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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., AND 1919209 ALBERTA LTD.
DOCUMENT	**MONITOR'S FIFTEENTH REPORT**
	June 11, 2018
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SCHEDULES

INTRODUCTION AND PURPOSE OF THE REPORT

1. On July 5, 2017, Canada North Group Inc. ("**CNG**"), Canada North Camps Inc. ("**CNC**"), Campcorp Structures Ltd. ("**Campcorp**"), D.J. Catering Ltd. ("**DJ**"), 816956 Alberta Ltd. ("**816**"), and 1371047 Alberta Ltd. ("**137**") (hereinafter collectively referred as the "**Applicants**" or the "**Companies**" or the "**Group**") made an application before this Honourable Court requesting certain relief under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* (the "**CCAA**") and obtained, inter alia, an initial order (the "**Initial Order**"), a stay of proceedings ("**Stay**") against the Applicants for a period of 30 days up to and including August 3, 2017, and the appointment of Ernst & Young Inc. ("**EYI**" or the "**Monitor**") as monitor of the Applicants. In addition to the appointment of the Monitor, the Initial Order also included the appointment of R.e.l. group inc. as Chief Restructuring Officer ("**CRO**").

2. Prior to the application noted above, on June 26th, 2017, each of CNG, CNC, Campcorp, and DJ filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Section 50.4(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3 ("**BIA**") and EYI consented to act as Trustee in each instance. These NOI proceedings commenced by CNG, CNC, Campcorp and DJ under the BIA were taken up and continued under the CCAA.

3. On July 27, 2017, the Applicants made an application to the Court for an extension of the Stay and to add 1919209 Alberta Ltd. ("**1919**") as an applicant to the CCAA Proceedings. The relief sought by the Applicants at this application was granted by the Court, and for the purposes of this report, 1919 will be included in the defined term Applicant, unless otherwise noted.

4. On April 20, 2018, the Applicants made an application to the Court for an Order:

    a.) approving the sale of Winterburn;

    b.) assigning certain litigation;

    c.) dealing with certain issues regarding the Camp Transaction;

    d.) expanding the powers of the Monitor;

    e.) removing certain parties as Applicants;

    f.) authorizing name changes of certain Applicants; and

    g.) extending the Stay.

    The Court granted an Order which provided for the relief sought by the Applicants as requested effective that same date.

5. Pursuant to certain provisions of the Order dated April 20, 2018, on May 3, 2018 the Camp Monitor's Certificate was filed with the Court by the Monitor, and directly as a result, several significant changes to these CCAA proceedings occurred (amongst other changes and relief granted in the Order), namely:

a.) Campcorp and DJ were removed as Applicants from these CCAA proceedings and are no longer subject to the Initial Order or any subsequent Orders in these proceedings;

b.) CNG changed its name to 667402 Alberta Ltd. ("**667**") and CNC changed its name to 18512398 Alberta Ltd. ("**185**");

c.) The Style of Cause in these CCAA proceedings was amended:

i.) to change the names of each of CNG and CNC to their respective numbers as noted above; and

ii.) to delete Campcorp and DJ;

d.) The resignations of each of Paul and Shayne McCracken as directors of the Remaining Applicants (as applicable) was deemed to be accepted by the Remaining Applicants;

e.) The Monitor's powers were expanded as set out in the Order; and

f.) Any and all right, title and interest in the Grand Rapids accounts receivable and related claims were assigned and transferred over to DJ.

6. Over the Course of these CCAA proceedings, the Applicants have made a number of applications to this Court requesting various relief and corresponding extensions of the Stay. To date, the Monitor has filed fourteen reports with the Court and issued three unfiled Confidential Supplements in relation to its Eleventh, Twelfth Report and Thirteenth Report. 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.

7. The purpose of this report (the "**Fifteenth Report**") is to provide the Court and the Remaining Applicants' stakeholders with:

i.) an update in relation to the status of the transaction with Restructuring Investor, the closing of the Winterburn Yard sale, and the effective date of the expansion of the Monitor's powers;

ii.) an update in relation to the actions of the Monitor since the date of the last report, specifically since the expansion of its powers effective May 3, 2018;

iii.) information in relation to the Monitor's recommendation to Canada North Group LP Holdings Ltd. to the CCAA proceedings;

iv.) information in relation to a pending sale of certain assets located at the Bonnyville camp site;

v.) information in relation to a request by BDC for a reserve for future legal fees in these CCAA proceedings;

and to serve as support for an Order of the Court that:

vi.) approves the actions of the Monitor as set out in this report;

vii.) adds Canada North Group LP Holdings Ltd. to these CCAA proceedings as a Remaining Applicant;

viii.) approves the sale of certain assets at the Bonnyville camp site and vests clear title of the assets sold to the potential purchaser on closing of the transaction contemplated herein;

ix.) provides direction to the Monitor in relation to the payment of the reserve for future legal fees as requested by BDC; and

x.) extends the Stay to December 31, 2018.

DISCLAIMER

8. In preparing the Fifteenth Report, the Monitor has relied upon unaudited financial information of the Remaining Applicants, the Remaining Applicants' books and records, certain financial information prepared by the Remaining Applicants and discussions with the Remaining 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 report or

relied upon in its preparation. Future oriented financial information reported or relied on in order to prepare this report is based on Management's assumptions regarding future events; actual results will vary from forecast, and such variations may be material.

9. This 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 *http://documentcentre.eycan.com/Pages/Main.aspx?SID=1410*. In addition, this report should be read in conjunction with any new materials filed with the Court by the Remaining Applicants (if any) prior to the date set for the application as set out in this report.

10. 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.

STATUS OF TRANSACTION WITH RESTRUCTURING INVESTOR, WINTERBURN SALE, AND EXPANSION OF THE MONITOR'S POWERS

Status of Transaction with Restructuring Investor

11. It was decided amongst the Monitor and its counsel, counsel for the Applicants, and counsel for the Restructuring Investor that the effective date of the Camp Transaction would be close of business on April 21, 2018. This particular date was used as it provided for a streamlined cut-off of operations, payroll, and the transition of staff to the new operating entity. As such, effective April 22, 2018, all of the operations of the camps included in the Camp Transaction along with all of the associated former staff of the Applicants that were required to maintain future operations were transitioned to the Restructuring Investor's new operating entity, Lodgistx Accommodations and Service Inc. ("**Lodgistx**").

12. In the interim period between the effective date of the Camp Transaction and the filing of the Monitor's Certificate (Camp Transaction), a number of transactions were processed by the Remaining Applicants in relation to the operations of the camps after the effective date that will require to be reconciled with the Monitor. Conversely, Management has indicated that there were payments made after the filing of the Monitor's Certificate (Camp Transaction) by Lodgistx on behalf of the Remaining Applicants. There are a few other related adjustments that may also be required in relation to the Camp Transaction and the Monitor and Management will be completing a reconciliation of any such transactions and finalizing an adjustment as required in the near future.

13. Notwithstanding the reconciliation and anticipated adjustment referenced above, the Monitor advises that in all material respects the Camp Transaction was completed. On May 3, 2018, the Monitor signed and filed with the Court the Monitor's Certificate (Camp Transaction) within which the Monitor certified, amongst other things, that the funds in relation to the Camp Transaction had been received, and all other related conditions as required under the Order of the Court dated March 20, 2018 in relation to the Camp Transaction had been satisfied.

Winterburn Sale

14. Pursuant to discussions between 2007, the Monitor and their respective counsel, 2007 advised that in order to complete the purchase of the Winterburn Yard, 2007 would require possession on May 1, 2018. The Monitor agreed to allow 2007 to have possession on that date provided it was confirmed that the sale proceeds were in trust with the Monitor's counsel to close the transaction, and that 2007 would reasonably accommodate the Monitor and Remaining Applicants while the Monitor determined a course of action to deal with the Remaining Applicant's assets located on the Winterburn Yard. The Monitor received the confirmation required with respect to the sale proceeds and was comfortable moving forward and allowing 2007 to have possession for May 1, 2018.

15. On May 3, 2018 the Monitor signed and filed with the Court the Monitor's Certificate (Winterburn) within which the Monitor certified, amongst other things, that the funds in relation to the sale of the Winterburn Yard had been received, and that the transaction had been completed to the satisfaction of the Monitor.

Expansion of the Monitor's Powers

16. As a result of the filing of the Monitor's Certificate (Camp Transaction) on May 3, 2018, the Monitor's powers were expanded effective that date in accordance with the Order of the Court dated April 20, 2018. The conservatory measures and a number of the other actions taken by the Monitor in relation to its expanded powers since May 3, 2018 are discussed below.

CONSERVATORY MEASURES AND OTHER ACTIONS OF THE MONITOR SINCE EXPANSION OF ITS POWERS

Conservatory Measures

17. Management provided the Monitor with the relevant details in relation to all existing bank accounts maintained by the Remaining Applicants, and the Monitor has taken measures to freeze all withdrawals or close the accounts as applicable. A number of bank accounts that were used by the

Remaining Applicants were not closed by the Monitor, but instead were simply placed into a "monitor and verify" status for any outgoing transactions. The Monitor was advised that many of the Remaining Applicants' customers pay by way of electronic fund transfers, and it was decided that trying to switch payment arrangements to the Monitor's trust account was not practical for a number of reasons. The Monitor is accounting for all deposits received in all existing bank accounts and will sweep funds on account for deposit into the trust account opened by the Monitor. In addition to the above, the Monitor is working with the Remaining Applicants, and the respective banks to ensure that appropriate payments required for continued operations, payroll, insurance, post-CCAA trade creditors and otherwise are properly authorized and recorded, prior to any payments occurring.

18. The Monitor has not redirected the mail of the Remaining Applicants. Instead, the Monitor continues to work with Management and has established arrangements to pick up documents, cheques and other mail at the former head office of the Remaining Applicants, which is now home to the head office for Lodgistx, the operating entity established to run the camp business by the Restructuring investor.

19. The Monitor advised the Remaining Applicants' insurer of its appointment and expanded powers and has reviewed the existing policies, made adjustments where necessary or deemed appropriate, and confirms that adequate coverage is now in place.

20. The Monitor arranged for adequate security at all of the remaining camps previously operated by the Applicants pursuant to various limited partnership agreements (discussed later in this report), as well as for security at both the Winterburn Yard and the Farm as required by the Applicants' insurer.

21. As at May 3, 2018, the Remaining Applicants' residual rolling stock, dorms and other assets (excluding formerly operating camps in remote areas, discussed later) ("**Residual Assets**"), were located primarily at either the Winterburn Yard or the Farm.

22. As noted earlier in this report, the Winterburn Yard was sold, and 2007 took possession of the site on May 1, 2018. 2007 was very cooperative with the Monitor, and allowed the Remaining Applicants, and the Monitor to remain on the premises in the short term while the logistics in relation to the Residual Assets on site were addressed. The Monitor enquired as to whether or not 2007 would be agreeable to allow a potential auction of the Residual Assets on site at some point later in the summer, and was advised that 2007 would prefer that the Residual Assets be removed and sold elsewhere. In addition, it was the Monitor's view that as 2007 continued to move its own assets onto the Winterburn Yard and started operating, additional storage concerns and related issues in

relation to the Residual Assets could arise. The Monitor determined that it would be best to move all of the Residual Assets from the Winterburn Yard to the Farm, for a number of reasons, including but not limited to the following:

a.) The relocation of the Residual Assets to the Farm would reduce security costs, as only one location would need to be monitored;

b.) The Monitor maintained staff on the payroll from Campcorp to complete a construction project that was in the final stages of completion, and such staff had capacity to assist in the relocation, which in turn minimized the costs of the move to the estate;

c.) The relocation of the Residual Assets reduced the risk of any assets being inadvertently co-mingled with those of 2007's, damaged, or otherwise disappearing;

d.) The relocation would eliminate the risk that some of 2007's assets would be accidently removed, damaged or sold by a liquidator engaged by the Monitor to sell the Residual Assets at the Winterburn Yard. At the same time, avoiding a sale on 2007's property and moving the Residual Assets also avoids possible damage and cleanup costs to the Winterburn Yard in the future from the workers and patrons attending the sale and by heavy equipment used by purchasers to pick up assets purchased, or otherwise; and

e.) The relocation of the Residual Assets to the Farm would increase potential liquidators' interest in submitting a proposal to have an auction sale as essentially all of the Residual Assets would then be located on one site and the Farm could be used to hold a sale (as opposed to having to move the assets to a different site, which was a concern expressed by a number of liquidators when the Monitor was supervising the Applicants as they requested proposals for the purchase / sale of a portion of the Residual Assets in March 2018).

23. In regard to the Farm, the Residual Assets onsite now consist of various pieces of rolling stock, miscellaneous equipment and approximately 100 dorms / sleeper camp units. All of the major assets at the Farm have been inventoried and photographed by the Monitor. The Farm is fenced and gated and appropriate security measures have been established. The Monitor does not plan on changing the locks on any of the surplus dorm units as this would involve changing several hundred locks at a significant cost. As at the date of drafting this report, although the majority of the Residual Assets have been moved to the Farm, there remains a few items yet to be recovered/relocated from the Winterburn Yard or otherwise. The Monitor will change the locks to the permanent buildings and the gate once it is confirmed that all assets required to be moved to

the Farm, have been relocated and that access by the retained CNC staff is no longer required.

24. In addition to the securing the Residual Assets discussed above, the Monitor attended 6 of the 7 camps previously operated by the Applicants that remain and did not form part of the sale with the Restructuring Investor. Each of the camps attended were photographed and all of the significant assets on each site were inventoried by the Monitor. Specifically, the Monitor attended the following sites:

    i) Bonnyville, Alberta

    ii) Peace River, Alberta

    iii) Wabasca, Alberta

    iv) HML Lodge, Alberta

    v) Wandering River, Alberta

    vi) Cimarron, British Columbia.

25. Only one former camp site has not yet been attended by the Monitor as at the date of this report and that camp is known as Kilometer 147 or Monais. The Monitor has been advised that there have been access issues in relation to this camp in the past that are being addressed currently by the Monitor and its counsel. The Monitor hopes to have any such issues resolved and an inspection and inventory of the assets located at the Monais camp site completed in due course.

26. In previous reports of the Monitor, the Monitor was considering continuing operations at either or both camps known in these proceedings as HML and Wabasca. In consultation with Management, the Monitor was advised that there were only 2 men in camp at Wabasca and although there were approximately 15 - 20 men in HML, there were significant repairs required to HML in order to legally continue operating. Further, the Monitor was advised that there were no contracts with customers at HML and as such, there was no guarantee that the customers currently staying in camp would continue to stay in the camp for any period of time to recover the costs of the repairs required. The Monitor discussed the matter at length with Management, reviewed the related costs to continue to operate, and decided to shut both of these camps down immediately. Management agreed with the assessment of the Monitor, and after these specific camps were shuttered, the Monitor arranged for 24 hour camp watch at each of these sites, and all utilities, internet, cable and other related expenses were reduced significantly to a minimum.

27. To assist with the attendance at the various camp sites, the inventory of the related assets and to provide an updated forced sale assessment of each of the remaining camps, the Monitor engaged Mirterra Industrial Appraisers & Auctioneers ("**Mirterra**"). Mirterra was previously engaged by the Applicants earlier in these CCAA proceedings to provide an appraisal of the Applicants' assets for other purposes.

Other Actions of the Monitor

28. In addition to the conservatory measures discussed above, the actions of the Monitor also include, but are not limited to the following:

a.) Sent an updated request for proposals ("**RFP**") to all of the liquidators who were included in the original RFP request conducted in March 2018. A number of new additional parties were also included after expressing interest to the Monitor since the last RFP was completed. To date, the Monitor has had numerous calls from interested parties and has attended the Farm to show assets. The deadline for submission of proposals is June 22, 2018. An updated RFP process was required in light of the Monitor's decision to move all of the Residual Assets to the Farm as well as the fact that a significant number of additional assets were added to the Residual Assets by the Applicants in comparison to the assets that were subject to the original RFP;

b.) As previously mentioned above, the Monitor retained certain staff of the Remaining Applicants to assist with relocating assets, as well as to finish the construction and transportation of one remaining project. The Monitor also retained certain additional staff to assist with filing GST returns, to prepare and file records of employment and T4s, and to provide information required by the Monitor to address payables and receivables;

c.) Issued accounts receivable and work in progress invoices and collection letters, and continues to pursue collection of these funds;

d.) Collected the sale proceeds from the sale transactions involving the Restructuring Investor and the Winterburn Yard;

e.) Reviewed invoices and supporting documents and issued payments to several of the professionals who were owed fees from these CCAA proceedings;

f.) Continues to review accounts payables of the Remaining Applicants, and make payments to trade creditors who provided goods and or services to the Applicants post-CCAA;

g.) Continues to work with its counsel as required to evaluate and address a number of issues in relation to the Remaining Applicants' assets and affairs, creditor enquiries and matters, priority issues and other related items;

h.) Issued payments to CRA totalling $685,542.93 on account of the outstanding deemed trust claims issued against CNC and Campcorp;

i.) Issued payment to BDC in the amount of $3,606,582.29 to repay the DIP and related interest and legal costs as calculated to May 29, 2018 (this matter will be discussed further, later in this report);

j.) Continues to communicate with affected creditors and stakeholders as required; and

k.) Prepared this report.

ADDITION OF CANADA NORTH GROUP LP HOLDINGS LTD. TO THE CCAA PROCEEDINGS

Background Information

29. 667, formerly CNG, is the 100% shareholder of Canada North Group LP Holdings Ltd. ("**Holdings**"), and 667 is also the 100% shareholder of 185 (formerly CNC), Campcorp, and DJ. Holdings is a limited partner in all the limited partnerships which established several of the various camps, each of which were operated under contract by 185, formerly CNC. The Monitor understands that both Paul and Shayne McCracken have resigned as directors of Holdings at present. Currently, there are six camps still in place, which were operated under the limited partnerships, and these camps, and the respective partnership interests of Holdings are as follows:

a.) Kilometer 147 LP ("**147**") - (33%)

b.) Peace River Lodge LP ("**Peace**") - (49.5%)

c.) Bonnyville Lodge LP ("**Bonnyville**") - (49.5%)

d.) Wandering River Lodge LP ("**Wandering**") - (24.75%)

e.) HML Lodge Limited Partnership ("**HML LP**") - (49.5%)

f.) Cimarron Lodge Limited Partnership ("**Cimarron**") - (49.5%)

30. The only other camp is located in and known as Wabasca. This camp was not operated under a limited partnership arrangement and is wholly owned by 185 on lands owned by 137.

31. Holdings made contributions to each of the limited partnerships noted above, which contributions vary to some extent between each of the partnerships; however, such contributions generally included a proportionate share of initial working capital, staffing the camps, groceries, equipment and in some cases the land on which the camp was situated.

Secured Creditors

32. Although further investigation is required into the various secured creditors against the limited partnerships and relevant parties, the paragraphs that follow outline the registrations noted by the Monitor and its counsel in relation to Holdings, the limited partnerships, and the general partners of the limited partnerships.

33. BDC and CWB both have security registrations against Holdings' all present and after acquired property, registered in first and second position respectively, and CWB also has a registered land charge and assignment of debt owing to 185 registered.

34. CWB has security registrations in Alberta for all present and after acquired accounts, chattel paper, securities and instruments (and proceeds thereof) against 147, Peace, Bonnyville, Wandering, and HML LP.

35. Remote Waste LP has registrations in Alberta against all present and after acquired personal property for both 147 and Peace.

36. 185 has registrations in Alberta against all present and after acquired personal property as well as land charge registrations for 147, Peace, Bonnyville, Wandering, and HML LP

37. CWB has registrations in Alberta for all present and after acquired accounts, chattel paper, securities and instruments (and proceeds thereof) against the general partner of each of 147, Peace, Bonnyville and HML LP.

38. 185 has registrations in Alberta against all present and after acquired personal property against the general partner of each of 147, Peace, Bonnyville, Wandering and HML LP.

39. The Monitor is not aware of any security registrations against Cimarron, or its general partner.

General Dissolution Provisions of the Limited Partnerships

40. Subject to some differences in relation to the HML Lodge Limited Partnership agreement, all of the other limited partnership agreements generally state the following:

a.) any limited partner may, at any time, send notice to the others that it desires to terminate the partnership;

b.) in the event that a dissolution notice is given by any limited partner to the others, the following provisions shall govern:

i) any assets that a limited partner or its affiliates or subsidiaries has leased to the partnership shall remain the property of that limited partnership or any of its affiliates or subsidiaries, and if applicable, shall be removed pursuant to the terms of the applicable lease agreement; and

ii) any assets that a limited partner or its affiliates or subsidiaries has contributed to the partnership shall be distributed to that limited partner or its affiliates or subsidiaries and that limited partner shall give 90 days' notice before removal of such assets;

c.) on dissolution of the partnership, the general partner shall act as the Receiver ("**Receiver**") of the partnership. If the general partner is unable or unwilling to act as Receiver, the limited partnership shall, by ordinary resolution, appoint some other appropriate person to act as Receiver. The Receiver will proceed to diligently wind down the affairs of the partnership and to distribute the net proceeds from the sale of the partnership assets in accordance with the partnership agreement;

d.) the Receiver shall distribute the net proceeds from the sale of the partnership assets as follows:

i) first, to pay the expenses of the liquidation and the creditors of the partnership;

ii) secondly, to provide such reserves as the Receiver considers appropriate or necessary for any contingent liability of the partnership;

iii) thirdly, to the limited partners, to the extent of the amount of their respective capital; and

iv) fourthly, to the limited partners, the balance thereof, pro rata in accordance with the number of respective units held; and

e.) the Receiver shall allocate net income, net loss, tax loss and taxable income to the account of the limited partners that received distributions, then shall be divided into equal amounts per total units issued and thereafter allocated amongst the partners' accounts in accordance with the number of units held by each partner.

41. In respect to HML Lodge Limited Partnership, the governing dissolution provisions are generally the same as above, except that:

a.) the limited partner Harrison Marine Ltd.'s ("**Harrison**") assets contributed remain its own, and any assets that Holdings contributed remain the property of Holdings and it shall give 90 days' notice before removal of such assets; and

b.) with respect to any assets that were purchased by the partnership ("**Joint Assets**"), either Harrison or Holdings shall have the right within 10 days of the dissolution notice to make an offer in writing to the partnership to purchase all of the Joint Assets from the partnership at a stipulated price and terms, and thereafter, there is a corporate "shotgun" type of process that commences in respect of such offer.

Adding Holdings to the CCAA Proceedings

42. As noted earlier, Holdings is an affiliate of 667 by virtue of its 100% shareholdings in Holdings and the Monitor understands that both Paul and Shayne McCracken have resigned as the directors of Holdings.

43. To the best of the Monitor's knowledge, the only operating camp that Holdings had an interest in over the course of the CCAA proceedings was HML as none of the other camps subject to the partnership agreements operated during the CCAA proceedings.

44. Holdings is effectively the entity within the Canada North family of companies that is party to the limited partnership agreements that legally operated the various camps. Further, Holdings is the entity within the limited partnerships that has caused 185 and other Remaining Applicants to enter into equipment leases with the limited partnership and/or to otherwise place dorms and other assets on the various lands to operate these camps.

45. Upon adding Holdings as an applicant in the CCAA proceedings, the Monitor will assume de facto control of Holdings. Thereafter, it would then be the intention of the Monitor to attempt to negotiate releases and/or sales of the Remaining Applicants' assets located on the camps, as well as favourable wind-down scenarios, with the partnerships, and their general partners and limited partners. If necessary, the Monitor may issue notices of dissolution under and pursuant to the

limited partnership agreements. This, in turn, will generally cause the following in respect of each of the limited partnerships:

a.) the partnership will return any assets leased or contributed by Holdings, 185, and 137, as applicable;

b.) any operating or services agreements entered into by 185 with the partnership will cease; and

c.) the general partner, or other appointed Receiver, will wind up the affairs of the partnership and distribute the net proceeds in accordance with the provisions of each agreement (discussed above).

46. The dissolution of the limited partnerships is necessary or beneficial for a number of reasons which would include, but not limited to, the following;

a.) the dissolution would provide for an orderly, transparent and efficient process to deal with the various camp and partnerships' affairs and remaining assets;

b.) it may generate value for Holdings' and/or 667's creditors from the realization of the partnership assets/recovery of property from the partnerships that was leased or contributed by Holdings or 667; and

c.) it will allow the Monitor to complete its mandate as it proceeds to finalize matters and bring these CCAA proceedings to an end.

47. Holdings is wholly owned by 667, and the Monitor being able to effect its enhanced powers over Holdings is the only manner in which it can seek to ensure the orderly wind-down of the above described camps, ensure it has the right to remove or sell assets from the camp lands, and effect the liquidation of any assets thereon, as is discussed further below.

48. Based on the above factors, the Monitor recommends that Holdings be added as an Applicant to these CCAA proceedings at this time.

SALE OF CERTAIN ASSETS FROM THE BONNYVILLE CAMP

49. On April 30, 2018, the Monitor was contacted by a representative from a prospective purchaser, and was advised that the prospective purchaser was just finalizing a transaction to acquire three 30-bed dormitories manufactured by Alta-Fab Structures Ltd. (the "**Dorms**") from Aurora Lodging

Inc. ("**Aurora**") that were located at the Bonnyville camp site (that was operated by Bonnyville as discussed earlier in this report). The representative from the prospective purchaser was concerned about the possible impact the CCAA proceedings would have on the proposed transaction, and as such contacted the Monitor to;

a.) obtain the Monitor's confirmation that the Monitor did not take issue with the proposed sale transaction, and that the Dorms could be removed from the Bonnyville camp site without issue;

b.) obtain the Monitor's confirmation that once the sale transaction was concluded, that the proposed purchaser would enjoy clear title to the Dorms; and

c.) to advise the Monitor/make arrangements for the pending removal of the Dorms from the Bonnyville camp site.

50. The prospective purchaser provided the Monitor with a copy of the Sales Agreement dated April 13, 2018 ("**Sales Agreement**"), with Aurora in relation to the Dorms, which outlined the description of the Dorms being sold (on an "as is", "where is" basis) and indicated the total sale price of the Dorms was $1,141,875.00 (including GST).

51. The Monitor advised the prospective purchaser that it was not aware of the transaction in question, or of any claim of property by Aurora in relation to the Dorms, and that the Dorms could not be sold or removed without further investigation and the approval of the Monitor. The Monitor requested additional information from the prospective purchaser, and deferred the matter to its counsel for further discussion and investigation.

52. Aurora engaged counsel shortly after April 30, 2018, after which, counsel for Aurora and the Monitor exchanged various correspondence and information in relation to the matter.

53. From correspondence received from Aurora and its counsel, Aurora is claiming to be the owner of the Dorms, and has further claimed that the Dorms in question (along with two additional 38 bed dorms) were leased to CNC in late July, 2013 for a lease term of 12 months, after which time, CNC continued to lease the Dorms on a month to month basis until CNC terminated the lease in February, 2015. Sometime shortly thereafter, Aurora has advised that Paul McCracken of CNC gave verbal permission to Aurora to store the Dorms at the Bonnyville camp site while Aurora attempted to sell or re-lease the Dorms elsewhere.

54. The Monitor has discussed this situation and Aurora's representations outlined above with Paul McCracken, who has advised the following:

a.) The Dorms were originally used by CNC in its efforts to support the flood relief in Calgary back in 2013, and as such, the Dorms were originally shipped to Calgary in 2013 and used as accommodations for relief workers (and/or others) at the time of the flood;

b.) After the flood relief efforts were concluded, the Dorms were moved up to Bonnyville and set up to be used at that location as CNC anticipated work from two significant customers at the time;

c.) Upon arrival of the Dorms at Bonnyville, the Dorms were tied into the camp's water, sewer/lift stations, and other utilities in anticipation of their use;

d.) One of the customers who had approximately 100 men in the Bonnyville camp pulled its crews from the Bonnyville area, and the other customer cancelled its projects in the area several years ago when the price of oil collapsed, and the Bonnyville camp has been sitting idle (unoccupied) since that time;

e.) The Aurora Dorms have never been de-mobilized, and remain attached to the camps services as noted above; as such, in order to remove the units, de-mobilization will be required; and

f.) CNC did terminate the lease with Aurora several years ago, and an agreement was verbally made allowing Aurora to leave/store its assets at no monthly cost on the Bonnyville camp site.

55. The Monitor has discussed the Sales Agreement with its counsel, CWB and its counsel, and Ron Victor of Mirterra. Based on the discussions with these parties, and particularly with Mr. Victor, the Monitor is of the opinion that the sale price of $1,141,875.00 for the Dorms is reasonable in the circumstances. Further, although the Aurora units have been incorporated into the Bonnyville Camp, the Monitor understands that the removal of the Dorms should not be an onerous task, and they are not essential to ensure the sale of the Bonnyville camp or the assets that will remain.

56. The Monitor, through its counsel, has advised Aurora that there are a number of potential claimants against the Bonnyville camp and the related assets, and as such, has concerns about other potential claims that could arise as against the Dorms.

57. Given all of the above factors, the Monitor has agreed to work with Aurora and the potential purchaser to complete the sale and release the Dorms. A copy of the agreement between the Monitor and Aurora is attached as Schedule "A" to this report, for ease of reference, the main conditions of the agreement are as follows:

a.) 100% of the sale proceeds will be held in trust with counsel for the Monitor pending either an agreement among any potential claimants and the Monitor, or further order of the Court;

b.) The purchase price shall stand in the place and stead of any and all claims against the Dorms;

c.) All arrangements for removal will be made and coordinated with the Monitor and its representatives;

d.) The purchaser will be responsible for the cost of the removal of the Dorms; and

e.) Aurora and the potential purchaser agree to hold the Monitor and Bonnyville harmless in respect of any and all damage and repair work to remove the Dorms from the Bonnyville camp, including capping off any utilities or otherwise.

58. As at the time of drafting this report, the sale proceeds have not yet been received by counsel for the Monitor, and the Dorms have not been removed from the Bonnyville camp site. The Monitor has recently been advised that the purchaser has requested that the Court approve the transaction outlined in the agreement and grant an order that vests clear title of the Dorms to the purchaser on closing of the transaction.

59. The Monitor recommends the Court grant an Order which incorporates the request by the purchaser in relation to the purchase of the Dorms discussed above.

LEGAL FEE RESERVE REQUEST BY BDC

60. On May 24, 2018, in response to a request of the Monitor for payout information in relation to the DIP provided by the Interim Lender (BDC), the Monitor received a letter from BDC that outlined the total amount outstanding in relation to the DIP and related interest and costs, as well as outstanding legal fees. Also included in this letter was a request to the Monitor to set aside "Reserve for Future Legal Fees" (the "**Reserve**") in the amount of $225,000.00 which BDC was requesting to be paid by the Monitor from funds on deposit in the Monitor's trust accounts. The Monitor understands that the purpose of the Reserve is for the continued response to CRA's appeal, and any potential further appeal to the Supreme Court of Canada, in relation to the priority of its claim for unremitted source deductions over the Administration Charge and the Interim Lender's Charge granted in the Initial Order.

61. The Monitor discussed the Reserve with its counsel, and it was the opinion of both the Monitor and

its counsel that the Reserve should not be paid to BDC without first seeking direction from the Court.

62. Over the same timeframe of the events noted above, CWB and its counsel enquired of the Monitor and its counsel as to the status of the DIP, the amount required to be paid to payout the DIP, and when it would be paid. Consequently, counsel for the Monitor discussed the matter with counsel for CWB, and was advised that CWB was opposed to any payment to BDC on account of the Reserve.

63. Counsel for the Monitor advised BDC and its counsel of CWB's opposition and of the fact that the Monitor would be seeking the direction of the Court prior to making any payment to BDC on account of the Reserve.

64. On May 28, 2018, the Monitor proceeded to pay out the balance of the amount sought by BDC in relation to the payout of the DIP (with interest calculated to May 29, 2018 to allow for delivery of the payment issued by the Monitor on May 28, 2018) along with any outstanding legal fees incurred as per the details provided, excluding the Reserve. Under the terms of the Interim Lending Agreement, BDC was entitled to have its legal fees paid by the Applicants on a full indemnity basis, and the total of such fees paid over the course of the CCAA proceedings to date is $215,761.71.

65. Given the nature of the Reserve, and the opposition of the payment of the Reserve by CWB, the Monitor respectfully requests the Court provide direction in relation to the payment of the Reserve at this time. The Monitor advises that it takes no position in relation to the Reserve; however, the Monitor does anticipate that there should be sufficient funds held in the estate trust accounts to cover the Reserve amount at a later date should the Court approve such a payment at a future application.

EXTENSION OF THE STAY

66. Pursuant to the Order granted April 20, 2018, the Stay was extended to July 31, 2018. Based on information discovered and the work done by the Monitor since the expansion of its powers, the anticipated work and matters yet to be discovered, completed or resolved, and the matters noted as in progress or otherwise in this report, it is the Monitor's respectful submission that the current extension to July 31, 2018, does not provide for sufficient time to address the matters identified to date, realize on the balance of the Remaining Applicants' assets, resolve and determine the allocation of the costs of the CCAA proceedings, distribute funds to creditors, and bring these CCAA proceedings to an end.

67. It is the opinion of the Monitor that it will take until at least December 31, 2018, before most of the substantive matters in these CCAA proceedings can be resolved, and these proceedings can be

brought to an end.

68. In an effort to minimize costs and focus on addressing the matters to bring these CCAA proceedings to an end, the Monitor respectfully requests an extension of the Stay to December 31, 2018.

OTHER MATTERS

Receivership of Morningstar Golf Club ltd. ("**Morningstar**")

69. For the Court's ease of reference, Morningstar is a golf club located in Parksville, British Columbia which is owned and controlled by 816. Although Morningstar was never an Applicant under these CCAA proceedings, pursuant to paragraph 13 of the Initial Order Morningstar was identified and included as a "Stay Party" and afforded a limited Stay. The Stay in relation to Morningstar was limited to any creditors whose claims arose as a derivative of the primary liability of any one or more of the Applicants, and any proceedings in relation to such claims were stayed and suspended pending further order of the Court.

70. Over the course of the CCAA proceedings given that Morningstar was not an applicant, the Monitor was not monitoring its affairs.

71. On May 10, 2018, the Monitor and its counsel were copied on an email from counsel for Shayne and Paul McCracken to counsel for both of the senior secured lenders of Morningstar, being Realcor Mortgage Corp. ("**Realcor**") who holds the first mortgage on the lands in which Morningstar operates, and CWB who holds a second mortgage against the same property. The email indicated a number of issues in relation to Morningstar, including:

a.) The company did not have sufficient liquidity to fund the upcoming payroll due within the following week, address outstanding payables or to continue in operations, without an injection of funds, or possibly, a formal insolvency proceeding;

b.) The McCrackens were not able to inject the necessary cash to continue operations, and if the course is shuttered, it may limit the value of the property on resale (as restarting the course would be an expensive proposition as the greens decay, etc.);

c.) The McCrackens have resigned as directors of Morningstar;

d.) That the course would be closing without delay unless Realcor and CWB advised that they wished to proceed in a manner that kept the golf course operating as a going concern by end of day on May 11, 2018.

72. The Monitor discussed the email received above with its counsel, and corresponded with both Realcor and CWB as required. It is the Monitor's understanding that there is no surplus value or equity in Morningstar over and above the claims of Realcor and CWB, but rather it is likely that there will be insufficient value to address both Realcor's and CWB's claims.

73. Both Realcor and CWB declined to advance funds to Morningstar to support continued operations, and CWB further advised that it was not prepared to fund a receivership of Morningstar at the time.

74. Given the above factors, the Monitor advised all of the parties involved that it was not in a position to operate Morningstar, and while Morningstar is wholly owned by 816, it is not one of the Remaining Applicants and is not completely subject to the CCAA proceedings. Further, utilizing proceeds or revenues from the existing estate to subsidize a non-applicant subsidiary was not within the scope of the Monitor's authority at the time.

75. Over the weeks that followed, various correspondence was exchanged between the Monitor's counsel, and counsel for Realcor. As a result of this correspondence, a Consent Order (agreed to by the Monitor) was granted on May 31, 2018 by the Court which lifted the Stay against Morningstar to allow Realcor to take enforcement action and appoint a receiver.

76. On June 1, 2018, Realcor applied to Court for the appointment of a receiver of Morningstar, and the Court granted the relief requested.

CONCLUSIONS

77. The Monitor advises that other than the distributions noted in this report, no further distributions are contemplated at this time.

78. The Monitor respectfully requests:

   a. An order approving the actions of the Monitor as set out in this report;

   b. An order adding Canada North Group LP Holdings Ltd. to these CCAA proceedings as a Remaining Applicant;

   c. An order approving the sale of certain assets at the Bonnyville camp site that also vests clear title of the assets sold to the potential purchaser on closing of the transaction contemplated herein;

d. Directions to the Monitor in relation to the payment of the reserve for future legal fees as requested by BDC; and

e. An order extending the Stay of Proceedings to December 31, 2018.

All of which is respectfully submitted.

Dated at Edmonton, this 11th day of June, 2018.

Ernst & Young Inc.
In its capacity as Monitor of
667402 Alberta Ltd.; 18512398 Alberta 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

SCHEDULE A

JEREMY H. HOCKIN, Q.C.
DIRECT DIAL: 780.423.8532
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EMAIL: jhockin@parlee.com
OUR FILE #: 72762-2/JHH

June 1, 2018

Via Email

Duncan Craig LLP
Barristers & Solicitors
2800, 10060 Jasper Avenue
Edmonton, AB T5J 3V9

Attention: D. Bieganek, Q.C.

Dear Sir:

Re: Canada North Group Inc. et al (collectively "CNC") – CCAA Proceedings; Edmonton QB Action No. 1703 12327

This will confirm our various telephone conversations and email exchanges over the past few weeks.

I confirm that I am representing Aurora Lodging Inc. ("Aurora") with respect to the matters described in this letter. I confirm that you represent Ernst & Young Inc. in its capacity as Court Appointed Monitor of CNC ("the Monitor"). Aurora is the owner of three 30-bed Dormitories manufactured by Alta-Fab Structures Ltd. The serial numbers and model numbers of the three 30-bed dormitory units are as set out in the highlighted portion of the attached invoice dated July 10, 2013 (the "Dorm Units").

Aurora has accepted an offer to purchase the Dorm Units and the Purchaser requires access to the Dorm Units for the purpose of preparing them for removal and transport. The Monitor is prepared to facilitate the removal and transport of the Dorm Units on the terms set out below:

1. Aurora will cause the purchase price for the Dorm Units to be paid to Duncan Craig LLP in trust (the "Purchase Price"). The Purchase Price will be held by Duncan Craig LLP at interest, with interest to follow principal, in accordance with the terms of this letter agreement.

2. Upon receipt of the Purchase Price, the Monitor will permit the Purchaser, Komplete Modular Solutions Ltd. ("Komplete" or "the Purchaser"), to have access to the site where the Dorm Units are presently located ("the Bonnyville Lodge Camp") and will allow the Purchaser to remove the Dorm Units from the Bonnyville Lodge Camp.

3. The Monitor shall cause photographs to be taken of the Dorm Units for the purpose of assisting the parties to determine whether or not the Dorm Units have become "improvements" or "fixtures" to the land upon which they are presently located, and for determining whether or not they have become attached to any adjacent units.

4. The Purchaser and/or its agents shall coordinate with the Monitor with respect to all arrangements for the removal of the Dorm Units.

5. The Purchaser shall be responsible for the cost of removal of the Dorm Units. The Purchaser and Aurora agree to hold the Monitor, Bonnyville Lodge Limited Partnership and 137 1047 Alberta Ltd. harmless and indemnifying each of them in respect of any and all costs, charges, expenses, damages, and repair work or hoarding needed to remove the Dorm Units from the Bonnyville Lodge Camp. The Purchaser and Aurora shall be fully responsible for capping off and closing all utility connections and enclosing any other dorms to which the Dorm Units are attached once removed to properly secure them from adverse weather conditions and shall comply with any other reasonable requirements that the Monitor, in its discretion, may request of the Purchaser and Aurora.

6. The Monitor shall use its best efforts to determine the identity of all potential claimants to the Purchase Price and the maximum amount of their potential claims and shall advise Aurora, through its counsel herein, Parlee McLaws LLP, forthwith upon determining same. In the event that the maximum amount of potential claims against the Purchase Price is less than the amount of the Purchase Price held in the trust account of Duncan Craig LLP, then the difference shall be immediately released to Aurora through its counsel.

7. The Purchase Price shall stand in the place and stead of any and all claims against the Dorm Units.

8. The Purchase Price shall not be released from the trust account of Duncan Craig LLP without the consent of Aurora and the Monitor or alternatively by Court Order.

Please signify the Monitor's acceptance of the foregoing terms by affixing your signature in the space provided below and returning a fully executed copy of this letter agreement to me.

If there are any other terms or amendments to the existing terms that you would like to propose, I would be pleased to discuss them with you at your early convenience.

Yours truly,

PARLEE McLAWS LLP

JEREMY H. HOCKIN, Q.C.

JHH/lkd

Accepted and agreed to this 18 day of June, 2018

Duncan Craig LLP
Per:

Darren R. Bieganek, Q.C.
Solicitors and Agent for Ernst & Young Inc.
in its capacity as Monitor of CNC