Clerk's Stamp

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-EIGHTH REPORT** **April 9, 2020**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> ERNST & YOUNG INC. EPCOR Tower 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com <u>**COUNSEL**</u> Duncan Craig LLP Suite 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 Attention: Darren R. Bieganek, QC / 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. 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-six reports with the Court, issued one confidential report (the Confidential Twenty-Fourth Report) and issued eleven unfiled Confidential Supplements in relation to its Eleventh, Twelfth, Thirteenth, Sixteenth, Seventeenth, Eighteenth, Twentieth, Twenty-First, Twenty-Second and Twenty-Seventh 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 "**28th 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 27th Report, including information in relation to the results of the auction sale conducted by Mirterra and other asset related matters to date; and

   b.) 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:

   c.) approves the actions of the Monitor as outlined in this report; and,

   d.) extends the Stay to October 31, 2020.

DISCLAIMER

3. This 28th Report should be read in conjunction with all previously filed affidavits and reports, as well as Court Orders and unfiled Confidential Supplements 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. Only new details not previously provided to the Court will be discussed herein, unless otherwise stated.

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.

MATTERS RESOLVED AND MATTERS TO BE RESOLVED

5. The Monitor's 22nd Report outlined several 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 all-inclusive or to be interpreted in any order of timing or importance. In the Monitor's 27th Report, the Monitor provided an update regarding a number of the matters identified in the Monitor's 22nd Report that were resolved at that time, as well as items that remained to be resolved. The sections that follow will outline at a high-level some of the items that have been resolved since the Monitor's 27th Report as well as items that remain to be resolved as at the date of this report.

Matters Resolved since the Monitor's 27th Report

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

a.) Further to the Order granted by the Court on December 3, 2019, the auction proposal put forward by Mirterra was approved and the Monitor was authorized and directed to proceed to accept and finalize an auction sale process with Mirterra to sell the Applicants' remaining camp assets and equipment. In late December 2019, Mirterra launched the on-line auction of the Applicants' remaining camp assets with a bid closing deadline of 3:30 pm (MST) on February 14, 2020. Overall, the total gross sales proceeds derived from the auction were $152,053.85, which resulted in $133,287.04

of net proceeds payable to the estate after Mirterra's costs. The Monitor advises that it has received $133,287.04 from Mirterra in relation to the auction sale. Certain of the Applicants' remaining camp assets did not sell at the auction, these items will be discussed later in this report.

b.) In addition to the above, several other asset sales occurred outside of the Mirterra auction, including the following:

i.) all remaining rig mats at Wandering River were sold for proceeds of $137,175.00 plus GST. The Monitor advises that the funds in relation to this sale were received on February 6, 2020;

ii.) a 2-storey dorm unit located at Wabasca was sold in December 2019 for $200,000 plus GST. The funds in relation to this sale were received by the Monitor on December 20, 2019, and

iii.) the pickup truck previously located at the HML site along with 2 printers (photocopiers) were sold at a smaller auction in November 2019 for gross sale proceeds of $5,700 (net proceeds of $4,901.85). These funds were received by the Monitor on December 16, 2019. The Monitor advises that this pickup truck was rusted out and in rough shape resulting in a minimal recovery for the estate.

c.) As noted in previous reports of the Monitor, 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 ("**SCC**"). On March 26, 2020, the SCC granted leave for CRA to appeal the judgement of the Court of Appeal with costs in the cause. The Monitor understands that given the disruption caused by the current COVID-19 pandemic, all of the normal timelines under the SCC Rules have been suspended, and as such, the Monitor cannot confirm when the appeal will be heard as at the date of this report.

d.) As noted in the 27th Report, the dispute with 726 in relation to the ownership and priority of certain assets in these proceedings was decided, and the Monitor and 726 reached a settlement (excluding costs) in this regard (which was previously 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 attended Court and argued the costs issue before the Honourable Mr. Justice Hillier, and Justice Hillier rendered his decision in this regard and an Order to this effect was granted on January 21, 2020 ("**Justice Hillier's Order**"). On March 12, 2020 counsel for 726 delivered the sum of $94,937.73 to counsel for the Monitor (under certain trust conditions) pursuant to the terms of Justice Hillier's Order. These funds are currently held in trust with Monitor's counsel and will be remitted to the Monitor to be held in it's trust account as soon as practically possible. The Monitor understands that 726 has also paid the costs awarded to CWB pursuant to Justice Hillier's Order.

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

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

a.) Final realization (or disposition) of certain of the Applicants' remaining camp assets and real properties. The Monitor advises that, with the exception of the 2-storey stick-built dorm at Wabasca and the 7-unit water treatment plant at Monias, the bulk of the Applicant's remaining camp assets have now been sold leaving only immaterial assets remaining. Of these remaining camp assets to be sold, the Monitor is working with Mirterra to complete a few additional sales of such assets or will be looking to otherwise dispose of such assets soon. With respect to the 2-storey stick built dorm, the Monitor anticipates that this structure will likely be sold with or dealt with in conjunction with the Wabasca land on which it is located. Regarding the 7-unit water treatment plant, the Monitor and its counsel are in discussions with the affected secured creditor's (Weslease) counsel to return the asset to Weslease at an agreed upon value for cost allocation purposes. The Monitor is hopeful that an agreement in this regard will be reached soon. The Monitor has discontinued insurance coverage on the 7-unit water treatment plant on previous notice to Weslease.

b.) Regarding the Applicants' remaining real properties, other than the mortgagees, the Monitor is not aware of any legitimate interest in these properties, and no formal offers have been received to date. To the extent there are mortgagees on these remaining real properties, the Monitor believes at this point that the best and most practical manner of proceeding with such real properties is to discuss with such mortgagees the option of turning the properties back to the respective first mortgagees for enforcement purposes, provided certain terms and conditions can be negotiated between Monitor and the affected parties. The Monitor and its counsel anticipate commencing such discussions immediately.

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

d.) Deal with post-CCAA trade creditors;

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

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

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

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

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

j.) Obtain the Monitor's discharge.

RECEIPTS AND DISBURSEMENTS SINCE APRIL 21, 2018

8. 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 February 29, 2020. The Monitor advises

that it has balanced and reconciled its accounts to February 29, 2020, and the transactions reflected within the SRDs reflect the activities over this period. As previously discussed in the Monitor's 22nd and 27th Reports, 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 it 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.

9. 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 February 29, 2020. 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 February 29, 2020. Such amounts being held by the Monitor's counsel are the $3.25 million received in relation to the settlement of the dispute with 726 and the $94,937.73 received in relation to the costs awarded by the Court pertaining to the dispute with 726. The Monitor's counsel has advised that it currently holds $3,362,139.78 in an interest-bearing trust account for the Monitor in relation to these amounts.

10. 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

11. As noted earlier in this report, there remains a number of matters to be resolved in these CCAA proceedings at this time. Given these matters and considering the disruption with the courts and with the business world generally as a result of the recent COVID-19 pandemic, the Monitor expects that additional time, and therefore a further extension, is required. While the matter is winding down, the Monitor anticipates that creditors may have issues with the cost allocation, which must be finalized and confirmed by the Court before final distributions can be made, and agreements still need to be made with the certain principal stakeholders in respect of remaining assets (primary the real properties)

or such assets need to be liquidated. Efforts will be made to resolve such matters consensually, but if that is not possible, a potentially lengthy court application(s) will likely be required, when the restrictions on hearing non-emergent/urgent matters is lifted once the COVID-10 issues ease.

12. Despite the challenges faced to date in these proceedings, the majority of the Applicants' remaining camp assets have been liquidated, and the costs of security, insurance and other safeguarding measures have been drastically reduced and now relate almost exclusively to the Wabasca site. Further, the Monitor is working on compiling a detailed allocation of costs and proposed distribution to creditors for presentation to the Court and stakeholders. Although this is in progress, the Monitor advises that given a number of uncertainties (such as unsold real properties, as one example) and other complexities, this exercise will take some time.

13. 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.

14. The Monitor is of the view that an extension of the Stay to October 31, 2020, is reasonable and appropriate in the circumstances to finalize the liquidation of 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. In addition, the Monitor is hopeful that the current disruptions to business operations generally and the courts as a result of the COVID-19 pandemic will subside to permit more normal business and legal transactions to occur within this timeframe.

15. The Monitor continues to act in good faith and with due diligence in bringing these estate matters to an end.

OTHER MATTERS

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

CONCLUSIONS

17. 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; and,

    b.) extends the Stay to October 31, 2020.

All of which is respectfully submitted.

Dated at Edmonton, this 9th day of April, 2020.

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

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)	$	10,838,037.47
Collection of A/R (Net of GST)	$	1,527,692.88
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	$	155,143.04
Hotel Tax Collected	$	27,647.45
Funds Transferred from BMO Op Acct	$	472,300.05
Interest Received	$	119,543.81
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:	$	13,718,752.68
Cash Disbursements:		
Wages Paid	$	268,574.85
Source Deductions	$	207,861.72
Utilities (Net of GST)	$	188,142.66
Insurance	$	159,197.79
Legal Fees (Net of GST)	$	1,034,953.08
Waste Disposal (Net of GST)	$	153,589.66
Property Taxes	$	27,270.32
GST Paid	$	230,118.10
Other (EY)	$	233,578.24
Other (OP)	$	359,763.30
Monitor Fees	$	1,825,255.54
Monitor Disbursements	$	28,452.72
Operating Costs/Misc (Net of GST)	$	602,684.00
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:	$	9,941,960.63
Remaining Cash on Hand:	$	**4,350,977.83**

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)	$	1,283.03
Transfer in from US Acct	$	675.80
CNC Trust Funds Used for Disbursements	$	111,983.47
WCB Refund	$	4,483.30
Total Cash Receipts:	$	118,465.40
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:	$	17,237.32

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)	$	8,568.60
Other:	$	-
Total Cash Receipts:	$	476,009.45
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
Other	$	-
Total Cash Disbursements:	$	173,560.71
Remaining Cash on Hand:	**$**	**313,870.36**

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)	$	59,100.76
Other	$	-
Total Cash Receipts:	$	5,515,203.76
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
Other	$	-
Total Cash Disbursements:	$	4,161,762.60
Remaining Cash on Hand:	$	1,354,276.58

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
Other	$	-
Total Cash Disbursements:	$	3,098.30
Remaining Cash on Hand:	-$	2,388.85