Clerk's Stamp

JUDICIAL CENTRE OF EDMONTON
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Clerk of the Court

COURT FILE NUMBER	1703-12327
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	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 CANADA NORTH GROUP INC., CANADA NORTH CAMPS INC., CAMPCORP STRUCTURES LTD., D.J. CATERING LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., AND 1919209 ALBERTA LTD.
DOCUMENT	**MONITOR'S TWELFTH REPORT** **April 9, 2018**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>MONITOR</u>** ERNST & YOUNG INC. EPCOR Tower 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com **<u>COUNSEL</u>** Duncan Craig LLP Suite 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 Attention: Darren R. Bieganek, QC Phone: 780-441-4386 Fax: 780-428-9683 Email: dbieganek@dcllp.com

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PURPOSE OF THE REPORT

1. On March 12, 2018, the Monitor filed its Eleventh Report with the Court which provided information in relation to a number of matters, including information and the Monitor's recommendation in relation to the pending sale of the Winterburn Yard owned by 137. On this same date, the Monitor prepared and submitted for the Court's review its Confidential Supplement to the Monitor's Eleventh Report, which contained additional sensitive information in relation to this same transaction.

2. On March 20th, 2018, the Applicants made an application to Court seeking various relief, which included seeking the Court's approval of the sale of the Winterburn Yard; however, this aspect of the application was adjourned *sine die* as there were unresolved conditions in relation to the sale agreement at the time of the application.

3. The Monitor understands that the Applicants will be making an application to Court to seek the Court's approval of the sale of the Winterburn Yard on or around April 20, 2018.

4. The purpose of this brief report (the "**Twelfth Report**") is to provide the Court and the Applicants' stakeholders with information and an update in relation to the pending sale of the Winterburn Yard, and the Monitor's recommendation regarding the proposed sale.

DISCLAIMER

5. In preparing the Twelfth Report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management ("**Management**"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Twelfth Report or relied upon in its preparation. Future oriented financial information reported or relied on in order to prepare this Twelfth Report is based on Management's assumptions regarding future events; actual results will vary from forecast, and such variations may be material.

6. This Twelfth Report should be read in conjunction with all previously filed affidavits and reports, as well as Court Orders previously issued in these proceedings all of which, save for items directed to be sealed for confidentiality purposes, are available on the Monitor's website established for these proceedings that is located at <u>*http://documentcentre.eycan.com/Pages/Main.aspx?SID=1410*</u>. In addition, this Twelfth Report should be read in conjunction with any new materials filed with the

Court by the Applicants (if any) prior to the date set for the application referred to above.

7. Unless otherwise stated, all references to monetary amounts contained herein are expressed in Canadian currency. Capitalized terms used herein not otherwise defined are as defined in the previous reports of the Monitor and other materials filed in connection with these CCAA proceedings to date.

SALE OF WINTERBURN YARD

8. As noted previously in the Monitor's Ninth and Eleventh Reports, one of the Applicants (137) received an Offer on its Winterburn Yard. The Offer was subject to certain conditions as set by the potential purchaser with a condition removal date of March 16, 2018, as well as being subject to the approval of the Court by March 26, 2018. As at March 16, 2018, the potential purchaser, 2007062 Alberta Ltd. ("**2007**"), advised that it was not prepared to remove its conditions as contemplated in the Offer and indicated that additional discussions, negotiations and further due diligence would likely be required if a sale transaction were to continue to proceed. Given 2007's position in this regard, 137 and 2007 agreed to extend the purchaser's condition removal date and corresponding Court approval dates in the Offer to March 21, 2018, and April 2, 2018 respectively.

9. On March 23, 2018, 137 and 2007 executed a Purchaser Condition Removal and Second Amending Agreement ("**Revised Offer**") which served to adjust the proposed purchase price to an amount that served to resolve 2007's conditions. For clarity, 2007's conditions were removed on execution of the Revised Offer by the parties, and 137's condition removal date was extended to April 19, 2018. The Monitor has confirmed with both 2007 and 137 that a slight extension to April 20, 2018, in order to accommodate 137's condition to obtain the Court's approval of the proposed sale transaction is acceptable to both parties. A copy of the Revised Offer will be submitted for review by the Court in the Confidential Supplement to the Monitor's Twelfth Report ("**Confidential Supplement to the 12th Report**"), discussed next.

10. The Monitor continues to be of the view that the specific details in relation to the proposed sale of the Winterburn Yard are sensitive in nature, and should not be disclosed to the public at this time in the event the transaction does not close. The Monitor has prepared the Confidential Supplement to the 12th Report, which includes additional materials and the Monitor's specific comments in relation to the sale of the Winterburn Yard, and as such, no specific comments in relation to the proposed transaction or the Revised Offer will be made in the body of this report.

11. Based on the information outlined in the Confidential Supplement to the 12th Report, the Monitor

believes the proposed purchase price as outlined in the Revised Offer is reasonable in the circumstances.

12. The Monitor further advises that the Revised Offer has been discussed with both the first and second mortgage holders as against the Winterburn Yard, and CWB. The Monitor understands all three of these affected creditors support the acceptance of the Revised Offer.

13. Based on the above, the Monitor recommends that the Court approve the sale of the Winterburn Yard in accordance with the terms of the Revised Offer.

Dated at Edmonton, this 9th day of April, 2018.

Ernst & Young Inc.
In its capacity as Monitor of
Canada North Group Inc.; Canada North Camps Inc.;
CampCorp Structures Ltd.; D.J. Catering Ltd.;
816956 Alberta Ltd.; 1371047 Alberta Ltd.; and
1919209 Alberta Ltd.
and not in its personal or corporate capacity

Per:

Matt McCulloch, CPA, CA, CIRP, Licensed Insolvency Trustee
Senior Vice-President