COURT FILE NUMBER	1703-12327
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
	AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF CANADA NORTH GROUP INC., CANADA NORTH CAMPS INC., CAMPCORP STRUCTURES LTD., D.J. CATERING LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., AND 1919209 ALBERTA LTD.
DOCUMENT	**MONITOR'S ELEVENTH REPORT**
	March 12, 2018
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR**

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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. 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. Further details of these applications can be reviewed in the previous reports of the Monitor and other materials filed with the Court.

5. More recently, on February 23, 2018, the Monitor filed its Ninth Report, the purpose of which was to provide the Court with the following information:

   a) An update regarding the status of the Applicants' discussions and negotiations with both the Restructuring Investor and the New Lender as identified and discussed in previous materials filed by both the Monitor and the Applicants;

   b) The Monitor's opinion on the Applicants ability to file a Plan by February 28, 2018 as required by BDC in the Incremental DIP Financing agreement;

c) An update on the current status of DIP Financing as approved, drawn and repaid by the Applicants to the date of the Ninth Report;

d) An update on an offer received for the purchase of one of the Applicants' parcels of real property and the Monitor's comments in relation thereto;

e) The Monitor's comments in relation to the status of unpaid professional fees; and

f) Provide the Court with the Monitor's recommendations with respect to the Applicants' request for an extension of the Stay.

6. At the motion brought before the Court on February 27, 2018, the Applicants requested an extension of the Stay to March 23, 2018, amongst other relief, all of which was granted by the Court.

7. On March 12, 2018, the Monitor filed its Tenth Report with the Court which provided information in relation to the status of unpaid professional fees and the adequacy of the Administration Charge in these CCAA proceedings since the date of the Ninth Report, and to support the Monitor's application for an increase to the Administration Charge which is brought concurrently with the concurrent application of the Applicants scheduled for March 20, 2018.

8. The purpose of this report (the "**Eleventh Report**") is to provide the Court and the Applicants' stakeholders with the following in advance of the Court application on March 20, 2018:

a) An update on the Applicant's cash position, accounts receivable, accounts payable and work in progress as at March 3, 2018;

b) Information and the Monitor's recommendation in relation to the pending sale of the Winterburn Yard owned by 137;

c) Information in relation to an unsolicited letter of intent received from an potential purchaser in the amount of $56 million CAD to purchase the assets of the Applicants and the Monitor's comments in relation to same;

d) An update on the status of a potential LOI from Weslease Income Growth Fund Limited Partnership ("Weslease");

e) An update on the status of remaining financing options and the Monitor's recommendation in relation to continued pursuit of these options;

f) An analysis of the Restructuring Investor's Modified LOI in comparison to the estimated net realizable value of the assets to be included in the transaction;

g) The Monitor's recommendation for a process to realize the remaining assets not included in the Modified LOI;

h) The Company's/Monitor's ability to maintain operations at a select number of the Applicants' remaining camps over the short term pending eventual closure and realization; and,

i) The Monitor's recommendation for a proposed allocation methodology of the costs and super priority charges associated with these CCAA proceedings.

DISCLAIMER

9. In preparing the Eleventh Report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management ("**Management**"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this 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.

10. 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 Applicants (if any) prior to the date set for the application as set out in this report.

11. 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.

CURRENT CASH POSITION, ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND WORK IN PROGRESS

Cash Position

12. Attached as **Schedule "A"** to this report is a condensed analysis prepared by the Monitor that compares the projected cash flows of the Applicants as set out in the January Projections to actual cash flow results for the 7 week period from January 14, 2018 up to and including March 3, 2018.

13. As noted in the attached Schedule, the Applicants' ending actual cash position at March 3, 2018 (excluding the carry forward of the CWB indebtedness) is $232,595 which is $435,445 above the balance projected as at that same date. There were a number of variances that impacted the Applicants' actual ending cash position; however, for the purposes of this report, the Monitor will limit its discussion of such variances to those that are more significant in the circumstances. These variances include:

   a) The January Projections were prepared in support of the Applicants' request for an additional $500,000 of DIP funding outlining the need for and possible timing of the additional DIP funding. The January Projections did not reflect the receipt of the additional DIP funding; however, the Applicants received $500,000 over the past 7 weeks;

   b) Actual cash collections are $927,598 behind projections due to a number of factors, including camp revenue being lower than projected by approximately $1,574,059 and collection delays in relation to a number of significant accounts receivable. Management has advised that one such delayed receivable is approximately $900,000 as at the date of this report;

   c) As noted in the Monitor's Tenth Report, the Applicants are behind in paying the fees and costs of the professionals involved in these CCAA proceedings by approximately $800,000 as at the date of this report;

d) Given the lower than projected revenue achieved by the Applicants as noted above, the Applicants' payroll costs were $223,027 lower than projected as payroll costs are highly correlated to occupancy levels in the various camps. Similarly, food expenditures are also lower by approximately $123,000 on account of lower than anticipated occupancy rates;

e) Construction costs are lower than projected by approximately $125,000 primarily due to one project that is behind schedule on account of customer delays; and,

f) A timing difference in relation to utilities (electricity) of approximately $150,000. The Monitor understands that additional payments to utility companies will be made over the foreseeable future to catch up on any such utilities as soon as funds become available.

Accounts Receivable

14. Attached as **Schedule "B"** to this report is an analysis prepared by the Monitor outlining the change in the Applicants' accounts receivable from July 15, 2017 to March 3, 2018, which was prepared based on information and an aged accounts receivable listing provided to the Monitor. For reasons noted in previous reports of the Monitor, the July 15, 2017 accounts receivable balances were adjusted to remove the impact of certain amounts that were previously included by the Applicants to arrive at the figure used as a basis for comparison by the Monitor at that date.

15. Since the onset on these CCAA proceedings, two additional accounts receivable (owing from one significant customer) that the Monitor was advised were collectible remain outstanding and, in the Monitor's view, are doubtful. The figures outlined in **Schedule"B"** have been further adjusted to remove these additional two receivables as at both July 15, 2017 and March 3, 2018. The adjustment is noted in the schedule as "Uncertain Receivables".

16. As per the attached Schedule, the analysis suggests that:

a) Adjusted collectible receivables have increased as at March 3, 2018 by $1,165,353;

b) The most significant increase in relation to receivables relates to CNC, with an increase of $881,006; and,

c) There does not appear to have been any material erosion of accounts receivable since July 15, 2017, which is roughly the onset of these CCAA proceedings.

17. It is the Monitor's preliminary view that the increase in the accounts receivable noted above will likely be used to offset the increase in accounts payable, as discussed in the next section and elsewhere in this report.

Accounts Payable

18. The Monitor has compiled a listing of post-CCAA accounts payable as at March 3, 2018, based on information provided by the Applicants and discussions with Management. Based on the information provided, there is a total of $1,386,873 owing to creditors for the post-CCAA period amongst CNC, DJ and CampCorp. The majority of this amount relates to CNC ($1,352,394) with the balance owed by DJ and CampCorp (in the amounts of $22,956 and 11,523 respectively). The majority of these post-CCAA payables have been incurred within the last 60 days, with $657,720 being current, and $597,677 being aged between 31 - 60 days. Ignoring the amounts owed by DJ and CampCorp, and looking only at the payables in CNC, the total payables owed by CNC is comprised mainly of the following:

   i. Professional fees: $616,494;

   ii. Utilities, cable and internet service providers: $181,506;

   iii. Independent Sewage Contractors: $225,840;

   iv. Food costs: $65,218; and,

   v. Hotel Tax: $50,662

19. As noted earlier in this report, the Applicants have fallen behind on utility payments, and plan to catch up over the coming weeks, if possible.

20. Management has advised that the amount owed to independent sewage contractors is comprised of amounts due to two suppliers. One amount of approximately $90,000 is disputed by the Applicants (but they have indicated that there is really no way to prove their dispute) and the Applicants are no longer using this contractor for sewage service. The balance is due and owing to the contractor and will be paid when funds are available.

21. With respect to food expenses, per Management, the amount above reflects the most current bill recently received for food supplied to the Applicants within the last month.

Work In Progress

22. The Applicants have advised that as at March 3, 2018, there is $669,776 in unbilled work in progress for services rendered, but not yet billed to customers. Billing delays result from the time it takes for clients to sign off on occupancy details. Management has advised that all of the amounts that comprise this work in progress figure are collectible once billed.

SALE OF WINTERBURN

23. As noted in the Monitor's Ninth Report, one of the Applicants (137) received an Offer on its property known in these CCAA proceedings as the Edmonton Yard, or Winterburn. The Offer is subject to certain conditions as set by the potential purchaser with a condition removal date of March 16, 2018, as well as being subject to the approval of the Court by March 26, 2018.

24. The Monitor understands that this potential sale transaction continues to move forward as at the date of this report, and as a result, expects that the Applicants will be applying for the Court's approval of the sale of 137's Winterburn property. The Monitor further understands that the Applicants will be filing materials in support of this request after the date of this report, but prior to the application set for March 20, 2018.

25. Given the above and that the purchaser's condition removal date in relation to the sale is not until March 16, 2018, the Monitor will not make any specific comments in relation to the Offer within the body of this report; however, the Monitor has included additional details and comments in relation to the pending sale of Winterburn in its Confidential Supplement to the Monitor's Eleventh Report ("**Confidential Supplement**").

26. Based on the information outlined in the Confidential Supplement, the Monitor believes the proposed purchase price is reasonable in the circumstances.

27. The Monitor further advises that the Offer has been reviewed and discussed with CWB. The Monitor understands CWB supports the acceptance of the Offer.

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

UNSOLICITED OFFER RECEIVED

29. On February 8, 2018, the Monitor and Peters & Co. received an unsolicited LOI ("**Unsolicited LOI**") by email from a potential purchaser (the "**New LOI Party**").

30. Prior to the receipt of the Unsolicited LOI, the New LOI Party had contacted both Peters & Co. and the Monitor in early January, 2018 to express interest in the assets of the Applicants; however, the expression of interest received at that time was an incoherent email with no formal LOI attached. Further, neither Peters & Co. nor the Monitor had any previous knowledge of, or experience with,

the New LOI Party or its representatives. Peters & Co. and the Monitor agreed that the appropriate course of action at that time was to notify the New LOI Party that it could still proceed to submit an offer even though it had missed the deadlines as contemplated in the ISSP. The Monitor understands that Peters & Co. contacted the New LOI Party and advised them as contemplated. No further communications were received until the Unsolicited LOI was received on February 8, 2018.

31. The Unsolicited LOI received, in the opinion of the Monitor, required a significant amount of work to clarify a number of critical issues along with a number of revisions and extensive redrafting if any transaction was to be pursued. Notwithstanding the opinion of the Monitor and Peters & Co., the Unsolicited LOI included the following terms (as directly quoted from the Unsolicited LOI where noted):

   I. "LOI is for a contract period of 30-35 days";

   II. "All Cash Deal, As is, Where is";

   III. Offer price of $56 million CAD "for the purchase all assets listed on the memorandum";

   IV. Includes all "locations listed", including both construction manufacturing plants in Canada and the USA;

   V. No staff changes;

   VI. "No financing needed"; and,

   VII. Subject only to "info I've asked for, and a site visits left to do"

32. Between February 8, 2018 and February 28, 2018, Peters & Co. exchanged various email messages with the New LOI Party in order to evaluate the legitimacy of the Unsolicited LOI and the New LOI Party's ability to finalize a transaction. On February 28, 2018, in response to an email sent by Peters & Co to the New LOI Party, the New LOI Party indicated that "The monies are ready to be transferred, the whole amount I would prefer to send all at the same time, then it's done." The Monitor and Peters & Co. agreed that the New LOI Party was likely not a legitimate potential purchaser. In order to finalize any further action in relation to the Unsolicited LOI, it was agreed that Peters & Co request that the New LOI Party deposit $56 million CAD into Peters & Co.'s trust account to be held in trust pending closing of the transaction and transfer of the assets. On February 28, 2018, Peters & Co. emailed the New LOI Party and provided wire transfer details and instructions to facilitate the deposit of the funds.

33. The Monitor advises that no funds have been received as requested as at the date of this report; however, on March 9, 2018 the New LOI Party sent another incoherent email to Peters & Co. and the Monitor again expressing continued interest in proceeding with a purchase transaction. In this email correspondence, the New LOI Party indicates that it missed reading the request for the deposit of the funds and that it requires at least 30 days to free up the funds required to support the proposed transaction.

34. The Monitor is of the view that this is not a legitimate potential transaction, and will not be making any further attempts to finalize a transaction with the New LOI Party. The Monitor understands that Peters & Co. is of the same opinion with respect to this transaction, and does not anticipate that Peters & CO. will be taking any further steps in relation to this transaction.

STATUS OF POTENTIAL LOI FROM WESLEASE

35. Pursuant to the Order granted by the Court dated February 27, 2018, Weslease was given until 4:00 pm on Thursday, March 8, 2018 to submit a binding offer to the Applicants and the Monitor.

36. The Monitor advises that while the Applicants and Weslease engaged in discussions, no such binding offer was received from Weslease prior to the deadline stipulated above, nor has one been received as at the date of this report.

REMAINING FINANCING ALTERNATIVES

37. At the time of the Monitor's Ninth Report, although the discussions with the New Lender concluded when the New Lender advised the Applicants that the deal thresholds were not within its funding parameters and it would not be proceeding with any proposed transaction, the Applicants, with the assistance of the Monitor, continued to actively engage in discussions with a number of other potential lenders.

38. Since the date of the Ninth Report, a few of these potential lenders have decided not to proceed or the amount of funding they could provide in the circumstances was not sufficient for the Applicant's purposes. A few others continue to conduct due diligence.

39. The Applicants have concluded that, given the results to date, the status of discussions with the Restructuring Investor in relation to the Modified LOI, and the limited time to transact at this stage of the CCAA proceedings, the pursuit of new funding from any potential lenders should be

discontinued. Given the Applicants' conclusion in this regard, the Monitor has ceased conducting any further work and communications with potential lenders.

ANALYSIS OF RESTRUCTURING INVESTOR'S MODIFIED LOI

40. The Applicants, the Monitor, the Restructuring Investor and their respective counsel continue to discuss and address certain matters in the Modified LOI. A few provisions in the Modified LOI raise logistical issues that need to be addressed and resolved in order to enable the parties to move forward with the transaction. The Monitor is of the opinion that the matters identified can be resolved, likely before the application scheduled on March 20, 2018. For confidentiality reasons, the Monitor will not discuss the matters to be resolved in relation to the Modified LOI within this report. To the extent the issues remain unresolved or any resolution requires comment from the Monitor, such items will need to be addressed in a further report from the Monitor, although it is not anticipated at this time that one will be needed. The Monitor expects that the Applicants will file a confidential Affidavit with a revised Modified LOI that addresses these matters with their materials in support of the relief they are seeking on March 20, 2018.

41. Based on the Monitor's view that a transaction with the Restructuring Investor is likely and on the advice from the Applicants and their counsel that the amounts included within the Modified LOI will not materially decrease upon resolution of the matters to be resolved, the Monitor has prepared a schedule that outlines the estimated net realizable value ("**NRV**") of the Applicants' assets to use as a basis for evaluating the alternative realization scenarios as against the Modified LOI. This schedule (the "**NRV Schedule**") is not attached to this report, but will be provided to the Court in the Confidential Supplement. Reference to the Confidential Supplement for detailed additional information with respect to the NRV and NRV Schedule should be made in conjunction with this section of the Eleventh Report.

42. As noted in the NRV Schedule and the Confidential Supplement, the NRV of the Applicants' assets if the anticipated transaction with the Restructuring Investor is finalized is more advantageous than would be the case in a wind-down scenario without such a transaction. The Monitor has made a number of assumptions in relation to the calculation of the NRV in both scenarios, and these assumptions are noted within the Confidential Supplement.

43. In addition to the fact that a transaction with the Restructuring Investor is expected to provide a higher NRV for the stakeholders in these CCAA proceedings, such a transaction would also provide for the continued employment of many of the Applicants' employees and no disruption of services to the Applicants' major customers.

44. For the reasons noted above, it is the Monitor's recommendation that the Applicants be authorized to finalize the transaction with the Restructuring Investor, provided the terms of any revised LOI are not materially different from the Modified LOI in a manner that is detrimental to the stakeholders.

45. The Monitor further advises that the finalization of a transaction with the Restructuring Investor in accordance with the terms of the Modified LOI has been reviewed and discussed with CWB. The Monitor understands CWB is supportive of finalizing the transaction in this regard, provided the terms of any such transaction do not materially vary from the Modified LOI to the detriment of CWB's position.

REALIZATION OF REMAINING ASSETS

46. The Monitor has recommended that the Applicants be authorized to finalize the transaction with the Restructuring Investor and the Applicants have concluded that the pursuit of funding from a new lender be discontinued. If the transaction is finalized with the Restructuring Investor, the Applicants' main operations will transition to a new corporate entity and the remaining assets will be left to liquidate.

47. The Monitor is of the view that any such residual assets should be liquidated in due course in order to minimize on-going costs in relation to such assets, as well as begin to bring these CCAA proceedings to an end.

48. It is the Monitor's opinion that the best probable outcome for the stakeholders would be achieved through a liquidation process under these CCAA proceedings controlled by the Monitor with assistance from Management and the new corporate entity that arises as a result of the transaction with the Restructuring Investor ("**NewCo**") where required. A liquidation conducted under these CCAA proceedings will involve a sale of the residual assets in an organized fashion without the stigma of a receivership or bankruptcy. In addition, provided the Applicants remain committed to the process, and given the Monitors knowledge and experience with the Applicants and the assets to date, it is likely that the costs of such a process could be mitigated in comparison to other options available.

49. If the Court directs a liquidation under these CCAA proceedings, the Monitor's role would need to be expanded, including to vest the Monitor with the power to control the process and execute on the sale of assets, run the camps which remain in operation and are not the subject of the transaction with the Restructuring Investor, collect receivables, effect distributions, secure the necessary funding to complete the process and otherwise wind up operations. The Monitor confirms it is prepared and qualified to accept an expanded mandate and understands that the process is supported by CWB.

CONTINUED OPERATIONS AT SELECT NUMBER OF REMAINING CAMPS

50. As noted above in this report, the Monitor recommends that a liquidation of the Applicants' remaining assets commence immediately, provided that the transaction with the Restructuring Investor is approved by the Court and completed.

51. Notwithstanding the liquidation recommendation, it is likely that it will be in the stakeholders' best interests for the Applicants and the Monitor to continue to operate a number of the camps that do not form part of the transaction with the Restructuring Investor for a limited time frame while a plan to realize on the residual assets is finalized. The Monitor has included a detailed discussion in relation to the specific camps in question, along with the rationale for the continued short term operation of these camps in its Confidential Supplement. Based on the information outlined in the Confidential Supplement, the Monitor recommends that operations at the camps discussed therein continue at the discretion of the Monitor if the transaction with the Restructuring Investor is concluded and a liquidation of the remaining assets of the Applicants is approved.

PROPOSED ALLOCATION METHODOLOGY

52. Attached as **Schedule "C"** to the Confidential Supplement is a numerical analysis of the proposed allocation methodology ("**Allocation Analysis**") drafted by the Monitor.

53. The values reflected in the Allocation Analysis are based on the most current values provided by Management, independent appraisals, current sale prices and other relevant information in an attempt to best demonstrate the proposed allocation methodology proposed by the Monitor. The Monitor advises that this analysis is subject to any new or alternative information received respecting values or asset ownership from the Applicants or others. In the paragraphs that follow, the Monitor has set out the rationale for its proposed Allocation Analysis. Readers should review the Allocation Analysis in conjunction with the information outlined below.

54. First, the Monitor is proposing that the value of the assets of each of the individual corporate entities be segregated to each company to determine the expected value in each individual company. For this purpose, the Monitor has calculated the specific asset values in the Allocation Analysis as follows:

a) Accounts Receivable - based off of the estimated collectible receivables from the Applicant's records as at March 3, 2018;

b) Work in Progress - based off of the information provided by Management as at March 3, 2018 (the allocation per the Schedule is arbitrary as this information was not available in time to complete this report and is subject to change);

c) Inventory - based off the average of the reduced NRV as per the Monitor's NRV Schedule;

d) Remaining Machinery and Equipment (not included in proposed transaction with Restructuring Investor) - based off the average of the reduced NRV as per the Monitor's NRV Schedule;

e) Real Estate (excluding the Applicants' former Head Office building) - based on the lesser of the appraised value and current listing price;

f) Former Head Office Real Property -based off of the actual contracted sale price, less commissions, moving costs and property taxes as per the CRO's first report (estimate subject to change after review of statement of adjustments for actual figures);

g) Restructuring Investor Transaction - based on funds contemplated in the Modified LOI, split between leased assets, owned assets and intangible assets using the average of orderly liquidation value and forced liquidation value;

h) Share Values - based on funds contemplated in Modified LOI, the allocation of which is arbitrary at this time pending finalization of the Modified LOI.

55. Once asset values are segregated, the applicable percentage of the total expected value of the assets is then calculated for each company.

56. Thereafter, the Monitor is proposing to apply specific percentages of the total expected priority charges or costs not directly attributable to any specific company or asset ("general costs") to each company in the manner set out in the Allocation Analysis.

57. Once the "general costs" along with any company or asset specific priority charges or costs are applied as against the segregated asset values, the net distribution by company is determined on a preliminary basis, which is shown in the Allocation Analysis. The Monitor recommends that the net distribution of funds by company be split between secured creditors based off each specific secured creditor's pro-rata share of that value.

58. For purposes of "general costs" allocation (i.e. costs not directly attributable to any specific company or asset) the Monitor is proposing that creditors holding valid mortgages against real property only share in half of their applicable percentage of the total expected value of the Applicants' assets. The revised allocation percentage in the Allocation Analysis has been calculated on this basis. The Monitor does not believe that mortgage lenders should pay the same percentage of costs as the other creditors given the nature of the assets involved in these CCAA proceedings.

59. With respect to costs, the Monitor recommends that 5 categories of costs be allocated in some fashion. These categories are as follows:

a) Post-CCAA trade Suppliers and creditors;
b) Professional fees;
c) DIP financing;
d) CRA Deemed Trust Claims - Source Deductions; and,
e) Property Taxes.

60. As noted earlier in this report, the Applicants' accounts receivable as at March 3, 2018 have increased since July 15, 2017 by $1.165 million and there is an additional $669,776 in work in progress to be billed to customers. It is the Monitor's view that without the continued support of the post-CCAA trade suppliers and creditors, continued operations would not have been possible and this increase would not have been realized. The Monitor further notes that the post-CCAA payables to trade creditors and suppliers (excluding professional fees) have increased by approximately $770,379. It is the Monitor's view that the post-CCAA trade creditors and suppliers be paid from the existing accounts receivable from CNC, DJ and CampCorp in priority to pre-CCAA creditors, to the extent that such accounts receivables exist and to the extent that any such payables exist. As noted in the Allocation Analysis, these amounts have been specifically allocated to CNC, DJ and CampCorp based on the most recent information provided by Management.

61. The Monitor considers both the professional fees and the DIP incurred in connection with these CCAA proceedings to be "general costs" and, accordingly, is suggesting that these costs be allocated between the Applicants based on the allocation percentages outlined in the Allocation Analysis.

62. With respect to the CRA deemed trust claims for source deductions, CRA has claims only against CNC and Campcorp.

63. Municipal property taxes offer a different challenge with respect to camps in particular. The Monitor is suggesting that property taxes owed on the Applicants' properties be first allocated to the specific corporate entities assessed. And, in the case of owned real estate, the taxes can be deducted and

paid directly in priority to other creditors from the sale proceeds ultimately received when the property is sold. In the case of camps where there are property tax claims, a supplementary allocation will need to be made between real estate values and improvement values, particularly in cases where the improvements consist of specific personal property which may be the property of other corporate entities. The Applicants do have assets which belong to a number of Applicant entities at various camp locations.

64. It is the Monitor's view that the above costs and charges should be paid in priority to any other secured creditor claims. Further, the Monitor is of the view that the CRA deemed trust claims for source deductions, the outstanding DIP financing and the outstanding professional fees should be paid out as soon as funds become available to minimize interest and other carrying costs, as well as to reduce the exposure of the estate to the priority charges. This will result in the bulk of the funds realized from the transaction with the Restructuring Investor being used for this purpose.

65. Over the course of the wind down, the Monitor will have to retain sufficient funds from future realizations such that the appropriate costs are shared amongst other stakeholders/secured creditors as set out in this approach. The Monitor recognizes that the payment of priority charges upfront will create a temporary disproportionate cost to certain creditors from realizations to date, but provided sufficient funds are maintained going forward, the impact of this temporary inequity should be corrected over time.

66. If this methodology is approved, once all realizations are completed, a final schedule outlining the actual results of the realizations and respective costs will be prepared by the Monitor and submitted to the Court for review or approval as required.

67. The Monitor is of the view that the allocation methodology outlined above and illustrated in the Allocation Analysis is fair and reasonable to the stakeholders in these CCAA creditors. The Monitor has presented and discussed this allocation methodology with CWB and understands that CWB is agreeable to the methodology proposed by the Monitor.

68. The Monitor recommends that the Court approve the allocation methodology described above.

CONCLUDING REMARKS

69. Based on the matters outlined in this report, the Monitor respectfully recommends that the Court:

a) approve the sale of Winterburn in accordance with the terms of the Offer;

b) authorize the Applicants to finalize a transaction with the Restructuring Investor, provided the terms of any revised LOI are not materially different from the Modified LOI in a manner that is detrimental to the stakeholders;

c) authorize and approve the liquidation of the residual assets under these CCAA proceedings not otherwise included in the transaction with the Restructuring Investor with necessary enhancement to the Monitor's power and authority to allow it to do so, and to allow it to operate the remaining camps and wind down operations, with the assistance of the Newco, as required;

d) approve the continued operations at the remaining camps as discussed in the Confidential Supplement at the discretion of the Monitor if the transaction with the Restructuring Investor is concluded and a liquidation of the remaining assets of the Applicants is approved; and,

e) approve the allocation methodology proposed by the Monitor.

Dated at Edmonton, this 12th day of March, 2018.

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

Per:

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

Schedule A

Projected versus Actual Cash Flows for the 7 week period ended March 3, 2018

SCHEDULE A
Canada North Group Inc. et al - CCAA
January Projections Versus Actual Results
Seven Weeks Ended March 3, 2018

		Projected 7 Wks Ended March 3 ($)	Actual 7 Wks Ended March 3 ($)	Variance 7 Wks Ended March 3 ($)	
TOTAL OPENING CASH POSITION:	A	(11,460,112)	(11,523,238)	(63,125)	U
TOTAL CASH INFLOWS	B	3,079,934	2,152,336	(927,598)	U
TOTAL CASH OUTFLOWS	C	3,596,309	2,753,286	(843,024)	F
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS (INCLUDING RESTRUCTURING COSTS):	D=B-C	(516,376)	(600,950)	(84,574)	U
Net Cash Inflow (Outflow) from Fire Camps	E	-	-	-	
Net Cash Inflow (Outflow) from Operations and Fire Camps	F=D+E	(516,376)	(600,950)	(84,574)	
Cash Position Before DIP	G=A+F	(11,976,488)	(12,124,188)	(147,700)	
Net DIP Funding	H	(95,000)	425,019	520,019	
CLOSING CASH POSITION - CWB	I	(11,868,638)	(11,931,764)	(63,126)	
CLOSING CASH POSITION - Other	J=G+H-I	(202,850)	232,595	435,445	
TOTAL CLOSING CASH POSITION:		(12,071,488)	(11,699,169)	372,320	

Schedule B

Change in Accounts Receivable from July 15, 2017 to March 3, 2018

SCHEDULE B

Canada North Group Inc. et al - CCAA

Analysis of Change in Accounts Receivable

(July 15, 2017 to March 3, 2018)

	Canada North Camps Inc	D.J. Catering Ltd.	Campcorp Structures	Totals	
A/R ANALYSIS AS AT JULY 15, 2017					
Opening A/R Balance at July 15, 2017	12,128,207	821,428	3,426,659	16,376,294	
Adjustments as per Monitor's First Report:					
Less: Items to be Removed from A/R:					
Room Guarantees	1,765,034	-	-	1,765,034	
Grande Rapids Pipeline LP/HLCNG LP	7,440,462	-	-	7,440,462	
Doubtful Account	409,798	-	-	409,798	
Less: Related Party Receivables	1,291,787	-	65,968	1,357,755	
Balance as per Monitor's First Report	1,221,125	821,428	3,360,691	5,403,245	
Additional Revisions:					
Add back: Receivable Incorrectly Identified as Related Party	17,933			17,933	**Note 1**
Less: Receivable Incorrectly Not Identified as Related Party			233	233	**Note 2**
Revised Balance Prior to Adjustments Noted in Monitor's Second Report as at July 15, 2017	1,239,058	821,428	3,360,458	5,420,944	
Less: Pre-billed, not legally binding receivables:					
Construction Receivable Adjustment		132,825		132,825	**Note 3**
University Receivable			397,058	397,058	**Note 4**
Less: Uncertain Receivables:			2,128,978	2,128,978	**Note 5**
Adjusted Collectible A/R at July 15, 2017	1,239,058	688,603	834,422	2,762,083	
A/R ANALYSIS AS AT MARCH 3, 2018					
Opening A/R Balance at March 3, 2018	2,248,724	966,078	3,389,593	6,604,395	
Less: Room Guarantees Not Removed from A/R	-	-	-	-	
Less: Pre-billed, not legally binding receivables:					
University Receivable			397,058	397,058	**Note 4**
Less: Related Party Receivables	128,660	-	22,263	150,922	
Less: Uncertain Receivables:			2,128,978	2,128,978	**Note 5**
Adjusted Collectible A/R at March 3, 2018	2,120,064	966,078	841,294	3,927,436	
Net Increase/(Decrease) in A/R	**881,006**	**277,475**	**6,872**	**1,165,353**	

Note 1 During the preparation of Monitor's First Report, this balance was identified by Management as a related party balance when it actually was not a related party balance. The balance was excluded from the final collectible balance in the report. To correct this in the current report, the amount was added back to adjust the opening accounts receivable balance as at July 15, 2017.

Note 2 During the preparation of Monitor's First Report, this balance was not identified by Management as a related party balance when it actually was a related party balance. The balance was included in the final collectible balance in the report. To correct this in the current report, the amount was excluded to adjust the opening accounts receivable balance as at July 15, 2017.

Note 3 Based on the Monitor's discussion with the Group as discussed in the Monitor's Second Report, the opening balance of accounts receivable has been adjusted for this amount. The Group overbilled a customer by this amount. Since July 15, 2017, the entire original receivable balance was reversed and a new invoice was reissued for the correct amount.

SCHEDULE B

Canada North Group Inc. et al - CCAA

Analysis of Change in Accounts Receivable

(July 15, 2017 to March 3, 2018)

Note 4 Based on Monitor's discussion with the Group, the opening balance, as well as the closing balance of accounts receivable have been adjusted for this amount. The Group has billed the customer for some equipment which has not been delivered yet, nor has the transaction been confirmed in writing between the parties.

Note 5 As noted in the Monitor's previous reports and in the Eleventh Report, two receivables from one customer totalling $2,128,977.98 were included in the books of Campcorp. Management believes this amount is due and owing, and the pursuit of the collection of this balance is an ongoing matter being dealt with by the Group and its corporate legal counsel. As at March 3, 2018, these receivables remain uncollected and outstanding, and as such the Moniitor has reclassified the amount owed as "Uncertain".