Clerk's Stamp

JUDICIAL CENTRE OF EDMONTON
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Clerk of the Court of Queen's Bench

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 TWENTY-SEVENTH REPORT** **November 25, 2019**
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 **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

TABLE OF CONTENTS

SCHEDULES

PURPOSE OF THE REPORT

1. Over the Course of these CCAA proceedings the Applicants and the Monitor have made several applications to this Court, most (if not all) of which have not been outlined in this report, requesting various relief and corresponding extensions of the Stay. Prior to this report, the Monitor has filed twenty-five reports with the Court, issued one confidential report (the Confidential Twenty-Fourth Report) and issued ten unfiled Confidential Supplements in relation to its Eleventh, Twelfth, Thirteenth, Sixteenth, Seventeenth, Eighteenth, Twentieth, Twenty-First and Twenty-Second Reports. Copies of all filed Monitor's reports, materials filed by the Applicants, application materials and previous Orders of the Court can be accessed on the Monitor's website as noted in the disclaimer section of this report below.

2. The purpose of this brief report (the "**27th Report**") is to provide the Court and the Remaining Applicants' stakeholders with the following:

   a.) a brief update of matters resolved and matters remaining to be resolved since the Monitor last reported on such matters in the Monitor's 22nd Report;

   b.) information in relation to a request for offers/proposals process undertaken by the Monitor with respect to the Applicants' Remaining Assets, and the Monitor's recommendation resulting therefrom; and

   c.) updated copies of the statements of receipts and disbursements ("**SRDs**") in relation to the bank accounts maintained by the Monitor or taken over by the Monitor from the Applicants since April 21, 2018;

   and to serve as support for a request by the Monitor for an order of the Court that:

   d.) approves the actions of the Monitor as outlined in this report;

   e.) authorizes the Monitor to proceed to engage Mirterra Corp. ("**Mirterra**") to conduct an auction of the Applicants' Remaining Assets, excluding real properties; and,

   f.) extends the Stay to April 30, 2020.

DISCLAIMER

3. This 27th 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 27th 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 of the upcoming application set for December 3, 2019.

4. This report should be read in conjunction with all reports previously filed by the Monitor, as well as all unfiled Confidential Supplements, as only new details not previously provided to the Court will be discussed herein, unless otherwise stated.

5. 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.

MATTERS RESOLVED AND MATTERS TO BE RESOLVED

6. The Monitor's 22nd Report outlined a number of items that remained to be addressed or resolved in these proceedings. These items were identified in the 22nd report on a high-level basis and were not intended to be inclusive or to be interpreted in any particular order of timing or importance. The sections that follow will outline at a high-level some of the items that have since been resolved as well as items that remain to be resolved at this time.

<u>Matters Resolved from Monitor's 22nd Report</u>

7. The Monitor advises that following items noted as "to be completed" in the Monitor's 22nd Report have now been completed:

a.) The outstanding insurance claim on Wabasca has been settled and $80,323.51 was received by the Monitor on account of this claim. Given the current state of the economy in Alberta, and the anticipated realization for the assets at Wabasca, in consultation with CWB and Versabank, the Monitor concluded that it was advantageous to settle with the insurance company for a cash payment rather than repair the assets damaged by the flood. The settlement amount was determined after the damage was assessed and the estimate to repair the damage was compiled by the insurer.

b.) The Monitor's 22nd Report provided details regarding the Applicants' accounts receivable that were being collected by the Monitor. As noted in the Monitor's 22nd Report, no material receivables remained for DJ and the Monitor was not going to expend any further time and expense in this regard. With respect to the CCS receivables, the only item that remained to be pursued was the potential recovery in relation to the 6 Arizona dorms that formed part of the dispute with 726. The 726 dispute has now been resolved and this potential receivable was specifically addressed in the settlement reached with 726 and approved by the Court. Given the 726 settlement, no further receivable recoveries regarding CCS are anticipated. Regarding CNC/185 receivables, the Monitor advises that no new information has been received since the date of the Monitor's 22nd Report to assist it in collecting any amounts noted as disputed or uncollectible. As such, no new recoveries in this regard have occurred and it is the Monitor's position that it is no longer practical to continue pursuit of such amounts. With respect to CNC/185's WIP receivables outstanding in the amount of $63,490.00 (plus GST and Hotel Tax) as set out in the Monitor's 22nd Report, the Monitor advises that it has been in communication with the customer who owes the funds to CNC/185 and is working with the customer currently to obtain the payment. The customer has advised the Monitor that it has approved the payment but is having internal issues on changing the payee to 185 from CNC. The Monitor expects these funds to be received in due course.

c.) The reconciliation of amounts due to/due from Lodgistx has been finalized, and as a result, a payment of $15,563.62 by the Monitor to Lodgistx was required. The Monitor has paid this amount to Lodgistx, and this matter is now complete. The Monitor is working through internal/banking entries and adjustments to account for the reconciliation transactions currently.

d.) The property tax priority matters have been resolved by agreement with the affected stakeholders and confirmed by the Court through various consent orders granted. As a result of this matter being resolved, the Monitor is working with several stakeholders to facilitate the removal of their assets from various camp sites operated by the Applicants.

e.) On August 29, 2019, the Court of Appeal of Alberta rendered its decision in favour of the Monitor in respect of CRA's appeal in relation to the priority of the Administration Charge, DIP Charge, and Director's Charge. On October 24, 2019, CRA applied for leave to appeal the judgement of the Court of Appeal to the Supreme Court of Canada. Responses to the Leave to Appeal application must be filed and served no later than December 12, 2019.

f.) The dispute with 726 in relation to the ownership and priority of certain assets in these proceedings has been decided, and the Monitor and 726 have reached a settlement (excluding costs) in this regard, which has recently been approved by the Court. Further, the settlement agreement with 726 also served to resolve the AR dispute with 726/Reliant in relation to the Arizona Dorms. The parties have argued the costs issue, and the decision in respect of that issue is in reserve with the Honourable Mr. Justice Hillier.

Additional Matters Resolved/Actions of the Monitor Since the 22nd Report (not included in the 22nd Report)

8. In addition to the matters noted above, the paragraphs that follow outline a number of additional matters which were not specifically noted in the Monitor's 22nd Report but have also been resolved or finalized since the date of the Monitor's 22nd Report.

9. As noted in the Monitor's 23rd Report, the Monitor was of the view that it was no longer worth while delaying a request for proposal process in relation to the remaining HML assets and was looking to initiate the HML RFP in due course after the issuance of that report. The Monitor advises that it has completed the HML RFP and has realized on the remaining HML assets at the site. Similar to previous reports of the Monitor filed in these CCAA proceedings, the Monitor considers the details in respect to the HML RFP to be sensitive in

nature and should not be made public at this time. Given this concern, the Monitor has prepared a confidential supplement to this report (the "**Confidential 27th Supplement**") which outlines all of the details in regard to the HML RFP, and the results derived therefrom. The Monitor will provide the Confidential 27th Supplement to the stakeholders of the Remaining Applicants upon request (as deemed reasonable and appropriate by the Monitor), subject to such requesting parties providing the Monitor with a confidentiality undertaking as deemed acceptable to the Monitor.

10. Upon the completion of the sale of the remaining HML assets, the Monitor removed its 24-hour security personnel from that site and cancelled all related insurance. Site security was removed and the HML site was vacated on September 9, 2019. There remain a few minor loose ends in relation to the HML site with the leaseholder of the land that need to be resolved, and the Monitor and its counsel are working to resolve such matters currently.

11. In addition to the HML RFP, the Monitor has sold a number of assets through individual sales since the 22nd Report was filed with the consent of CWB as authorized in the Order Granting the Monitor Powers of Sale Without Court Approval dated January 10, 2019. The details of such sales have also been outlined in the Confidential 27th Supplement.

<u>Matters Remaining to be Resolved</u>

12. Despite having resolved several matters as noted above, there remains a number of significant matters that need to be resolved in these CCAA proceedings. Such matters include, but are not likely limited to the following:

    a.) Final realization on the Applicants' remaining camp assets and real properties (discussed later in this report);

    b.) Confirm all post-CCAA CRA returns (both GST and source deductions) have been filed and reviewed/accepted by CRA;

    c.) Deal with post-CCAA trade creditors;

    d.) Finalize accounting/allocation of funds received (and to be received) and move funds (as required) to applicable Applicant bank accounts;

e.) Participate in further proceedings regarding the CRA's recent appeal to the Supreme Court of Canada as noted above;

f.) Consider next steps (if any) in relation to the limited partnerships;

g.) Finalize and obtain Court approval in respect of a final allocation of costs;

h.) Complete a distribution to stakeholders after confirming the final allocation of costs, and

i.) Obtain the Monitor's discharge.

REQUEST FOR PROPOSAL PROCESS RECENTLY UNDERTAKEN BY THE MONITOR

13. Until the dispute with 726 was resolved, moving forward to liquidate the Applicants' remaining assets was simply not possible. Given the uncertainty as to the ownership or priority to the affected assets, the Monitor could not reasonably communicate to potential purchasers or interested parties what assets were available for sale.

14. On October 3, 2019, after the 726 matter was resolved and a settlement was reached, the Monitor initialed a simple request for proposals/offers process ("**RFP**") for all of the Applicants' remaining assets after the 726 affected assets were removed. On October 15, 2019, the Monitor broadened its request to additional parties and provided notice of the RFP to a larger list of prospective purchasers.

15. Again, the Monitor considers the details in respect to the RFP to be sensitive in nature and should not be made public at this time, and as such, further details in relation to the RFP have been included in the Confidential 27th Supplement.

16. Based on the contents of the Confidential 27th Supplement in regard to the RFP, the monitor is recommending that the Court approve the engagement of Mirterra to sell the remaining physical assets of the Remaining Applicants.

RECEIPTS AND DISBURSEMENTS SINCE APRIL 21, 2018

17. Attached as **Schedules A,B,C,D and E** to this report are copies of the Monitor's SRDs which outline the consolidated receipts and disbursements for 185, CCS, DJ, 137, and 816 respectively from April 21 up to and including October 31, 2019. The Monitor advises that it has balanced and reconciled its accounts to October 31, 2019, and the transactions reflected within the SRDs reflect the activities over this period. As previously discussed in the Monitor's 22nd Report, for 1919 and 816, the Monitor advises that no separate trust accounts have been opened to date. There have been no specific receipts or disbursements for Holdings or 667 at this time. Also, as noted previously, the Monitor expects that will have to move funds/reallocate certain receipts and disbursements between the Remaining Applicants, and possibly open new separate trust accounts for certain of the Remaining Applicants prior to the finalization of these proceedings to facilitate distributions to stakeholders.

18. The Monitor advises that the SRDs reflect only the direct receipts and disbursements of the Remaining Applicants and the Monitor from April 22, 2018 up to and including October 31, 2019. The SRD's do not reflect amounts that are being held by the Monitor's counsel as at the date of this report or that were in transit after October 31, 2019. Such amounts do not include the $3.25 million received by the Monitor's counsel in relation to the settlement of the dispute with 726.

19. In addition to the above, the SRDs do not reflect the collection of the sale proceeds from the sale of the Head Office. The net proceeds from the sale of the Head Office were paid directly to BDC by the Applicants' corporate counsel.

EXTENSION OF THE STAY

20. As discussed earlier in this report, the Monitor continues to work to liquidate the Remaining Applicants' remaining assets and real property. There remains a significant amount of camp assets, and several parcels of land to be sold or dealt with at this time. Given the state of the economy in Alberta and the various unresolved ownership and priority disputes

that have been discussed in this, and previous reports of the Monitor, the liquidation process has been challenging. The Monitor regrets to inform the Court that considering these challenges, and the other outstanding matters as discussed earlier in this report, it expects that a further, lengthy extension will be required. In addition, it has not been unusual in these CCAA proceedings for new issues, roadblocks, disputes and other unanticipated matters to arise that will require efforts by the Monitor and its counsel to resolve.

21. Despite the challenges faced to date in these proceedings, and the number of outstanding matters still to be resolved, the Monitor is pleased to report that it feels that real progress is being made in moving towards the conclusion of these CCAA proceedings recently. The Monitor is hopeful that, provided the Monitor's recommendation to engage Mirterra is approved by the Court, the remaining physical assets, and possibly some or all of the Remaining Applicants' remaining real properties will be liquidated by the end of 2019, or early 2020 which in turn will serve to significantly minimize costs and further assist the Monitor in finalizing an allocation of costs and distribution to creditors for presentation to the Court and stakeholders.

22. Given that these CCAA Proceedings have effectively become a "Liquidating CCAA", it is evident that the Remaining Applicants' residual assets and real property must be sold or otherwise dealt with for there to be any recovery for the stakeholders.

23. Given the above, and the other matters and information outlined in this report, it is the Monitor's view that the continuation of these CCAA Proceedings, and the associated Stay, is absolutely necessary and as such, the circumstances exist that make an Order extending the Stay appropriate.

24. The Monitor is of the view that an extension of the Stay to April 30, 2020, is reasonable and appropriate in the circumstances to liquidate the remaining assets and deal with/liquidate the real properties, resolve the outstanding matters noted herein, and eventually conduct a final allocation of costs and provide distributions to creditors. The Monitor continues to act in good faith and with due diligence in bringing these estate matters to an end.

OTHER MATTERS

25. There are no other matters to report at this time.

CONCLUSIONS

26. Based on the matters outlined in this report, the Monitor respectfully requests an Order that:

    a.) approves the actions of the Monitor as outlined in this report;

    b.) authorizes the Monitor to proceed to engage Mirterra to conduct an auction of the Applicants' Remaining Assets, excluding real properties; and,

    c.) extends the Stay to April 30, 2020.

All of which is respectfully submitted.

Dated at Edmonton, this 25th day of November, 2019.

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:

Matt McCulloch, CA, CPA, CIRP, LIT
Senior Vice President

Schedule A

Schedule A

185/CNC - Consolidated Statement of Receipts and Disbursements
(CNC, EY & Servus Accounts)

Opening Cash Balances:		
Operating Account BMO (@April 21):	$	573,357.30
EY Trust Account:	$	-
Operating Account Servus (@April 1):	$	828.48
Total Opening Cash:	$	574,185.78

Cash Receipts:

Sale of Assets (Net of GST)	$	10,443,460.62
Collection of A/R (Net of GST)	$	1,459,665.18
Transfer In from DJ Servus Account #2089134	$	37,791.90
Transfer in from CNC Operating Account	$	45.00
Refunds - Misc (Net of GST)	$	325,590.52
GST Collected	$	135,659.29
Hotel Tax Collected	$	27,647.45
Funds Transferred from BMO Op Acct	$	472,300.05
Interest Received	$	91,552.78
Cash in Bank	$	1,490.39
Transfer in from DJ	$	75,011.94
Transfer In From Spall - Reimburse exps - for Spall from RBC/BMO Accounts	$	6,000.00
Transfer In from CNC Servus to CNC BMO	$	19,050.77
Intercompany	$	8,000.77
Reimbursement of Lodgistx Operating Costs Paid by CNC	$	59,928.69
Servus Letter of Credit	$	45,478.00
Total Cash Receipts:	$	13,208,673.35

Cash Disbursements:

Wages Paid	$	268,574.85
Source Deductions	$	197,355.14
Utilities (Net of GST)	$	181,447.37
Insurance	$	144,607.79
Legal Fees (Net of GST)	$	966,940.39
Waste Disposal (Net of GST)	$	153,589.66
Property Taxes	$	27,270.32
GST Paid	$	217,909.33
Other (EY)	$	223,578.24
Other (OP)	$	359,763.30
Monitor Fees	$	1,672,554.54
Monitor Disbursements	$	24,741.87
Operating Costs/Misc (Net of GST)	$	533,854.73
Deemed Trust Claim (crown-Federal)	$	652,916.43
PST Paid	$	14.46
DIP Lenders - Payment	$	3,606,582.29
Trust Funds Allocated to CCS Disbursements	$	111,983.47
Rent	$	28,571.43
Disbursements Made - DJ Bills	$	31,887.93
Disbursements - HML Lodge GP (Net of GST if Applicable)	$	29,750.65
Disbursements Made - CCS Bills	$	1,243.80
Bank Service Charges	$	98.33
Transfer out to RBC CNC OP Accnt	$	3,000.77
Transfer out to Servus DJ OP Accnt	$	110.73
Transfer out to Servus CNC OP Accnt	$	45.00
Transfer out to BMO CNC Accnt	$	58,051.54
Moneris Fees - AR collections	$	2,162.17
Other Moneris Fees	$	678.99
Transfer to Cimmaron Account	$	1,000.00
Daycare Expenses (Net of GST)	$	52,228.58
Unallocated (Op)	$	-
BDC DIP Interest	$	32,613.02
Redemption of GIC (DJ Catering)	$	9,579.06
Total Cash Disbursements:	$	9,594,706.18

Remaining Cash on Hand @ October 31, 2019:	$	4,188,152.95

Schedule B

Schedule B

CCS - Consolidated Statement of Receipts and Disbursements
(CCS & EY Accounts)

Opening Cash Balances:		
Operating Account BMO (@April 21):	$	148,609.84
EY Trust Account:	$	-
Total Opening Cash:	$	148,609.84
Cash Receipts:		
Refunds - Misc(net of GST)	$	39.80
Other(EY)	$	1,170.23
Transfer in from US Acct	$	675.80
CNC Trust Funds Used for Disbursements	$	111,983.47
WCB Refund	$	4,483.30
Total Cash Receipts:	$	118,352.60
Cash Disbursements:		
Wages Paid	$	44,516.97
Source Deductions	$	37,081.78
Utilities (Net of GST)	$	6,326.70
Legal Fees (Net of GST)	$	427.51
Waste Disposal (Net of GST)	$	146.25
GST Paid	$	5,803.13
FV Daycare Expenses (net of GST)	$	98,972.12
Other (OP)	$	13,676.11
General Operating Expenses	$	8,269.01
Deemed Trust Claim	$	32,626.50
Bank Charges	$	1,991.84
Total Cash Disbursements:	$	249,837.92
Remaining Cash on Hand @ October 31, 2019:	$	17,124.52

Schedule C

Schedule C

DJ Catering - Consolidated Statement of Receipts and Disbursements
(CNC, EY & Servus Accounts)

Opening Cash Balances:		
Operating Account BMO (@April 21):	$	9,510.58
EY Trust Account:	$	-
Servus Operating Account (@April 1):	$	1,911.04
Total Opening Cash:	$	11,421.62
Cash Receipts:		
Collection of A/R (Net of GST)	$	396,225.53
Recovery on GICs	$	9,579.06
Refunds - Misc(net of GST)	$	17,158.24
GST Collected	$	19,845.45
Hotel Tax Collected	$	8,785.64
Transfer in from CNC BMO Operating Account	$	110.73
AR for CNC Collected by DJ - Due to CNC	$	15,736.20
Interest(EY)	$	6,514.58
Total Cash Receipts:	$	473,955.43
Cash Disbursements:		
Utilities (Net of GST)	$	52,820.34
Legal Fees (Net of GST)	$	340.95
Post CCAA Payables(Net of GST)	$	894.09
Property Taxes	$	41.00
GST Paid	$	2,729.97
POS Fees	$	360.17
Bank Charges	$	101.00
Transfer out to CNC Servus Account #13901574	$	37,791.90
GST Remitted	$	2,925.85
Lease/Rent Paid	$	543.50
Funds Transferred to CNC Op Account by CNC	$	75,011.94
Total Cash Disbursements:	$	173,560.71
Remaining Cash on Hand @ October 31, 2019:	**$**	**311,816.34**

Schedule D

Schedule D

137… AB Ltd. - Consolidated Statement of Receipts and Disbursements
(137 & EY Accounts)

Opening Cash Balances:		
Operating Account BMO (@April 21):	$	835.42
EY Trust Account:	$	-
Total Opening Cash:	$	835.42
Cash Receipts:		
Sale of Assets (Net of GST)	$	5,456,103.00
Interest(EY)	$	50,138.82
Total Cash Receipts:	$	5,506,241.82
Cash Disbursements:		
Legal Fees (Net of GST)	$	1,994.14
Post CCAA Payables(Net of GST)	$	2,320.00
GST Paid	$	315.71
Payment to Secured Creditor	$	4,157,132.75
Total Cash Disbursements:	$	4,161,762.60
Remaining Cash on Hand @ October 31, 2019:	$	1,345,314.64

Schedule E

Schedule E

816 - Consolidated Statement of Receipts and Disbursements
(CNC & EY Accounts)

Opening Cash Balances:		
Operating Account BMO (@April 21):	$	121.45
EY Trust Account:	$	-
Total Opening Cash:	**$**	**121.45**
Cash Receipts:		
Sale of Assets (Net of GST)	$	540.00
Transfer from CNC Op Acct	$	48.00
Total Cash Receipts:	$	588.00
Cash Disbursements:		
Utilities (Net of GST)	$	2,210.56
Legal Fees (Net of GST)	$	564.20
Property Taxes	$	119.61
GST Paid	$	138.74
PST Paid	$	15.75
Bank Charges	$	49.44
Total Cash Disbursements:	$	3,098.30
Remaining Cash on Hand @ October 31, 2019:	-$	2,388.85