION LETTER**

**RE: THE PLAN OF COMPROMISE AND ARRANGEMENT OF  
ARTHON INDUSTRIES LIMITED**

All capitalized terms used herein and not otherwise defined have the meaning ascribed to them in the plan of compromise and arrangement of Arthon Industries Limited ("**Arthon**") dated November 25, 2014, as may be amended from time to time (the "**Plan**") and filed pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**").

Effect of the Plan

Industries has arranged for the Creditors' Fund to fund the terms of the Plan. The Plan will settle and compromise all Affected Claims against Industries as follows:

- (a) each Affected Creditor with aggregate Proven Claims of \$5,000 or less will receive a cash distribution in an amount equal to the lesser of (A) the full amount of the aggregate of their Proven Claims, and (B) \$5,000; and
- (b) each Affected Creditor with aggregate Proven Claims of more than \$5,000 will receive a cash distribution in an amount equal to \$5,000 plus their *pro rata* share of the remaining Creditors' Fund.

A copy of the Monitor's report analysing the Plan and the Monitor's recommendation is included with this mailing.

Voting

The Plan applies only to those parties having Affected Claims. It does not apply to Excluded Claims. Affected Creditors will vote as one class of creditors.

Each Affected Creditor with one or more Voting Claims will be entitled to one (1) vote. The weight attributed to such vote (for the purposes of determining the Required Majority) is equal to the aggregate Canadian dollar value of the Voting Claim. The Plan will be approved at the Creditors' Meeting if:

- (a) a majority in number of the Affected Creditors having Voting Claims and voting at the Creditors' Meeting (in person or by proxy) vote in favour of the Plan; and
- (b) the total Voting Claims voted in favour of the Plan represent at least 66⅔% in value of the Voting Claims voted at the Creditors' Meeting (in person or by proxy).

In order to participate in any voting associated with the Plan or the CCAA proceedings of Industries, a party having an Affected Claim must have either received a Claim Amount Notice or filed a Proof of Claim in accordance with the Claims Procedure Order made October 30, 2014.

**Affected Creditors with Proven Claims in the aggregate amount of \$5,000 or less will be deemed to have voted in favour of the Plan unless they attend and vote at the Creditors' Meeting (in person or by proxy).**

Any Affected Creditor's proxy will be voted on any ballot in accordance the terms set out in the Proxy included in this mailing.

#### Conditions to Plan

The Plan will not be implemented until a number of conditions precedent are met, which are set out in section 9.6 of the Plan.

#### Sanction Order

If the Plan is passed by the Required Majority, an application will be made to the Court for the Sanction Order approving the Plan pursuant to the CCAA. See the Notice to Creditors included with this mailing for further details regarding the Sanction Hearing and the Sanction Order.

#### Payment under Plan

If the Plan is passed by the Required Majority, and the Sanction Order is granted, Industries will make the payments due under the terms of the Plan (other than in relation to Disputed Claims) on the Implementation Date. The distribution that would otherwise be made in relation to Disputed Claims will be held by the Monitor and dealt with in accordance with the terms of the Plan.

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

PETITIONERS

**PLAN INFORMATION LETTER**

**RE: THE PLAN OF COMPROMISE AND ARRANGEMENT OF ROBEKA PROJECTS INC.**

All capitalized terms used herein and not otherwise defined have the meaning ascribed to them in the plan of compromise and arrangement of Robeka Projects Inc. ("**Robeka**") dated November 25, 2014, as may be amended from time to time (the "**Plan**") and filed pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**").

Effect of the Plan

Robeka has arranged for the Creditors' Fund to fund the terms of the Plan. The Plan will settle and compromise all Affected Claims against Robeka as follows:

- (a) each Affected Creditor with aggregate Proven Claims of \$5,000 or less will receive a cash distribution in an amount equal to the lesser of (A) the full amount of the aggregate of their Proven Claims, and (B) \$5,000; and
- (b) each Affected Creditor with aggregate Proven Claims of more than \$5,000 will receive a cash distribution in an amount equal to \$5,000 plus their *pro rata* share of the remaining Creditors' Fund.

A copy of the Monitor's report analysing the Plan and the Monitor's recommendation is included with this mailing.

Voting

The Plan applies only to those parties having Affected Claims. It does not apply to Excluded Claims. Affected Creditors will vote as one class of creditors.

Each Affected Creditor with one or more Voting Claims will be entitled to one (1) vote. The weight attributed to such vote (for the purposes of determining the Required Majority) is equal to the aggregate Canadian dollar value of the Voting Claim. The Plan will be approved at the Creditors' Meeting if:

- (a) a majority in number of the Affected Creditors having Voting Claims and voting at the Creditors' Meeting (in person or by proxy) vote in favour of the Plan; and
- (b) the total Voting Claims voted in favour of the Plan represent at least 66⅔% in value of the Voting Claims voted at the Creditors' Meeting (in person or by proxy).

In order to participate in any voting associated with the Plan or the CCAA proceedings of Robeka, a party having an Affected Claim must have either received a Claim Amount Notice or filed a Proof of Claim in accordance with the Claims Procedure Order made October 30, 2014.

**Affected Creditors with Proven Claims in the aggregate amount of \$5,000 or less will be deemed to have voted in favour of the Plan unless they attend and vote at the Creditors' Meeting (in person or by proxy).**

Any Affected Creditor's proxy will be voted on any ballot in accordance the terms set out in the Proxy included in this mailing.

#### Conditions to Plan

The Plan will not be implemented until a number of conditions precedent are met (or waived), which are set out in section 9.6 of the Plan, and which include Robeka entering into settlement agreements with its Secured Creditors.

#### Sanction Order

If the Plan is passed by the Required Majority, an application will be made to the Court for the Sanction Order approving the Plan pursuant to the CCAA. See the Notice to Creditors included with this mailing for further details regarding the Sanction Hearing and the Sanction Order.

#### Payment under Plan

If the Plan is passed by the Required Majority, and the Sanction Order is granted, Robeka will make the payments due under the terms of the Plan (other than in relation to Disputed Claims) on the Implementation Date. The distribution that would otherwise be made in relation to Disputed Claims will be held by the Monitor and dealt with in accordance with the terms of the Plan.