JUDICIAL CENTRE OF EDMONTON
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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 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., 1919209 ALBERTA LTD. AND CANADA NORTH GROUP LP HOLDINGS LTD.
DOCUMENT	**THE MONITOR'S NINETEENTH REPORT** **October 18, 2018**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 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 **COUNSEL** Duncan Craig LLP Suite 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 Attention: Darren R. Bieganek, QC / Ryan F.T. Quinlan Phone: 780-441-4386 / 780-441-4336 Fax: 780-428-9683 Email: dbieganek@dcllp.com rquinlan@dcllp.com

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SCHEDULES

PURPOSE OF THE REPORT

1. The purpose of this brief report (the "**19th Report**") is to provide the Court and the Remaining Applicants' stakeholders with the following:

   i.) New information in regard to the Missing Assets at Monias that arose after the Eighteenth Report was filed with the Court; and

   ii.) The Monitor's response to certain statements made within the Affidavit of Sand Tiger's affiant Mr. Wayne Sluice which was sworn and filed with the Court on October 4, 2018.

2. The following information is provided for the Court's review in advance of the upcoming application, which is set to proceed on October 23, 2018.

DISCLAIMER

3. This 19th Report should be read in conjunction the Eighteenth Report, the Confidential 18th Supplement and 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 *http://documentcentre.eycan.com/Pages/Main.aspx?SID=1410*. In addition, this 19th Report should be read in conjunction with any new materials filed with the Court by the Applicants (if any), or others, prior to the date set for the upcoming application set for October 23, 2018.

4. 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, and in particular the Eighteenth Report.

NEW INFORMATION ON MISSING ASSETS AT MONIAS

5. As discussed in previous reports of the Monitor, upon the Monitor's initial attendance on site at Monias on July 18, 2018, it quickly determined that there were a number of Missing Assets at Monias with a significant value based on the Mirterra appraisals. A listing of the Missing Assets was previously provided to the Court as a schedule to the Confidential 17th Supplement. For the Court's ease of reference, a modified version of this listing (without any associated values disclosed) is attached as **Schedule "A"** to this report.

6. Forthwith upon discovering the Missing Assets, the Monitor questioned Management, the individual

who controlled/was restricting access to the Monias site and representatives of 726, all of which generally indicated they had no idea as to the whereabouts of the Missing Assets.

7. Specifically, the representative of 726 responded to the Monitor that he believed the Missing Assets "were taken from the site by CNC some time ago" and he had no idea where the Missing Assets were located.

8. On October 11, 2018, the Monitor arranged to attend one of 726's storage sites in Conklin, Alberta, where the Monitor was advised that 726 had relocated a number of assets it was claiming subject to the ongoing property disputes discussed in recent reports of the Monitor.

9. The Monitor advises that, with the exception of the line item described as "Dorm - Jack & Jills" (hereinafter simply referred to as the "**Modus Dorms**") in the attached schedule, all of the other Missing Assets were discovered, inventoried and photographed by the Monitor at 726's storage site in Conklin, Alberta. It appears that these assets were moved by 726 from Monias, despite the prior denials that it had removed these assets from the Monias camp and that it was in possession of these assets.

10. With respect to the Modus Dorms, the Monitor advises that it has located these units on the Monias camp. The Monitor is currently investigating some information that could have a significant impact on the value associated with the Modus Dorms. The Monitor anticipates reporting its findings in this regard in a subsequent report to the Court, likely in advance of the application currently set for early December 4 and 5, 2018.

11. Given the above, all of the Missing Assets have been accounted for and the Monitor will be taking steps in due course to notify the RCMP and the Applicants' insurer of its findings, as well as discussing the matter with 726 and its counsel as required.

MONITOR'S RESPONSE TO AFFIDAVIT OF WAYNE SLUICE SWORN AND FILED OCTOBER 4, 2018

12. Attached as **Schedule** "B" to this report for the Court's ease of reference is a copy paragraphs 20 to 32 (inclusive) of the narrative portion of the Affidavit of Wayne Sluice on Behalf of Great White Sand Tiger Lodging Ltd. sworn and filed with the Court on October 4, 2018 ("**Sand Tiger's Affidavit**"), excluding the related exhibits. The purpose of the paragraphs that follow is to clarify a number of items or statements deposed to in Sand Tiger's Affidavit to which the Monitor is of the position are incorrect, misstated or need clarity. The merits of any other statements outlined in Sand Tiger's Affidavit that are not specifically discussed below are currently being reviewed by the Monitor and its counsel and will be reported on in a subsequent report to Court, likely in advance of the application currently scheduled for December 4 and 5, 2018. Each response below is sorted by

the respective paragraph in Sand Tiger's Affidavit, to which the Monitor's comments relate.

Paragraphs 21- 23

13. The issue of the release of the dorms claimed by Sand Tiger initially arose in August 2017. On August 4, 2017, the Monitor received an initial email from Sand Tiger indicating its need to reclaim its property located at Bonnyville, Alberta and providing a number of documents in support of its claim. A copy of this email is attached as **Schedule "C"** to this report. It is the Monitor's recollection that this was the first formal request it received in relation to the dorms claimed by Sand Tiger.

14. The legal advice given to the Monitor at this time, after reviewing the documents provided by Sand Tiger, was that while there was a Stay in place, the Monitor was not in control of the assets claimed by Sand Tiger (as its expanded powers had not been granted at that time), and if the Applicants did not require the assets and were of the opinion that Sand Tiger's property claim was valid, the Applicants could make the necessary arrangements with Sand Tiger and other applicable parties to return the dorms. A copy of the Monitor's email to Sand Tiger in this regard dated August 15, 2017, and Sand Tiger's subsequent acknowledgment to make the necessary arrangements is attached as **Schedule "D"** to this report. The Monitor did not take "many months" to respond to the initial claims by Sand Tiger.

15. Sand Tiger indicated to the Monitor in August 2017 that it required the immediate release of the dorms in question as they had a customer wishing to lease the dorms effective September 1, 2017. Mr. Sluice was insistent that the dorms be released immediately in all his discussions with the Monitor and Management, and this is partially evidenced by Mr. Sluice's email attached as Schedule "C" to this report wherein he requests the dorms be immediately released.

16. Thereafter, the Monitor did not hear from Sand Tiger again until June 2018. Between the end of August 2017 and June 2018, the Applicants and the Monitor continued to store the subject dorms at Bonnyville.

17. Sand Tiger's decision to leave the subject dorms on site at Bonnyville between August 2017 and June 2018 in order to "avoid unnecessary relocation expenses" was that of Sand Tiger's and was done without the knowledge and involvement of the Monitor.

Paragraph 26

18. As noted in the Monitor's email to Sand Tiger (attached as Exhibit F to Sand Tiger's Affidavit), the Monitor was misinformed by Management about the location and status of the dorms claimed by

Sand Tiger. The Monitor was under the understanding from its discussions with Management that the dorms in question were simply sitting (stored) on a vacant parcel of land owned by one of the Applicants in Bonnyville, where there were no "improvements" assessed by the municipality for property taxes purposes, and that the dorms were not tied to utilities or otherwise part of the Bonnyville camp at the time of Sand Tiger's request. Management has confirmed its mistake in this regard, and apologized to the Monitor for any misunderstandings/misinformation in relation to this matter.

19. In part based on the above mistaken information provided by Management, but also in light of the early stages of the CCAA proceedings and the fact that the Town of Bonnyville had not yet taken any position in relation to the property taxes at that time, the Monitor agrees that there was no mention of potential property tax issues over the brief period of correspondence in August, 2017.

20. After the expansion of the Monitor's powers, the Monitor attended at the various camp sites. After that time, the Monitor became aware that dorms claimed by Sand Tiger were located on the actual Bonnyville camp lands and were included in the "improvements" assessed by the Town of Bonnyville for property tax purposes.

21. Given the discovery of the above factors, and after discussing the issue with its counsel, the Monitor issued its correspondence to Sand Tiger dated July 5, 2018 indicating that it was no longer able to agree to the removal of the claimed dorms on account of the actual location, the status of the dorms and the property tax claim that included the claimed dorms.

Paragraph 30

22. In regard to Sand Tiger's comment that the Monitor "continues to detain" the claimed dorms, the Monitor acknowledges that in light of the above, it advised Sand Tiger that it was no longer able to agree to the removal of the dorms in question without a mutual agreement from all applicable stakeholders (including without limitation the municipality) or by Order of the Court. Further, it encouraged Sand Tiger to retain counsel and to seek a Court Order if it viewed such actions as appropriate. A copy of the email containing the Monitor's comments in this regard is attached as Exhibit F of Sand Tiger's Affidavit.

23. The Monitor has never requested a cash deposit from Sand Tiger for the release of the claimed dorms at Bonnyville. Any suggestion or offer that a cash security be posted for the release of the claimed dorms at Bonnyville that may have occurred would have been done in the context of without prejudice communications between interested stakeholders and would have been put forward at

first instance by one or more other parties, not the Monitor.

24. The Monitor, in an effort to assist Sand Tiger, was willing to put forward the Bonnyville property tax issues for the Court's consideration at the September 21, 2018 hearing in these proceedings, which it confirmed to the Court by way of a letter from its counsel. Prior to that hearing, a case management hearing occurred before the Honourable Mr. Justice Hiller on September 6, 2018, where another interested party took the position that any property tax application and assessment issues at the Bonnyville camp should be adjourned indefinitely until release by the Court of Appeal of its decision in the *Virginia Hills* appeal. Sand Tiger did not oppose that requested adjournment, and the Court directed that any property tax application and assessment issues at the Bonnyville camp be adjourned indefinitely pending release by the Court of Appeal of its decision in the *Virginia Hills* appeal.

All of which is respectfully submitted.

Dated at Edmonton, this 18th day of October, 2018.

Ernst & Young Inc.
In its capacity as Monitor of
667402 Alberta Ltd.; 18512398 Alberta Ltd.; 816956 Alberta Ltd.; 1371047 Alberta Ltd.;
1919209 Alberta Ltd.; and Canada North Group LP Holdings Ltd.
and not in its personal or corporate capacity

Per:

Dan McCulloch, CIRP, LIT
Vice-President

Schedule "A"

Schedule A
Missing Assets from Monias Site

Unit	DESCRIPTION	VIN	Year
51	REC 6 UNIT	201401005SL	2014
52	REC 6 UNIT	201401006SL	2014
53	REC 6 UNIT	201401007SL	2014
54	REC 6 UNIT	201401008SL	2014
55	REC 6 UNIT	201401009SL	2014
56	REC 6 UNIT	201401010SL	2014
57	KITCHEN 5 UNIT	201408SL001	2014
58	KITCHEN 5 UNIT	201408SL002	2014
61	DORM - JACK & JILLS	DC_F1_S10 to DQ_F3_S1	2011

Schedule “B”

Monitor's Initial Position

20. After receiving notice of the CCAA Order, I communicated with the Monitor (Ernst & Young, Edmonton) and requested the release of the Dorms from Canada North's property in Bonnyville.

21. Initially, the Monitor indicated it would release the Dorms upon receiving proof of Sand Tiger's ownership, which Sand Tiger provided to the Monitor's satisfaction. Attached as **Exhibit "E"** to this affidavit are e-mails between the Monitor and me wherein the Monitor confirms its satisfaction with Sand Tiger's claim to ownership of the Dorms, including an e-mail form the Monitor dated June 26, 2018, in which the Monitor requested information as to when Sand Tiger intended to remove the Dorms from the Bonnyville site.

22. It took many months for the Monitor to confirm that it was satisfied with Sand Tiger's claim to ownership of the Dorms. Sand Tiger first requested their return in August 2017. It wasn't until June 2018 that the Monitor confirmed that it accepted Sand Tiger as the owner of the Dorms.

23. As there was no demand for the Dorms in June 2018, Sand Tiger decided to leave them at the Bonnyville site to avoid incurring unnecessary relocation expenses. There was also difficulty in sourcing qualified personnel to dismantle the Dorms in June 2018.

Town of Bonnyville's Claim for Special Lien

24. On July 5, 2018, the Monitor e-mailed me to advise that, contrary to what it had initially indicated, it would not agree to Sand Tiger removing the Dorms form the Gateway Industrial Park. Attached as **Exhibit "F"** is a copy of the Monitor's July 5 e-mail and my reply.

25. The Monitor explained that, because the Dorms were connected to water, sewer and electricity when in service, the Town of Bonnyville took the position that the Dorms

constituted "improvements" on the Property subject to a special lien pursuant to section 348 of the *Municipal Government Act*. As a result, the Town was looking to the Dorms to satisfy part of Canada North's property tax liability to Bonnyville.

26. The Monitor did not advise me or anybody else at Sand Tiger about any Canada North property tax liability throughout all our correspondence in 2017.

27. I believe that the Town of Bonnyville' claim for property taxes came to light when proofs of claim were filed in early 2018 and/or when other dorms on the property were in process of being sold within the past few months – in either case, after the CCAA filing and after the Monitor had advised Sand Tiger that it could remove the Dorms.

Chattels Located in Dorms

28. I understand that the Monitor intends to sell "small wares" located inside dorms at the Property if they are not claimed by their rightful owners. I am therefore providing the following list of Sand Tiger's chattels in the Dorms:

    a. 38 TVs (see **Exhibit "G"** for invoice paid by Sand Tiger for said TVs);
    b. 2 washing machines and 3 dryers in each 30-person Dorm (there are three 30-person Dorms), and 3 washing machines and 3 dryers in the one 38-person Dorm), for a total of 5 washing machines and 6 dryers (see attached **Exhibit "G"** for spec sheet from Dorm manufacturer showing washer/dryers included).

29. The Sand Tiger Dorms also contained bedding, mattresses and bedroom furniture. This is Sand Tiger property that should not be sold, irrespective of the determination of the special lien issue.

Conclusion

30. To date, the Monitor continues to detain the Dorms at the Bonnyville site. It has requested a sizeable cash deposit for release of the Dorms, pending determination of the

special lien issue, which Sand Tiger has declined to provide because it remains firmly of the view that the Dorms are not properly subject to any tax liability incurred by Canada North.

31. The continued detention of the Dorms is causing loss of revenue to Sand Tiger. It has had to source other structures to meet customer demand.

32. I swear this affidavit in support of Sand Tiger's position on this application and for no other or improper purpose.

SWORN (or affirmed BEFORE ME	)	
on October 4, 2018	)	
at Calgary, Alberta	)	
(Commissioner of Oaths in and for the Province of Alberta)		(Signature)
Sylvia E. De Angelis A Commissioner for Oaths - Notary Public in and for the Province of Alberta. Member of the Law Society of Alberta and My Appointment Expires at the Pleasure of The Attorney General for the Province of Alberta (Print Name and Expiry of Lawyer, Student-at-Law/Commissioner or JP)		WAYNE SLUICE (Print Name)

Schedule “C”

Dan McCulloch

From: Wayne Sluice <wsluice@everestoperations.com>
Sent: August-04-17 11:25 AM
To: Dan McCulloch
Subject: Sand Tiger Lodge - Dorm Ownership information
Attachments: Canada North - Calgary housing contract 2013.pdf; GREAT WHITE SAND TIGER_NHAF4211-NHAF4218.pdf; Alta-Fab 66730.pdf; Alta-Fab 66731.pdf; Alta-Fab 66732.pdf; Post Registration search results re Renewal of SA - May 2, 2017.pdf; Verification Statement re Renewal of SA.PDF

This is the email I was going to send

Should I be sending this to Canada North?

Good morning Matt,

Sand Tiger Lodge is in need of reclaiming its property located at Canada North's camp in Bonnyville, Alberta. Sand Tiger leased Canada North 3 x 30 person dorms and 1 x 38 person dorm. Attached is the originally executed contract. An amending agreement, lengthening the term is available upon request. Irrespective, Canada North is will well aware of the ownership of the property.

The serial numbers of the dorms owned by Sand Tiger are as follows:

1	NHAF4251	2012	Alta-Fab, 30 bed dorm
2	NHAF4252	2012	Alta-Fab, 30 bed dorm
3	NHAF4253	2012	Alta-Fab, 30 bed dorm
4	NHAF4254	2012	Alta-Fab, 30 bed dorm
5	NHAF4255	2012	Alta-Fab, 30 bed dorm
6	NHAF4256	2012	Alta-Fab, 30 bed dorm
7	NHAF4257	2012	Alta-Fab, 30 bed dorm
8	NHAF4258	2012	Alta-Fab, 30 bed dorm
9	NHAF4261	2012	Alta-Fab, 30 bed dorm
10	NHAF4262	2012	Alta-Fab, 30 bed dorm
11	NHAF4263	2012	Alta-Fab, 30 bed dorm
12	NHAF4264	2012	Alta-Fab, 30 bed dorm
13	NHAF4265	2012	Alta-Fab, 30 bed dorm
14	NHAF4266	2012	Alta-Fab, 30 bed dorm
15	NHAF4267	2012	Alta-Fab, 30 bed dorm

16	NHAF4268	2012	Alta-Fab, 30 bed dorm
17	NHAF4231	2012	Alta-Fab, 30 bed dorm
18	NHAF4232	2012	Alta-Fab, 30 bed dorm
19	NHAF4233	2012	Alta-Fab, 30 bed dorm
20	NHAF4234	2012	Alta-Fab, 30 bed dorm
21	NHAF4235	2012	Alta-Fab, 30 bed dorm
22	NHAF4236	2012	Alta-Fab, 30 bed dorm
23	NHAF4237	2012	Alta-Fab, 30 bed dorm
24	NHAF4238	2012	Alta-Fab, 30 bed dorm
25	NHAF4211	2012	Alta-Fab, 38 bed dorm
26	NHAF4212	2012	Alta-Fab, 38 bed dorm
27	NHAF4213	2012	Alta-Fab, 38 bed dorm
28	NHAF4214	2012	Alta-Fab, 38 bed dorm
29	NHAF4215	2012	Alta-Fab, 38 bed dorm
30	NHAF4216	2012	Alta-Fab, 38 bed dorm
31	NHAF4217	2012	Alta-Fab, 38 bed dorm
32	NHAF4218	2012	Alta-Fab, 38 bed dorm

Also attached, confirming ownership is the personal property registry search results and verification statement as well as invoices showing STL purchased the above dorms from Alta Fab.

Please approved their immediate release as soon as possible.

If you have questions, please make contact with me. My cell is 405-618-7787.

Thanks

Wayne Sluice
President
Sand Tiger Lodge

Schedule “D”

Dan McCulloch

From: Wayne Sluice <wsluice@everestoperations.com>
Sent: August-15-17 12:41 PM
To: Susan Ramsay
Cc: Dan McCulloch; Rob Phillips; Kim Capjack; Matt McCulloch
Subject: Re: Sand Tiger Lodge

Thank you

We'll follow up with Rob for scheduling etc.

On Aug 15, 2017, at 1:30 PM, Susan Ramsay <Susan.Ramsay@djcatering.ca> wrote:

> Hi Everyone,
>
> We did, had a contractual check and a visual in the field check and they are good to go.
>
> Please provide WCB clearance and copies of liability insurance for all contractors or transportation companies you will be using prior to arranging the time for dismantle.
>
> To ensure a smooth de-mob please ensure to arrange all de-mob times with Rob Phillips at 780-919-0748. He will want to ensure we have a CNC representative on site during the process.
>
> Thank you,
> Susan
>
> **From:** Dan McCulloch [mailto:Dan.McCulloch@ca.ey.com]
> **Sent:** Tuesday, August 15, 2017 12:22 PM
> **To:** Wayne Sluice <wsluice@everestoperations.com>
> **Cc:** Susan Ramsay <Susan.Ramsay@djcatering.ca>
> **Subject:** Sand Tiger Lodge
>
> Wayne,
>
> We have reviewed your claim and advised Canadian North that we had no issues with them releasing the units as long as the serial numbers checked out.
>
> Susan – have you had a chance to compare the serial numbers? If so, please respond directly to Wayne.
>
> Regards,
>
> <image001.gif> **Dan McCulloch, CIRP, Licensed Insolvency Trustee** | Vice President | Corporate Restructuring & Insolvency
>
> Ernst & Young Inc.
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