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JUDICIAL CENTRE OF EDMONTON
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| COURT FILE NUMBER | 1703-12327 |
| COURT | COURT OF QUEEN'S BENCH OF ALBERTA |
| JUDICIAL CENTRE | EDMONTON |
| | IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED |
| | AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., 1919209 ALBERTA LTD. AND CANADA NORTH GROUP LP HOLDINGS LTD. |
| DOCUMENT | **MONITOR'S SEVENTEENTH REPORT** |
| | **SEPTEMBER 10, 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 terms Applicants and Remaining Applicants, 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 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. Included in the Monitor's expanded powers were the powers to take possession of the assets of the Remaining Applicants, manage and operate the business of the Remaining Applicants, market the assets of the Remaining Applicants and to liquidate assets of the Remaining Applicants.

7. On June 21, 2018, the Monitor made an application to the Court and obtained an Order that, amongst other things:

   a.) added Canada North Group LP Holdings Ltd. ("**Holdings**") as an Applicant in these CCAA proceedings and amending the title of these proceedings accordingly;

   b.) extended the Stay up to and including December 31, 2018; and c.) approved the sale of certain Dorms located at the Bonnyville Camp site and authorized the Monitor to take such additional steps to complete the transaction.

8. On July 23, 2018, the Monitor made an application to Court seeking various relief which included, but was not limited to:

a.) obtaining the Court's approval of the Monitor's recommendation to accept the Net Minimum Guarantee based auction proposal ("**NMG Proposal**") from Maynards Industries Canada Ltd. ("**Maynards**");

b.) authorizing the Monitor to proceed to enter into an agreement with Maynards to commence the liquidation sale of the Residual Assets and to complete the sale of the Residual Assets through the NMG Proposal in due course;

c.) permitting the Monitor and Maynards to agree to minor adjustments to the NMG Proposal as deemed necessary and appropriate by the parties provided an accounting of any adjustments made, if any, are reported in a future report to the Court, in order to proceed with an expeditious sale; and,

d.) amending the provisions of the Order granted April 6, 2018 lifting the Stay in favour of First Island with reference to the continued occupancy of the Applicants and the Monitor on the Farm from July 31, 2018 to October 31, 2018.

The Court granted an Order which provided for the relief sought by the Monitor on that same date.

9. Over the Course of these CCAA proceedings, the Applicants and more recently, the Monitor, have made a number of other applications to this Court, which have not been outlined in this report, requesting various relief and corresponding extensions of the Stay. To date, the Monitor has filed sixteen reports with the Court and issued four unfiled Confidential Supplements in relation to its Eleventh, Twelfth, Thirteenth and Sixteenth 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.

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

a.) information in relation to a possible claim (mortgage) on a parcel of land known in these proceedings as the Wandering River Camp, of which 137 has a significant ownership interest in; however, no claim was filed by the possible mortgagee prior to the Claims Bar Date noted in the Claims process earlier this year;

b.) information in relation to an number of ownership claims that have arisen recently, which were put forward by 726 Remote Accommodations, Ltd. ("**726**") in relation to a number of the camp dorms and other assets located at various camp sites previously operated by the Applicants through Holdings;

c.) information in relation to a potential material adverse change in relation to certain of the Bonnyville Camp assets as a result of an ownership claim advanced by 726;

d.) information in relation to a priority dispute that has arisen between 726 and 185 in relation to certain assets located at the Peace River, Wandering River, and Monias (also known as Kilometer 147) camp sites;

e.) an update and additional information in relation to the outstanding property taxes and related issues on the Bonnyville Camp;

f.) information and the Monitor's recommendation in relation to an interim distribution that the Monitor understands will be requested by Staheli Construction Co. Ltd. ("**Staheli**") in relation to the proceeds derived from the sale of Winterburn;

g.) information and the Monitor's recommendation in relation to the quantum of a hold back for professional fees and other amounts in these CCAA Proceedings in relation to a request the Monitor understands First Island will be making for the approval of an offer to purchase the Farm;

h.) an update in relation to the completion of the sale of the Dorms from the Bonnyville Camp site which were the subject of a property claim by Aurora; and,

i.) brief information in relation to an issue the Monitor has identified in regard to two mortgages in favour of Weslease on the Wabasca and certain of the Bonnyville lands;

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

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

k.) directs that no further assets whatsoever will be removed by 726 from any of the camp sites formerly operated by one or more of the Remaining Applicants, without the express written consent of the Monitor, or further Order of the Court;

l.) directs that no other assets located at the Monias, Peace River and Wandering River camps sites that are the subject of any "ownership" or priority dispute between 726 and the Remaining Applicants will be sold without the joint written consent of both 726 and the Monitor, on terms agreeable to both parties, or otherwise as approved or directed by the Court;

m.) directs that 726 and the Monitor will keep each other apprised of the location of any assets that have already been moved to date, permit each other to have reasonable access to such assets, and not move any such assets to a different location than currently located without the express written consent of the other or further Order of the Court;

n.) directs that 726 will maintain adequate security over any assets it has already moved to date, and proper and adequate insurance on any such assets to protect the assets until the ownership, priority and other issues in relation to the assets are resolved;

o.) confirms the Monitor or its agent, is at liberty to remove in its discretion any Small Wares (as defined below) located within any of the dorms or other property, claimed by any property claimant, at any of the following camps formerly operated by the Remaining Applicants:

    i.) HML;
    ii.) Wandering River;
    iii.) Peace River;
    iv.) Wabasca;
    v.) Monias/Kilometer 147; and,
    vi.) Bonnyville;

p.) permits the Monitor to proceed to obtain liquidation proposals for the Small Wares through the use of a qualified liquidator;

q.) authorizes the Monitor to abandon any Small Wares if it is determined or believed that the costs to retrieve and sell any of the Small Wares from any site will not exceed the anticipated sale proceeds;

r.) confirms and approves the respective holdbacks recommended by the Monitor relation to the sale proceeds of the Farm and Winterburn, assuming that a sale is approved for the Farm and an interim distribution is approved for the Winterburn assets; and,

s.) seals the contents of the Confidential Supplement to the Monitor's Seventeenth Report.

## DISCLAIMER

11. In preparing the Seventeenth 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.

12. 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), or other parties, prior to the date set for the application as set out in this report.

13. 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.

## POSSIBLE UNPROVEN CLAIM (MORTGAGE) ON THE WANDERING RIVER CAMP REAL PROPERTY

14. Over the past few months, since Holdings was added to these CCAA Proceedings, the Monitor has worked extensively with its counsel and other stakeholders to try and navigate through and resolve numerous issues in relation to the various partnerships involving Holdings. Recently, on inspecting the title to the real property which is the site of the Wandering River Camp, the Monitor was reminded that a mortgage is registered on title by Jeff and Jackie Hadfield (**"the Hadfields"**) with

an original principal amount of $1,340,000. For the Court's information, 137 holds an undivided half interest in the Wandering River Camp real property, with the other undivided half interest being held by Wandering River Properties Ltd., of which 137 owns 66% of the voting shares.

15. On further reflection, the Monitor did not recall seeing any claim filed by the Hadfields by the Claims Bar Date pursuant to the Claims Process Order in these CCAA Proceedings, and as a result, the Monitor commenced a review of its records in relation to the claims received and other relevant documents and correspondence materials. The Monitor also contacted Mr. Jeff Hadfield who has confirmed that no claim was submitted pursuant to the terms of the Claims Process Order.

16. To date, the Monitor advises that it has yet to receive any proof of claim or other documentation from the Hadfields in support of this potential claim.

17. The Monitor advises that it has engaged Mr. Hadfield to assist in the site watch/safeguarding of the Wandering River Camp and that Mr. Hadfield has been aware of these CCAA Proceedings for some time. Mr. Hadfield advised the Monitor that he was not aware that he was required to submit a claim; however, he did also verbally indicate to the Monitor that over the course of the CCAA Proceedings he did receive a significant amount of materials directly from the Monitor and others, but admitted he may of missed the documents relating to the Claims Process on account of the sheer volume of the materials he has received to date.

18. The Monitor confirms that it sent notice of the Claims Process to the Hadfields directly as required under the Claims Process Order at the same time such notice was submitted to all other affected creditors by that Order, and will provide further information and evidence in this regard if deemed necessary as the resolution of this matter unfolds. Further, since discovering that no claim was received by the Hadfields, on August 23, 2018 the Monitor formally requested that a claim be submitted to the Monitor for its consideration and review, as well as an explanation for why no claim was submitted by the Hadfields by the Claims Bar Date. A copy of the Monitor's email message to Mr. Hadfield is included as **Schedule A** to this report. On September 5, 2018, the Monitor's legal counsel sent a follow up request to the lawyer who the Hadfields advised was acting as their counsel for this matter requesting that a claim be submitted to the Monitor for the its consideration and review, as well as an explanation for why no claim was submitted by the Hadfields by the Claims Bar Date. As at the date of signing this Report, the Monitor has not received a substantive response from the Hadfields. The Monitor will continue to wait for a response from the Hadfields to its request for a short further period of time. The Monitor will provide a further update to the Court and a possible recommendation in this regard in a future report. It is the expectation of the Monitor that this issue will form part of the subject matter to be put before the Court in the application presently scheduled for October 23, 2018.

## 726 PROPERTY CLAIM AND POTENTIAL MATERIAL ADVERSE CHANGE - BONNYVILLE CAMP ASSETS

19. On July 12, 2018, the Monitor received some initial documentation from counsel for 726 within which 726 asserted ownership of a number of assets located at the following camps previously operated by the Applicants, primarily through Holdings: Bonnyville, Monias, Peace River and Wandering River. The assets claimed by 726 at Bonnyville were the majority of the assets that had previously been asserted by 185 to be owned by it on that site, and were specifically included in various (confidential) Affidavits and appraisals previously provided to the Court and other stakeholders by the Applicants in these proceedings. This claim was unexpected at the time it was received by the Monitor, especially given that in April of 2018 the Monitor received written confirmation from counsel for the Applicants that it had confirmed with Management that the asset listings which comprised the appraisals and confidential supplements relied on in these CCAA Proceedings were accurate.

20. The Monitor has prepared a Confidential Supplement to the Monitor's Seventeenth Report ("**Confidential 17th Supplement**") which contains information in relation to several matters that the Monitor considers sensitive in nature and should not be disclosed to the public at this time. A listing, and other details in relation to the assets at Bonnyville which are the subject of this ownership dispute are outlined in the Confidential 17th Supplement.

21. On July 24, 2018, the Monitor, representatives from 726 and respective counsel met to review and discuss this matter in further detail. Since this meeting, additional documentation was provided by 726 at the request of the Monitor, and such documentation was provided by the Monitor to CWB at its request.

22. In addition to the above, the Monitor's counsel provided counsel for the Applicants with copies of the documentation provided by 726 in advance of a call to be held to discuss the matter on August 8, 2018. On this date, the Monitor, its counsel, Management, and their counsel attended a conference call to discuss the various claims of 726. On this call, Management indicated that in regard to the assets claimed by 726 located at the Bonnyville camp, which were also contained within the appraisal obtained and put forward by the Applicants, were in fact property of 726, and not the Applicants, and were listed on the appraisals included in the confidential supplements in error. Management indicated that they would investigate this error and advise further if any explanations on how this occurred could be provided. No further information in this regard has been received by the Monitor to date.

23. The Monitor and its counsel reviewed the information and documents provided by 726, and

considered the comments of Management, and has advised 726 that the Monitor does not anticipate challenging 726's ownership claim in respect of the claimed assets on the Bonnyville camp site, unless there is a material change in relation to the information or documents that comes to light to alter the accuracy and/or legitimacy of the information obtained and reviewed to date. The Monitor understands that 726 will be putting forward an Affidavit setting out the relevant information and documents in respect of its ownership claims on or before October 5, 2018, and as such, the Monitor has not included any documents provided to the Monitor by 726 in this report.

24. Further, the Monitor advises that it and its counsel have made inquiries of Management and 185's corporate office counsel, and it does not appear that there was any lease between 726 and the applicable Bonnyville Lodge LP partnership, and as such, the Monitor does not anticipate, at this time, making any priority claim in respect of the 726 dorms at the Bonnyville camp if that ownership claim is accepted by the Court, again subject to further material information or documents being received by the Monitor.

25. To illustrate the potential impact of this development on the appraised value of the Bonnyville Camp assets (and hence the anticipated possible realizations in relation to these assets) the Monitor has prepared an analysis to this effect which is included as one of the matters in the Confidential 17th Supplement. Based on the impact this development could have on the appraised value of the Bonnyville Camp assets as noted in the Confidential 17th Supplement, it is the Monitor's view that this matter constitutes a possible material adverse change in the financial situation of the Applicants in the event that 726 is declared to be the owner of these Bonnyville camp assets, and as such, should be reported to the Court at this time.

## 726 PROPERTY CLAIM – MONIAS AND WANDERING RIVER CAMPS

26. Similar to the 726 property claim asserted against the assets located at the Bonnyville camp discussed above, 726 has also asserted property claims against some of the assets located at the Monias, Peace River and Wandering River camps.

27. At the meeting held on July 24, 2018, the Monitor requested additional information from 726 in relation to these other locations as well, and together with its counsel, has reviewed a significant amount of material provided since that time.

28. Through this process, the Monitor has discovered that a number of assets claimed by 726 at the Monias (Kilometer 147) and Wandering River camps were those which had previously been asserted by 185 to be owned by it, and were again specifically included in various (confidential) Affidavits

and appraisals previously provided to the Court and other stakeholders by the Applicants in these proceedings. Based on the information and documents reviewed to date, there does not appear to be conflicting ownership claims between 726 and the Applicants in respect of the assets located on the Peace River camp site (which is differentiated from priority disputes).

29. The Monitor's counsel provided counsel for the Applicants with copies of the documentation provided by 726 in relation to the 726 claims at the Monias (Kilometer 147) and Wandering River camps. The Monitor has requested that Management provide any comments in relation to 726's claims asserted against some of the assets at both of these locations, and counsel for the Applicants advised that Management would need to review the matter further prior to providing a response. Unlike with the assets located at the Bonnyville camp, Management has not indicated that ownership of such assets belongs to 726 at these two locations; however, no substantive response to the Monitor's requests for Management's comments in this regard has been obtained as at the date of this report.

30. Given the above, the Monitor's investigations into 726's property claims against certain assets at Monias and Wandering River locations is ongoing. The Monitor expects to be able to provide an update and possibly a recommendation in a future report to the Court in advance of the application currently scheduled for October 23, 2018.

## REMOVAL OF ASSETS FROM MONIAS BY 726

31. As noted in the Monitor's Fifteenth Report, the Monitor had been advised by Management that there had been access issues in relation to the Monias Camp, and as such, the Monitor would not be attending the Monias site until it was able to resolve the alleged access issues. Since that time, the Monitor and its counsel were able to resolve the access issues and on July 18, 2018, the Monitor attended the Monias site to inspect and inventory the assets listed by Management as being located on that site and belonging to the Remaining Applicants.

32. Upon arriving at the Monias site, the Monitor identified that most of the camp dorms and related assets of any value had previously been removed from the site. With the exception of the 7 unit water treatment plant, approximately 127 "Voyager Dorms", a sizable number of rig mats and some other smaller assets, very little remained on site.

33. The Monitor learned that what appears to be a sister company of 726, being 726 Modular Finance Canada Ltd., had attended Court and obtained an Order, in a separate action, dated January 18, 2018 allowing it to access the Monias site, decommission and remove the equipment listed in that

Order from the Monias site. A copy of this Order is attached as **Schedule B** to this report. For the balance of this report, the defined term "**726**" will serve to include all of 726's related corporations, its directors, officers, employees and shareholders. The Monitor was previously unaware that this Order was granted, or that 726 had subsequently taken such actions as it was never served with notice of the application. Upon learning of this Order, the Monitor's counsel immediately wrote to counsel for 726, as well as Kingdom Properties Ltd., and requested that no further removal of any assets from the Moniais site be undertaken without agreement of the Monitor or Order of the Court. The Monitor understands that 726 did attend the site, and removed only some of the assets listed in the January 18, 2018 Order, and that additional assets claimed by 726 remain on the Monias site at this time. Per 726, no assets that were not being claimed by 726 were removed from the Monias site by 726.

34. The Monitor advises that, despite some initial issues and confusion, both the representatives of 726 and 726's counsel have cooperated with the Monitor to date, and that the Monitor and 726 have regular and ongoing communications regarding such assets and issues. Regardless, the Monitor believes that it is important to establish a clear protocol in regard to any future dealings in respect of any assets claimed by 726 in the circumstances. Specifically, the Monitor requests that the Court grant an Order that provides for the following:

a.) No further assets whatsoever will be removed by 726 from any of the camp sites formerly operated by the Remaining Applicants, without the express written consent of the Monitor, or further Order of the Court;

b.) No other assets located on the Bonnyville, Monias, Wandering River and Peace River locations that are the subject of any "ownership" or priority (discussed below) dispute between 726 and the Remaining Applicants will be sold without the joint written consent of both 726 and the Monitor, on terms agreeable to both parties, or otherwise as approved or directed by the Court;

c.) 726 and the Monitor will keep each other apprised of the location of any assets that have already been moved to date, permit each other to have reasonable access to such assets, and not move any such assets to a different location than currently located without the express written consent of the other or further Order of the Court; and

d.) 726 will maintain adequate security over any assets it has already moved to date, and proper and adequate insurance on any such assets to protect the assets until the ownership, priority and other issues in relation to the assets are resolved.

35. In addition to the above, the Monitor is investigating the whereabouts of a number of additional "missing assets" that were listed as being located at Monias, but were not on site at the time of the

Monitor's attendance on July 18, 2018. A listing of these missing assets is included as **Schedule B** to the Confidential 17th Supplement along with the respective appraised value of each asset.

36. The Monitor was initially advised that these additional missing assets were also removed from the site by 726; however, the Monitor inquired of 726 as to whether or not this was the case, and 726 has advised the Monitor that it has not removed these missing assets, and that the missing assets were likely removed by the Applicants some time ago. The Monitor has inquired with Management as to the whereabouts of the missing assets, and the preliminary response from Management is that nothing was removed from the Monias site by the Applicants. Investigation of this matter remains ongoing as at the date of this report.

## PRIORITY DISPUTE BETWEEN 726 AND 185

37. The Monitor has obtained personal property registry ("**PPR**") searches in relation to the various camps operated by the applicable partnerships involving Holdings. Upon review of the PPR searches, the Monitor discovered that 185 has all present and after acquired personal property registrations against the following partnerships, amongst others:

   i. Peace River Lodge LP

   ii. Wandering River Lodge LP, and,

   iii. Kilometer 147 Lodge LP.

38. From information provided by Management, the Monitor understands that each of the above entities is indebted to 185 on account of costs incurred in relation to, at least in part, the initial set up/operational expenses of the camps that were paid for by 185 and never recovered. Specifically, the amounts Management has indicated as owing by each of the above noted entities is noted below:

   i. Peace River Lodge LP: $1,116,897.75 (as at April 18, 2018);

   ii. Wandering River Lodge LP: $159,123.46 (as at February 19, 2018); and

   iii. Kilometer 147 LP: $1,236,788.24 (as at December 4, 2017).

The dates noted above in relation to the amounts owed represent the last transactions recorded by 185 in its books under each specific partnership.

39. The Monitor has been provided with General Security Agreements executed in favour of 185 by its registered office counsel, and such documents have been shared with counsels for 726 and CWB. Copies of these general security agreements are collectively attached as **Schedule C** to this report. The Monitor continues to collate and investigate the financial information and documents of 185 in respect of the apparent indebtedness owing to it by the above partnerships.

40. The Monitor understands that 726 entered into various lease agreements with each of the above noted partnerships for the use of various camp related assets, and that the leases in question were for a period of more than one year. The Monitor further understands that these lease agreements were never registered at the PPR by 726.

41. Given the above, it is the Monitor's position if the security agreements and indebtedness are valid that 185 will have priority to assets leased to the partnership that are located on the above camps, and as such, there may be a priority dispute between 726 and 185 in relation to the assets that are subject to the leases in question, which exists regardless of any "ownership" dispute that may exist. The Monitor expects to be able to provide an update to the Court on this matter and a more advanced position in a future report prior to the application currently scheduled for October 23, 2018.

## PROPERTY TAX ISSUES - BONNYVILLE CAMP SITE

Background Information

42. The Bonnyville Camp site consists of 6 contiguous legal lots noted as 1 through 6 in the illustration below:

| | |
|---|---|
| 1 | 2 |
| 6 | 3 |
| 5 | 4 |

The majority of the dorms and assets that comprise the Bonnyville Camp are located on lots 2 and 3 above, with some assets also located on lots 1 and 6. Lots 4 and 5 are essentially bare land at this time and have been since the Bonnyville Camp was established to the best of the knowledge of the Monitor. Attached as **Schedule D** to this report is an aerial photo of the Bonnyville Camp obtained by the Monitor with lot line markings to illustrate the location of the dorms and other assets of this camp over the lots noted above.

43. There is an outstanding property tax balance owed on each of the above noted lots, specifically, the Monitor understands as at the date of this report that the following amounts are owed for each lot currently, based on information provided by counsel for the Town of Bonnyville:

<u>Lots with Camp Assets:</u>

Lot 1: $84,370.97

Lot 2: $152,811.85

Lot 3: $108,332.79

Lot 6: $58,755.44

<u>Lots with no Camp Assets:</u>

Lot 5: $53,092.73

Lot 6: $40,832.37

44. Initially, there were some questions in relation to the assessed amounts owing on each of the lots which prompted enquiry by the Monitor and other stakeholders. In order to arrive at the balances noted above, the Town formally corrected the assessments (pursuant to section 305.1 of the *Municipal Government Act* "***MGA***") but the Town has since confirmed that the assessed amounts noted above reflect the actual location of each individual dorm/trailer located on the various lots.

45. The Monitor understands that the Town's position is that its claim for outstanding property taxes attaches to the land and the "improvements" to the land, pursuant to the *MGA*.

46. Pursuant to various provisions of the *MGA*, the legal advice the Monitor has received is not to permit any person to remove any manufactured home or other assets that appear to have been included in Town of Bonnyvile's assessment as an "improvement", unless the Town formally consents to such a release in writing or the Court otherwise orders.

47. The Monitor and its counsel have had significant discussions with counsel for the Town respecting these issues, who has confirmed that the Town is not willing to permit the removal of the applicable dorms and alike assets without payment in full of the applicable outstanding property taxes, some sort of mutually agreeable arrangement with the affected parties whereby sufficient sum are paid by the affected creditor into trust pending a final determination of the legal issues, or Order of the Court. This remains a topic of great concern to all affected parties currently, and some further details specifics in relation to the three main stakeholders with property on the Bonnyville site are noted in the sections below. This Honourable Court has directed the legal determination of

application of the Town liens to the dorms and alike assets on site, and other related issues, be adjourned pending the Court of Appeal's release of its decision in the *Virginia Hills* case. Nonetheless, the Monitor wishes to advise the Court and the stakeholders of some basic facts at this time.

Aurora Dorms

48. As will be discussed later in this report, the sale of the Dorms claimed by Aurora has been completed and the Dorms have been removed from the Bonnyville site pursuant an Order of this Honourable Court on June 21, 2018. The Monitor continues to hold the proceeds from the sale of these Dorms in trust. Until some arrangement is made or otherwise directed by the Court, the Monitor will continue to hold these funds in trust, and such funds serve to stand in the place of the physical assets removed from the Bonnyville site.

726 Dorms

49. As noted earlier in this report, the Monitor and its counsel have indicated to 726 that unless there is a material change in relation to the information provided or new information comes to light to alter the accuracy and/or legitimacy of the information obtained and reviewed to date, the Monitor does not anticipate challenging 726's ownership claim in respect of the assets claimed by it located at the Bonnyville camp.

50. Notwithstanding the Monitor's position in this regard, any assets that are ultimately confirmed to be the property of 726 at Bonnyville (if any) may be subject to the Town's claims in respect of the unpaid property taxes noted above. The Monitor has advised counsel for 726 of the property tax issue, and provided the relevant information to 726's counsel for further review and consideration.

Great White Sand Tiger Lodging Ltd. ("Sand Tiger") Dorms

51. Sand Tiger originally reached out to the Applicants to recover its Dorms from Bonnyille in the summer of 2017, and in doing so, also reached out to the Monitor at that time. Sand Tiger provided documentation to the Applicants and the Monitor which indicated that it had a valid "true lease" agreement with the Applicants for a term of longer than one year, and registrations pursuant to the leased equipment at the PPR by Sand Tiger. The Applicants confirmed they did not own the assets claimed and that they did not require any of the dorms leased from Sand Tiger to continue in operations. Sand Tiger indicated to the Applicants and the Monitor that it had a desperate need to recover its dorms, as they were needed for a new contract and needed to be in place at an alternative site by September 1, 2017. As a result, Sand Tiger aggressively pursued the release of the dorms at that time.

52. On August 11, 2017, the Monitor advised the Applicants that the documentation provided by Sand Tiger appeared to be in order and that Sand Tiger appeared to have a valid property claim. Further, the Monitor was operating under the advice received from Management that the Sand Tiger dorms did not form part of the Bonnyville camp and were not tied into any utilities or otherwise affixed to any real property, but rather were simply stored on a separate site in Bonnyville (also owned by the Applicants) that was not part of the camp operation and upon which the Town of Bonnyville had not assessed any "improvements" as part of its property tax determination. Given the above, as well as the fact that the Monitor did not at that time have its enhanced powers, the Monitor advised the Applicants that although there was a Stay in place (which technically prevented any creditor from taking action without leave of the Court), provided the Applicants did not require the dorms for continued operations, the Monitor had no reason (at that time) to take issue with the Applicants making arrangements for the return of the leased dorms to Sand Tiger. In mid-August 2017, Sand Tiger confirmed by email to the Applicants its intention to pick up the dorms from the Bonnyville site and confirmed it would make arrangements directly with a representative of the Applicants for scheduling.

53. The Monitor heard essentially nothing from Sand Tiger until late June of 2018, when it became apparent that Sand Tiger failed to pick up its dorms from the Applicants the prior summer and was now seeking the consent of the Monitor to do so.

54. The Monitor advises that there was some conflicting instructions given to Sand Tiger early in its June 2018 correspondence with Sand Tiger, as the Monitor was misinformed by the Applicants and believed the dorms in question were already demobilized and simply stored on a separate site (again not connected to the Bonnyville camp). Further, the Monitor advises that for a brief period of time, it requested that Sand Tiger remove the dorms from the location they were stored at in Bonnyville, not realizing that the dorms were located on the camp site. On further investigation by the Monitor, and after reviewing the physical asset inventory and pictures taken by the Monitor of the Bonnyville site, the Monitor discovered that the Sand Tiger dorms formed part of the additional equipment (i.e. not property of the Applicants per the various appraisals and other materials) that was inventoried by the Monitor on the Bonnyville Camp site. Further, the Monitor learned that the Sand Tiger dorms were not simply stored on the separate site, as the Monitor was advised earlier by Management, but rather the Sand Tiger dorms appeared to form part of the Bonnyville camp, and at one point were tied into utilities and other services in the same fashion as the other stakeholders' dorms at the Bonnyvile camp. Prior to the Monitor's site visit, the Monitor had no real insight as to the extent of other people's assets that were located at the various camps.

55. Given the above, and also given the concerns now known to the Monitor in relation to the property

taxes assessed against the Bonnyville camp lots, the Monitor advised Sand Tiger that it was no longer able to agree to the removal of the dorms from the Bonnyville camp site without an agreement of the applicable parties or Order of the Court.

56. In July and August 2018, the Monitor, its counsel, counsel for the Town of Bonnyville and prior counsel for Sand Tiger had discussions respecting the outstanding taxes and potential removal of the Sand Tiger dorms from site. The Monitor was advised by former counsel for Sand Tiger on August 20, 2018 that it intended to make an application to Court in September or October 2018 for a final determination in respect of several issues in respect of the Town of Bonnyville's tax lien and its application to Sand Tiger's dorm on that camp site.

## INSURANCE COSTS AND SECURITY COSTS TO BE RECOVERED – BONNYVILLE CAMP

57. If it is ultimately concluded that 726, Sand Tiger and Aurora are the proper owners of the majority of the assets at the Bonnyville camp, and there are no priority issues in respect of such assets, very little of the value of the assets located at Bonnyville actually belongs to the Remaining Applicants for liquidating in these proceedings. However, given the apparent error made by Management in relation to the disclosure of the assets at the Bonnyville site, the Monitor did take steps to provide for insurance and security at that site since its powers were expanded effective May 3, 2018.

58. The Monitor advises that to date, the security and insurance costs are not material, and are estimated to be less than $10,000.00, with respect to strictly the Bonnyville site.

59. The Monitor believes that these direct out of pocket costs incurred were of a benefit to the stakeholders, and as such, some portion of these costs should be recovered from any stakeholders who are confirmed to have assets at Bonnyville, so that other creditors do not bear the full cost of same once a final allocation of costs is determined by this Court. The Monitor intends to work with the various affected stakeholders in an effort to resolve this cost issue, failing which, the Monitor will make an application to this Honourable Court for further advice and direction in this regard.

## SMALL WARES AND OTHER ASSETS CONTAINED WITHIN THE VARIOUS CAMPS

60. In discussions with various liquidators, consultants, stakeholders and prospective purchasers, the Monitor is now of the opinion that, with the exception of Wabasca (at least in part), the sale of any of the Remaining Applicants' camps as operating going concern camps is unlikely. While it may be possible that a purchaser or purchasers may be interested in buying certain dorms including contents, the likelihood of an en bloc sale of any of the remaining camps is remote, and it is more

likely that the camp assets will be sold on a piecemeal basis. The one exception, or partial exception, to this would be the Wabasca camp, as some of the structures on that site are "stick built", and it is not practical to demobilize are relocate such assets to a different location. In regard to Wabasca, a portion of the assets/structures on that site will likely form part of the sale of the real property in the circumstances.

61. Given the above, the Monitor will be proceeding to consult with liquidators in an attempt to determine if there is any value to be derived from removing and liquidating all of the small wares, gym equipment, entertainment assets (pool tables, foosball tables, etc.) kitchen equipment, shelving, and other similar assets at each of the sites currently (collectively referred to simply as "**Small Wares**"). It is not the intention of the Monitor to remove and sell the majority of the furniture, beds, linens or other assets that would be expected to accompany the dorms for their intended use, as the Monitor feels that the removal of these assets could impair the value obtained from the various dorms and such impairment could exceed the value obtained from sale of such assets separately. The Monitor is in the process of inventorying the Small Wares at each of the camp sites and discussing such lists with various liquidators. To date, the Monitor has not received any property claims from any party in regard to the Small Wares. Other parties have only made claims to the dorms or alike units themselves, or other clearly identifiable non-Small Wares assets, which is consistent with the Monitor's understanding that it was the Applicants that operated the applicable camps, even if the dorms and alike units were owned by or leased from other parties, and would have moved the Small Wares into such units.

62. The Monitor requests an Order from the Court that:

a.) Confirms the Monitor or its agent, is at liberty to remove in its discretion any Small Wares located within any of the dorms or other property claimed by any property claimant at any of the following camps formerly operated by the Remaining Applicants:

i) HML;

ii) Wandering River;

iii) Peace River;

iv) Wabasca;

v) Monias/Kilometer 147; and,

vi) Bonnyville;

b.) Permits the Monitor to proceed to obtain liquidation proposals for the Small Wares through the use of a qualified liquidator; and,

c.) Authorizes the Monitor to abandon any Small Wares if it is determined or believed that the costs to retrieve and sell any of the Small Wares from any site, will not exceed the anticipated sale proceeds.

## SALE OF THE FARM AND MONITOR'S REQUEST FOR A HOLDBACK OF FUNDS IN RELATION TO THE COSTS OF THE CCAA PROCEEDINGS

63. The Monitor understands that First Island will be bringing an application to Court for the approval of an offer to purchase the Farm lands owned by 816. The Monitor advises that it takes no position in relation to the acceptance of the offer, and that if the offer is accepted, it does not appear that there is any equity in the Farm for any other creditors after First Island's claim and priority costs are addressed.

64. In the interests of transparency, the Monitor advises that the directing mind(s) of the potential purchaser for the Farm are personally related to certain members of the Monitor's team, including the writer of this report. Further, the Monitor advises that the writer of this report actually directed the potential purchaser to the realtor's listing of the Farm property, and was aware there was some interest; however, from that point forward, there has been absolutely no discussions or communications in regard to the Farm whatsoever between the potential purchaser and the Monitor's office. All dealings, discussions, viewings and other actions or communications in regard to this pending purchase were done strictly without the knowledge or involvement of the Monitor. Lastly, the Monitor had no idea an offer was made on the property until it was advised by its counsel and it was not until counsel for the Monitor provided a copy of the offer (received from counsel for First Island) was the Monitor able to confirm that certain members of the Monitor's team were personally related to the directing mind(s) of the potential purchaser.

65. Provided the Court approves the offer to purchase the Farm, it is the Monitor's position that a significant portion of the sale proceeds should be paid over to the Monitor and placed in trust with the Monitor as a holdback (the "**Holdback**") to cover the amount of the Administration Charge, Interim Lender's Charge and other applicable amounts that will ultimately be allocated to 816 and/or the Farm in these CCAA Proceedings, once a final allocation process is completed by the Court once all realizations are completed.

66. In an attempt to address what might be a reasonable Holdback amount to recommend to the Court,

again assuming approval of the offer put forward, the Monitor has prepared a revised proposed allocation methodology analysis ("**Revised Allocation**") and included the Revised Allocation as **Schedule C** to the Confidential 17th Supplement. A detailed discussion of the Monitor's rationale in relation to the Holdback amount and the Revised Allocation is included in the Confidential 17th Supplement.

67. As noted with previous versions of the proposed allocation analysis provided, this Revised Allocation is the Monitor's best attempt on estimating the information contained therein, and the actual final results will vary, and such variations could be material. These CCAA proceedings are constantly evolving with new information, new disputes, asset issues and other matters arising daily, which makes attempting to provide comfort on future costs nearly impossible at this stage of the proceedings. That said, the rationale used in the Revised Allocation is identical to the previous versions prepared, which is set out in paragraphs 52-66 of the Monitor's 11th Report (which is attached as **Schedule E** to this report for ease of reference). However, the Revised Allocation takes into consideration the changes to the Applicants in these CCAA proceedings and any other new information that has been ascertained by the Monitor at the time of this report.

68. Based on the Revised Allocation and the other factors discussed in the Confidential 17th Supplement, the Monitor recommends a Holdback of $500,000.00 from the sale proceeds of the Farm to be held in trust by the Monitor pending a future application and determination of the allocation of the costs, DIP financing and other costs of these CCAA proceedings, as well as direction from the Court that such amount is without prejudice to a final number being allocated to 816 and/or the Farm and that First Island's receipt of the remainder of the sales proceeds from the Farm remains subject to a final allocation determination being made by the Court.

## INTERIM DISTRIBUTION – STAHELI CLAIM (SALE OF WINTERBURN)

69. The Monitor understands that Staheli is making an application to Court to request an interim distribution of the funds collected from the Winterburn sale. Given the amount of funds currently being held by the Monitor, the Monitor is agreeable to an interim distribution subject to a Holdback, similar to the Holdback discussed above in relation to the pending Farm sale.

70. Again, in an effort to provide a recommendation to the Court in relation to the amount of the Holdback from the Winterburn proceeds, the Monitor refers the Court to the Revised Allocation and the Confidential 17th Supplement for further details.

71. Based on the Revised Allocation and the other factors discussed in the Confidential 17th

Supplement, if this Court approves an interim distribution of such funds, the Monitor recommends a Holdback of $700,000.00 from the sale proceeds derived from the sale of Winterburn to be held in trust by the Monitor pending a future application and determination of the allocation of the costs, DIP financing and other amounts of these CCAA proceedings , as well as direction from the Court that such amount is without prejudice to a final number being allocated to 137 and/or the Winterburn property, and that Staheli's receipt of the interim distribution funds remains subject to a final allocation determination being made by the Court.

## OTHER MATTERS

Status of the Sale of the Dorms claimed by Aurora

72. The Monitor confirms that the sale of the Dorms previously situated on the Bonnyville camp site, which are the subject of an ownership claim made by Aurora have been sold, has closed, the Monitor is in receipt of the respective funds, and the Dorms have be removed from the Bonnyville camp site in accordance with the June 21, 2018 Order.

73. For the Court's and other stakeholders' reference, the Monitor has attached a sample of pictures as **Schedule F** to this report of the Dorms to this report as they were prior to the removal from the Bonnyville site. A more full set of photographs were sent by the Monitor's counsel for Aurora's counsel.

74. The Monitor also forwarded pictures post removal of the site to the mortgagee of the Bonnyville camp site lands for its consideration prior to issuing the Monitor's Certificate, and the mortgagee confirmed it had no issues with the condition of the property post removal.

Weslease Mortgages

75. The Monitor advises that Weslease currently has submitted claims purporting to have 2 separate mortgages against two separate parcels of land owned by 185 and 137 respectively, in addition to submitted claims against 1919 and Paul McCracken pursuant to numerous leases, promissory notes and other documents. A snapshot of the details of these Weslease mortgages are set out below:

| Applicant | Real Property Name | Amount Claimed |
|---|---|---|
| 185 | Wabasca (1251 Industrial Drive) | $761,000 |
| 137 | Bonnyville (North Lands) | $1,500,000 |

76. The Monitor, in consultation with Management and their counsel, has identified a potential issue in regard to these mortgages as a result of the following uncertainties:

a.) The Monitor is not aware of any underlying direct loans to 137 or 185 by Weslease; and

b.) The Monitor is not aware of any guarantees specifically granted by 137 or 185 in relation to the indebtedness of 1919 or Paul McCracken's debt with Weslease;

77. The Monitor and its counsel have requested additional information in this regard from counsel for Weslease, and they continue to investigate this matter at present. Based on discussions between counsels for the Monitor and Weslease, the Monitor anticipates that the issue of the validity the above described Weslease mortgages will be put before the Court for consideration on October 23, 2018, if necessary and appropriate.

## CONCLUSIONS

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

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

b.) directs that no further assets whatsoever will be removed by 726 from any of the camp sites formerly operated by the Remaining Applicants, without the express written consent of the Monitor, or further Order of the Court;

c.) direct that's no other assets located on the Bonnyville, Monias, Wandering River and Peace River camp locations that are the subject of any "ownership" or priority dispute between 726 and the Remaining Applicants will be sold without the joint written consent of both 726 and the Monitor, on terms agreeable to both parties, or otherwise as approved or directed by the Court;

d.) directs that 726 and the Monitor will keep each other apprised of the location of any assets that have already been moved to date, permit each other to have reasonable access to such assets, and not move any such assets to a different location than currently located without the express written consent of the other or further Order of the Court;

e.) directs that 726 will maintain adequate security over any assets it has already moved to date, and proper and adequate insurance on any such assets to protect the assets until the ownership, priority and other issues in relation to the assets are resolved;

f.) confirms the Monitor or its agent is at liberty to remove, in its discretion, any Small Wares located within any of the dorms or other property claimed by any property claimant at any of the following camps formerly operated by the Remaining Applicants:

HML;
Wandering River;
Peace River;
Wabasca;
Monias/Kilometer 147; and,
Bonnyville;

g.) permits the Monitor to proceed to obtain liquidation proposals for the Small Wares through the use of a qualified liquidator;

h.) authorizes the Monitor to abandon any Small Wares if it is determined or believed that the costs to retrieve and sell any of the Small Wares from any site, will not exceed the anticipated sale proceeds;

i.) confirms and approves the respective holdbacks recommended by the Monitor relation to the sale proceeds of the Farm and Winterburn; and,

j.) seals the contents of the Confidential Supplement to the Monitor's Seventeenth Report.

All of which is respectfully submitted.

Dated at Edmonton, this 10th day of September, 2018.

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

Per:

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

# Schedule A

## Mark Shtay

| | |
|---|---|
| **From:** | Matt McCulloch |
| **Sent:** | August 23, 2018 2:01 PM |
| **To:** | 'J HADFIELD'; Richard@freedomlaw.ca |
| **Cc:** | Ryan Quinlan (rquinlan@dcllp.com) |
| **Subject:** | RE: NE 35-71-17 W4 (Wandering River Camp Lands) - Canada North Group of Companies - CCAA |
| **Attachments:** | CNG Proof of Claim.pdf; CNG Instuction letter.pdf; (Filed) Claims Process Order.pdf |
| **Importance:** | High |

Good Afternoon Jeff and Richard,

With reference to the above captioned matter and related property, we confirm that Ernst & Young Inc. ("EY") is the Court-appointed Monitor of the Canada North Group, including 1371047 Alberta Ltd. ("137").

We understand that Jeff and Jackie Hadfield ("the Hadfields") may have first mortgage security on property legally described as NE 35-71-17 W4 as noted above also known in the CCAA proceedings simply as the Wandering River Lands/Camp.

By Order of the Court of Queen's Bench dated December 8, 2017, all creditors were to have provided to the Monitor a Proof of Claim no later than 5:00 PM, January 19, 2018, failing which the claim would be forever barred and unenforceable as against members of the Canada North Group, including 137.

The Monitor has not received a Proof of Claim from the Hadfields.

We again enclose for your ease of reference the Proof of Claim package and we ask that you please complete and submit it to our office as soon as possible along with an explanation as to why the claim was not submitted prior to the Claims Bar Date. We also enclose a copy of the filed Claims Process Order, also for your ease of reference.

Please note that the Monitor will need to consider whether to extend the time for acceptance of the claim but for immediate purposes does require that you do please submit the claim. Its acceptance by the Monitor does not necessarily mean that the claim will be accepted or that the Monitor has agreed to extend the time for its receipt.

We ask that you please ensure the claim is submitted and ask that your legal counsel contact the Monitor's legal counsel, Ryan Quinlan at Duncan Craig LLP. He can be reached at 780-441-4336 to discuss the matter further.

Yours truly,

**Matt McCulloch, CPA, CA, CIRP, Licensed InsolvencyTrustee**
Partner & Senior Vice President*| Corporate Restructuring & Insolvency
Ernst & Young Inc.
EPCOR Tower, 10423 – 101 Street, Suite 1400, PO Box 44, Edmonton AB T5H 0E7
Direct: 780 638 6642 | Fax: 780 428 8977 | matt.mcculloch@ca.ey.com
Website: http://www.ey.com
Assistant: Sonjá Clarke | Phone: 780 441 4671| sonja.clarke@ca.ey.com
Paraprofessional: Trina Sorbara | Phone 780 412 2393 | trina.m.sorbara@ca.ey.com
* Services provided through Matthew McCulloch Professional Corporation

Yours truly,

**Matt McCulloch, CPA, CA, CIRP, Licensed InsolvencyTrustee**
Partner & Senior Vice President*| Corporate Restructuring & Insolvency
Ernst & Young Inc.
EPCOR Tower, 10423 – 101 Street, Suite 1400, PO Box 44, Edmonton AB T5H 0E7
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Website: http://www.ey.com
Assistant: Sonjá Clarke | Phone: 780 441 4671| sonja.clarke@ca.ey.com
Paraprofessional: Trina Sorbara | Phone 780 412 2393 | trina.m.sorbara@ca.ey.com
* Services provided through Matthew McCulloch Professional Corporation

**From:** J HADFIELD [mailto:j.jfield@shaw.ca]
**Sent:** Friday, August 17, 2018 5:04 PM
**To:** Matt McCulloch <Matt.McCulloch@ca.ey.com>; Richard@freedomlaw.ca
**Subject:** NE 35-71-17 W4

Hey Richard the folk from Ernst & Young my want some Verification on our position in regard to this property at Wandering River.

I will leave the introductions to whoever contacts the other first.

Thank you Matt and thanks again Richard.

***Best regard***

***Tell : 780-742-8075***
***Email: j.jfield@shaw.ca***

# Schedule B

| | |
|---|---|
| COURT FILE NUMBER | 1703 23860<br>~~1603-21142~~ |
| COURT | COURT OF QUEEN'S BENCH OF ALBERTA |
| JUDICIAL CENTRE | EDMONTON |
| APPLICANT | 726 MODULAR FINANCE CANADA, LTD. |
| RESPONDENT | KINGDOM PROPERTIES LTD. |
| DOCUMENT | ORDER |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **MICHELLE ANDRESEN, McALLISTER LLP, Barristers & Solicitors**<br>2500 Commerce Place, 10155 102 St, Edmonton AB T5J 4G8<br>Telephone: 780 425 2500 Facsimile: 780 425 1222<br>File No.: 87659-0 |

JUDICIAL CENTRE OF EDMONTON
FILED
FEB - 9 2018
Clerk of the Court

I hereby certify this to be a true copy of the original.
N Havevac
for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: January 18, 2018

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton, Alberta

NAME OF MASTER WHO MADE THIS ORDER: Master S.L. Schulz

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**UPON THE APPLICATION** by the Applicant, 726 MODULAR FINANCE CANADA LTD. ("Applicant") and the **CROSS-APPLICATION BY THE RESPONDENT**, Kingdom Properties Ltd. ("Respondent"); **AND UPON HAVING READ** the Affidavits of Mr. Barry Roman and Mr. Jason King; **AND UPON HEARING** from counsel for both parties; **AND UPON NOTING** Rules. 6.49 and 6.50 of the Rules of Court, Alta Reg 124/2010;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The Respondent shall provide access to the Applicant to the lands described in Miscellaneous Land Lease Number MLL130166 ("166 Lands"), in accordance with a written schedule to be agreed upon by respective counsel, in order to decommission the 726 Equipment, which equipment is more particularly described in Schedule "A", attached hereto, and to subsequently remove the 726 Equipment from the 166 Lands.

2. Should counsel for the parties be unable to agree upon a schedule for the Applicant's access to the 166 Lands for the decommissioning and removal of the 726 Equipment, the parties shall return before the presiding Master in Chambers to determine same.

3. Costs of the decommissioning and removal of the 726 Equipment under para. 1, herein, shall be borne by the Applicant.

4. Prior to counsel scheduling the removal of the 726 Equipment under para. 1, herein, the Applicant shall post security to this Honourable Court in the amount of $1 Million CDN (ONE MILLION CANADIAN DOLLARS).

5. The 726 Equipment shall not be removed from Alberta.

6. The Applicant shall not encumber, sell, or deal with the 726 Equipment in any way that interferes with ownership of the 726 Equipment or otherwise diminishes its value.

7. The Application to determine the legal ownership of the 726 Equipment is adjourned to the Master's Special Chambers date previously scheduled for the Summary Judgment Application of the Respondent in Court of Queen's Bench Action No. 1603 21142, which is currently set down for November 7, 2018. If the presiding Master, or the parties by consent, determine that the question of legal ownership cannot be dealt with before the Master hearing the said Summary Judgment Application, then the Application to determine ownership of the 726 Equipment shall be set for the next mutually convenient Master Special Chambers date.

8. The Applicant shall conclude the action for recovery and ownership of the 726 Equipment without delay and shall return the 726 Equipment to the Respondent, if so ordered by this Honourable Court at a future date.

9. The Applicant shall pay damages, costs and expenses sustained by the Respondent as a result of the within Order, if so ordered by this Honourable Court at a future date.

10. The Applicant shall file an Undertaking with respect to para. 9.

11. Costs shall be in the cause.

"W.S. Schlosser, Q.C."

M.C.C.Q.B.A.

for S.L. Schulz, Q.C.

CONSENTED TO AS TO FORM AND CONTENT

McAllister LLP

Per: ______________

Michelle E. Andresen,
Counsel for the Applicant

Bishop & McKenzie LLP

Per: ______________

Tara Hamelin,
Counsel for the Respondent

# Equipment Schedule A for 726 Remote at Monias Lodge

| Serial Number | Description | Manufacturer | Year Manufactured |
|---|---|---|---|
| WB5UK201338-001 | 12 unit KDR | | |
| WB5UK201338-002 | 12 unit KDR | | |
| WB5UK201338-003 | 12 unit KDR | | |
| WB5UK201338-004 | 12 unit KDR | | |
| WB5UK201338-005 | 12 unit KDR | | |
| WB5UK201338-006 | 12 unit KDR | | |
| FXCEGNT6U201326-001 | 12 unit KDR | | |
| FXCEGNT6U201326-002 | 12 unit KDR | | |
| FXCEGNT6U201326-003 | 12 unit KDR | | |
| FXCEGNT6U201326-004 | 12 unit KDR | | |
| FXCEGNT6U201326-005 | 12 unit KDR | | |
| FXCEGNT6U201326-006 | 12 unit KDR | | |
| FX30D201342-001 | 30' man skidded dorm | | |
| FX30D201342-002 | 30' man skidded dorm | | |
| FX30D201342-003 | 30' man skidded dorm | | |
| FX30D201342-004 | 30' man skidded dorm | | |
| FX30D201342-005 | 30' man skidded dorm | | |
| FX30D201342-006 | 30' man skidded dorm | | |
| FX30D201342-007 | 30' man skidded dorm | | |
| FX30D201342-008 | 30' man skidded dorm | | |
| FX30D201341-001 | 30' man skidded dorm | | |
| FX30D201341-002 | 30' man skidded dorm | | |
| FX30D201341-003 | 30' man skidded dorm | | |
| FX30D201341-004 | 30' man skidded dorm | | |
| FX30D201341-005 | 30' man skidded dorm | | |
| FX30D201341-006 | 30' man skidded dorm | | |
| FX30D201341-007 | 30' man skidded dorm | | |
| FX30D201341-008 | 30' man skidded dorm | | |
| 201416FX-001 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-002 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-003 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-004 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-005 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-006 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-007 | 38' man dorm | CampCorp Canada | 2014 |
| 201416FX-008 | 38' man dorm | CampCorp Canada | 2014 |

# Equipment Schedule A for 726 Remote at Monias Lodge

| Serial Number | Description | Manufacturer | Year Manufactured |
|---|---|---|---|
| 201417FXRAM-001 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-002 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-003 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-004 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-005 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-006 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-007 | 38' man dorm | CampCorp Canada | 2014 |
| 201417FXRAM-008 | 38' man dorm | CampCorp Canada | 2014 |
| FX4UREC20133-001 | 4 unit recreation | | |
| FX4UREC20133-002 | 4 unit recreation | | |
| FX4UREC20133-003 | 4 unit recreation | | |
| FX4UREC20133-004 | 4 unit recreation | | |
| FX6UR201319-001 | 6 unit recreation | | |
| FX6UR201319-002 | 6 unit recreation | | |
| FX6UR201319-003 | 6 unit recreation | | |
| FX6UR201319-004 | 6 unit recreation | | |
| FX6UR201319-005 | 6 unit recreation | | |
| FX6UR201319-006 | 6 unit recreation | | |
| NHAF4861 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4862 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4863 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4864 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4865 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4866 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4867 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF4868 | 38' man skidded dorm | Alta-Fab Structures | 2014 |
| NHAF0861 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0862 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0863 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0864 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0865 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0866 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0867 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| NHAF0868 | 30' man VIP dorm | Alta-Fab Structures | 2008 |
| n/a | 2500 Fir Access Mats | Breakaway Matting | |

# Schedule C

## GENERAL SECURITY AGREEMENT

This Security Agreement made as of March 29, 2017.

BY:

**KILOMETER 147 LP,**
**by its general partner,**
**KILOMETER 147 GP LTD.**

(the "**Debtor**")

IN FAVOUR OF:

**CANADA NORTH CAMPS INC.**

(the "**Secured Party**")

### SECTION 1
### INDEBTEDNESS

1.1 **Indebtedness Obligations Secured.** The Debtor, for value received, hereby covenants with the Secured Party, that this Agreement is issued by the Debtor as continuing security for the payment in full of all indebtedness of the Debtor from time to time to the Secured Party together with interest thereon, as applicable, as well after as before demand and as well after as before default and judgment, until paid. For the purposes of this Agreement, indebtedness means all debts, liabilities and obligations, present and future, direct or indirect (including guarantees granted by the Debtor) absolute or contingent, matured or not, of the Debtor to the Secured Party, whether arising from any agreement or dealings between the Secured Party and the Debtor, or from any agreement or dealings with any third person or persons by which the Secured Party may be or become in any manner whatsoever a creditor of the Debtor or howsoever otherwise arising and whether the Debtor is bound alone or with another or others as principal or surety, and, without limiting the generality of the foregoing, shall include (but not be limited to) all costs, charges and expenses made or incurred by the Secured Party in connection with the taking, accepting, collecting, insuring, processing, discharging, releasing, transferring, assigning, liquidating, realizing or conveying of or otherwise dealing in or with, any property, real or personal, of the Debtor now or hereafter held by the Secured Party as security for the due payment of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party.

1.2 **No Discharge.** This Agreement and the security constituted hereunder shall not be released or discharged in whole or in part, by the payment, repayment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party, and the Debtor shall have no right or claim whatsoever to any release or discharge of this Agreement, or the security hereby constituted, unless the Secured Party shall have first received and in writing acknowledged the payment in full of the entire balance of the indebtedness hereby secured.

1.3 **Readvance.** The security interest and security hereby created shall take effect forthwith upon the execution of these presents and shall be a continuous charge whether such indebtedness is from time to time reduced and thereafter increased or entirely repaid or extinguished and thereafter readvanced and reincurred.

## SECTION 2
## CHARGING CLAUSES; SECURITY INTEREST

2.1 **Security Interest.** As security for the payment of the indebtedness and of all other monies from time to time owing by the Debtor to the Secured Party and for the due performance of the obligations and the covenants of the Debtor contained herein and in any other collateral securities held by the Secured Party:

2.1.1 the Debtor hereby grants to the Secured Party a security interest in and a charge upon all of the Debtor's present and after acquired personal property, which the Debtor now has or may hereafter have, be possessed of, be entitled to or acquire by way of amalgamation or otherwise including without limitation the undertaking, property and assets referred to above including all of the Debtor's present and future goodwill, trademarks, inventions, processes, patents and patent rights, franchises, privileges, benefits, immunities, materials, supplies, inventories, furniture, implements, rents, revenues, incomes, monies, contracts, agreements, leases, licenses, credits, book debts, accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, unpaid capital and all other property and things of value of every kind and nature, tangible and intangible, legal or equitable;

2.1.2 the Debtor hereby charges to and in favour of the Secured Party as and by way of a floating charge (subject to exceptions to leasehold interests contained below) all of its estate and interest in any real property, both present and future; and

2.1.3 the Debtor hereby grants to and in favour of the Secured Party a security interest in and a charge upon the proceeds derived directly or indirectly from any dealing with any of the property described in or referred to in paragraphs 2.1.1 and 2.1.2, including accounts receivable, bills of exchange, insurance proceeds, chattel paper, intangibles, instruments as well as any choses in action claim or right to payment.

(All of the personal property described or referred to in this subsection 2.1 is hereinafter referred to as the "**Collateral**")

2.2 **Further Assurances.** The Debtor covenants to execute, acknowledge and deliver such further agreements and documents supplemental hereto (including financing statements, further schedules to this Agreement, assignments and transfers) and to do all acts, matters and things as may be requested by the Secured Party in order to give effect to this Agreement and to perfect the security interest, including but not limited to any of the same which may be required to correct or amplify the description of any Collateral or for any other purpose not inconsistent with the terms of this Agreement.

2.3 **Attachment.** The parties acknowledge that value has been given, the Debtor has rights in the Collateral, and the parties have not agreed to postpone the time for attachment of any security interest granted herein by the Debtor.

## SECTION 3
## RESTRICTIVE COVENANTS

3.1 The Debtor agrees that it will not without the prior written consent of the Secured Party other than in the ordinary course of business and for the purpose of carrying on such business, sell, exchange, lease, release, transfer, assign, or otherwise dispose of any of the Collateral or any group of property and assets forming part of the Collateral.

## SECTION 4
## REPRESENTATIONS & WARRANTIES

4.1 **Title.** The Debtor represents and warrants to the Secured Party that it is or is entitled to become the legal and beneficial owner of the Collateral and that the same are free and clear of all encumbrances except those set forth in Schedule "A" attached to this Agreement.

4.2 **Authorization.** Where the Debtor is a corporation or a partnership the Debtor represents and warrants to the Secured Party that all necessary corporate proceedings or proceedings of the partners, as the case may be, of the Debtor and all other matters and things necessary have been done to authorize and to make the creation and issue of this Agreement and its execution and delivery and the performance of the Debtor's obligations hereunder legal, valid and binding.

## SECTION 5
## EVENTS OF DEFAULT

5.1 **Acceleration.** The principal and other monies hereby secured shall at the option of the Secured Party immediately become due and payable whether with or without prior demand therefor, and the security hereby constituted shall immediately become enforceable in each and every of the events following:

5.1.1 if the Debtor makes default in the payment when due of the indebtedness hereby secured or fails to perform or satisfy any obligations to the Secured Party whether secured hereby or not;

5.1.2 if the Debtor makes default in the observance or performance of something required to be done by the Debtor in this Agreement, or in any other collateral security held by the Secured Party or some covenant or condition required to be observed or performed in this Agreement or in any other collateral security held by the Secured Party;

5.1.3 if any security interest, charge or encumbrance created or issued by the Debtor shall become enforceable;

5.1.4 if an Order is made or an effective resolution passed for the winding up of the Debtor or if a petition is filed for the winding up of the Debtor or any application is made by the Debtor pursuant to the Companies Creditors Arrangement Act;

5.1.5 if the Debtor becomes insolvent or makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency or if a bankruptcy petition or receiving order is filed or made against the Debtor or if a receiver or receiver manager is appointed of the Debtor's property or any part thereof or an application for such appointment is made;

5.1.6 if any execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is levied upon the Collateral of the Debtor or any part thereof or if an encumbrancer takes possession of the Debtor's Collateral or any part thereof.

## SECTION 6
## CONSEQUENCES OF DEFAULT REMEDIES

6.1 **Remedies.** If the security hereby constituted shall become enforceable, the Secured Party may:

6.1.1 proceed to enforce payment and exercise any and all of the rights and remedies of the Secured Party provided in Part 5 of the Personal Property Security Act of Alberta as well

as any and all other rights and remedies possessed by the Secured Party according to any other agreement, law or this Agreement;

6.1.2 take possession of all of the Collateral covered by the security interest herein contained or any part thereof and sell the same at such price and upon such terms as the Secured Party in its sole discretion may determine and the proceeds of such sale, less all costs and expenses of the Secured Party, including costs as between solicitor and client shall be applied on the monies owing hereunder, with the surplus, if any, to be paid to the Debtor. In the event that the monies realized from such sale are not sufficient to pay the full amount owing under this Agreement, the Secured Party shall be entitled to exercise such remedies against the Debtor to collect the balance owing as it may be entitled to by law;

6.1.3 appoint in writing a receiver or receivers of the assets hereby charged or any part thereof and may from time to time remove any receiver so appointed and appoint another in his stead, and the following provisions shall be applicable:

(a) such appointment may be made at any time either before or after the Secured Party shall have entered into or taken possession of the assets hereby charged or any part thereof;

(b) any such receiver may be invested with any of the powers and discretions of the Secured Party;

(c) any such receiver may carry on or concur in carrying on the business of the Debtor or any part thereof and may exercise all the powers herein conferred upon the Secured Party;

(d) any such receiver may with the consent of the Secured Party in writing borrow money for the purpose of carrying on the business of the Debtor or for the maintenance of the assets secured by this Agreement or any part thereof or for other purposes approved by the Secured Party, and any amount so borrowed together with interest thereon shall become part of the indebtedness secured by this Agreement and may be secured or unsecured, and if secured by a security interest on any of the Collateral, such security may rank in priority to or pari passu with or behind the security constituted by this Agreement, and if it does not so specify such security shall rank in priority to the security constituted by this Agreement;

(e) any such receiver shall have power to take possession of the said Collateral secured and charged by this Agreement or any part thereof and sell or concur in selling any of the Collateral;

(f) the Secured Party may from time to time fix the remuneration of any such receiver and direct the payment thereof out of the assets secured by this Agreement or the proceeds thereof;

(g) any such receiver shall so far as concerns responsibility for his acts be deemed the agent of the Debtor, and the Secured Party shall not be in any way responsible for any misconduct or negligence on the part of any such receiver;

(h) such monies as the receiver may from time to time recover in connection with the conduct of such receivership shall at the option of the Secured Party be paid to the Secured Party and such monies may be applied by the Secured Party towards the payment of all costs and expenses of realizing on its security

including costs as between solicitor and client and upon the payment of the principal or interest owing hereunder.

6.2 **Rights Supplemental.** It is agreed that the rights and powers conferred by the immediately preceding paragraph 6.1.3 are supplemental to and not in substitution for any rights the Secured Party may from time to time have as the holder of this Agreement. The term "receiver" as used in this Agreement includes a receiver and manager.

## SECTION 7
## MISCELLANEOUS

7.1 **Partial Discharge.** No release, postponement or discharge of the charge created by this Agreement in respect of all or any part of the security interest, shall in any way operate or be construed to release or discharge the security hereby constituted in respect of the remainder of the secured property or to release or discharge the Debtor from any obligation or liability to the Secured Party under this Agreement.

7.2 **Expenses of Recovery.** The Debtor agrees to pay to the Secured Party forthwith upon demand all expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in recovering or enforcing payment of monies or indebtedness owing hereunder or realizing upon this Agreement or any other securities for such monies including expenses of taking possession, protecting and realizing upon any property comprised in any such security together with interest at such rate as may be specified by the Secured Party from the date of such expenditure.

7.3 **Security Additional.** The security hereby constituted is in addition to and in not in substitution for any other security now or hereafter held or acquired by the Secured Party and shall in no way merge or affect any other security or securities that may have been or may hereafter be given in respect of the indebtedness secured hereby or any part thereof, or impair or affect any such security or securities or any remedy thereon.

7.4 **Negotiability.** It is agreed that the principal and other monies hereby secured will be paid and shall be assignable free from any right or set off or counterclaim or equities between the Debtor and the Secured Party.

7.5 **Secured Party Satisfy.** The Secured Party may pay or satisfy in whole or in part any security interest, lien, charge or encumbrance now existing or hereafter created or claimed upon the secured property or any part thereof and the amount paid in respect thereof shall be added to the indebtedness hereby secured and shall be payable forthwith with interest at the highest rate borne by any of the indebtedness owing hereunder, and shall be a charge upon the secured property. The propriety of paying out any monies on any security interest, lien, charge or encumbrance shall be a matter upon which the decision of the Secured Party shall be absolute and final.

## SECTION 8
## GENERAL INTERPRETATION

8.1 **Notice.** Any notice or demand required or permitted to be made or given by the Secured Party to the Debtor may be served personally at the address below or may be given by mailing the same by prepaid registered mail addressed to the Debtor at:

14238 134 Avenue NW
Edmonton, Alberta T5L 5V8

and shall be conclusively deemed to be received by the Debtor on the third business day following the day of such mailing. Any notice required or permitted to be given by the Debtor to the Secured Party may be served personally at the address below or may be given by mailing the same by prepaid registered mail addressed to the Secured Party at:

14238 134 Avenue NW
Edmonton, Alberta T5L 5V8

and shall be conclusively deemed to be received by the Secured Party on the third business day following the day of such mailing. Either party may change its address by notice in writing served upon the other party. In cases of notices personally served as aforesaid, notice shall be deemed to have been received on the date of service.

8.2 **Waiver.** The Secured Party may waive any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor under the terms of this Agreement; PROVIDED that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default.

Further, no delay or omission upon the part of the Secured Party to exercise any right or power hereunder shall impair such right or power or be considered to be a waiver of any default or any acquiescence thereunder.

8.3 **Judgment Not Merger.** The taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants and any such judgment shall provide that interest thereon shall be computed at the highest rate borne by any of the indebtedness secured hereunder, if any, until the said judgment shall have been fully paid and satisfied.

8.4 **Further Assurances.** The Debtor agrees to execute and deliver to the Secured Party or cause to be executed and delivered any further acts, deeds, supplemental agreements, mortgages, transfers and assurances in law as the Secured Party may require for the better securing, mortgaging, charging, assigning and confirming unto the Secured Party the assets hereby secured or intended to be secured or which the Debtor may be hereafter or may become bound to grant a security interest in favour of the Secured Party or to properly carry out the intention of this Agreement.

8.5 **Enurement.** This Agreement and all its provisions shall enure to the benefit of the Secured Party, and its successors and assigns, and shall be binding upon the Debtor, its successors and assigns.

8.6 **Receipt of Copy.** The Debtor acknowledges receipt of a copy of this Security Agreement and waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed at any time in respect of this Agreement.

8.7 **Trust.** All money collected or received by the Debtor as proceeds or in respect of accounts, chattel paper, instruments, intangibles, choses in action, contractual rights or rights to payment, whether collected or received before or after default shall be received by the Debtor as trustee for the Secured Party and shall be accounted to and paid to the Secured Party upon demand.

8.8 **Amalgamation.** The Debtor acknowledges that this Security Agreement and any security interest constituted thereby shall remain in full force and effect and the obligations of the Debtor hereunder shall not be affected or impaired by any merger, consolidation or amalgamation or other re-organization of the Debtor into or with any other entity or corporation. The Debtor acknowledges and agrees that in the event it amalgamates with any other corporation(s), it is the

intention of the parties hereto that the term "Debtor", when used herein, shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that any security interest granted herein:

8.8.1 shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any Collateral thereafter owned or acquired by the amalgamated corporation;

8.8.2 shall secure the indebtedness (as that term is defined in Section 1.1) of each of the amalgamating corporations and the amalgamated corporation to the Secured Party at the time of amalgamation and any indebtedness of the amalgamated corporation to the Secured Party thereafter arising;

8.8.3 shall attach to Collateral owned by each corporation amalgamating with the Debtor, and by the amalgamated corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned by acquired by the amalgamated corporation when such becomes owned or is acquired.

8.9 **Governing Law.** This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF the Debtor has executed this agreement on the date first above written.

**KILOMETER 147 LP, by its general partner,**
**KILOMETER 147 GP LTD.**

Per: ______________________________

## SCHEDULE "A"

## PERMITTED ENCUMBRANCES

Alberta Personal Property Registry Registration No. 15073114556

Alberta Personal Property Registry Registration No. 16022529386

## GENERAL SECURITY AGREEMENT

This Security Agreement made as of March 29, 2017.

BY:

**PEACE RIVER LODGE LP,**
**by its general partner,**
**PEACE RIVER LODGE GP LTD.**

(the "**Debtor**")

IN FAVOUR OF:

**CANADA NORTH CAMPS INC.**

(the "**Secured Party**")

### SECTION 1
### INDEBTEDNESS

1.1 **Indebtedness Obligations Secured.** The Debtor, for value received, hereby covenants with the Secured Party, that this Agreement is issued by the Debtor as continuing security for the payment in full of all indebtedness of the Debtor from time to time to the Secured Party together with interest thereon, as applicable, as well after as before demand and as well after as before default and judgment, until paid. For the purposes of this Agreement, indebtedness means all debts, liabilities and obligations, present and future, direct or indirect (including guarantees granted by the Debtor) absolute or contingent, matured or not, of the Debtor to the Secured Party, whether arising from any agreement or dealings between the Secured Party and the Debtor, or from any agreement or dealings with any third person or persons by which the Secured Party may be or become in any manner whatsoever a creditor of the Debtor or howsoever otherwise arising and whether the Debtor is bound alone or with another or others as principal or surety, and, without limiting the generality of the foregoing, shall include (but not be limited to) all costs, charges and expenses made or incurred by the Secured Party in connection with the taking, accepting, collecting, insuring, processing, discharging, releasing, transferring, assigning, liquidating, realizing or conveying of or otherwise dealing in or with, any property, real or personal, of the Debtor now or hereafter held by the Secured Party as security for the due payment of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party.

1.2 **No Discharge.** This Agreement and the security constituted hereunder shall not be released or discharged in whole or in part, by the payment, repayment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party, and the Debtor shall have no right or claim whatsoever to any release or discharge of this Agreement, or the security hereby constituted, unless the Secured Party shall have first received and in writing acknowledged the payment in full of the entire balance of the indebtedness hereby secured.

1.3 **Readvance.** The security interest and security hereby created shall take effect forthwith upon the execution of these presents and shall be a continuous charge whether such indebtedness is from time to time reduced and thereafter increased or entirely repaid or extinguished and thereafter readvanced and reincurred.

## SECTION 2
## CHARGING CLAUSES; SECURITY INTEREST

2.1 **Security Interest.** As security for the payment of the indebtedness and of all other monies from time to time owing by the Debtor to the Secured Party and for the due performance of the obligations and the covenants of the Debtor contained herein and in any other collateral securities held by the Secured Party:

2.1.1 the Debtor hereby grants to the Secured Party a security interest in and a charge upon all of the Debtor's present and after acquired personal property, which the Debtor now has or may hereafter have, be possessed of, be entitled to or acquire by way of amalgamation or otherwise including without limitation the undertaking, property and assets referred to above including all of the Debtor's present and future goodwill, trademarks, inventions, processes, patents and patent rights, franchises, privileges, benefits, immunities, materials, supplies, inventories, furniture, implements, rents, revenues, incomes, monies, contracts, agreements, leases, licenses, credits, book debts, accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, unpaid capital and all other property and things of value of every kind and nature, tangible and intangible, legal or equitable;

2.1.2 the Debtor hereby charges to and in favour of the Secured Party as and by way of a floating charge (subject to exceptions to leasehold interests contained below) all of its estate and interest in any real property, both present and future; and

2.1.3 the Debtor hereby grants to and in favour of the Secured Party a security interest in and a charge upon the proceeds derived directly or indirectly from any dealing with any of the property described in or referred to in paragraphs 2.1.1 and 2.1.2, including accounts receivable, bills of exchange, insurance proceeds, chattel paper, intangibles, instruments as well as any choses in action claim or right to payment.

(All of the personal property described or referred to in this subsection 2.1 is hereinafter referred to as the "**Collateral**")

2.2 **Further Assurances.** The Debtor covenants to execute, acknowledge and deliver such further agreements and documents supplemental hereto (including financing statements, further schedules to this Agreement, assignments and transfers) and to do all acts, matters and things as may be requested by the Secured Party in order to give effect to this Agreement and to perfect the security interest, including but not limited to any of the same which may be required to correct or amplify the description of any Collateral or for any other purpose not inconsistent with the terms of this Agreement.

2.3 **Attachment.** The parties acknowledge that value has been given, the Debtor has rights in the Collateral, and the parties have not agreed to postpone the time for attachment of any security interest granted herein by the Debtor.

## SECTION 3
## RESTRICTIVE COVENANTS

3.1 The Debtor agrees that it will not without the prior written consent of the Secured Party other than in the ordinary course of business and for the purpose of carrying on such business, sell, exchange, lease, release, transfer, assign, or otherwise dispose of any of the Collateral or any group of property and assets forming part of the Collateral.

## SECTION 4
## REPRESENTATIONS & WARRANTIES

4.1 **Title.** The Debtor represents and warrants to the Secured Party that it is or is entitled to become the legal and beneficial owner of the Collateral and that the same are free and clear of all encumbrances except those set forth in Schedule "A" attached to this Agreement.

4.2 **Authorization.** Where the Debtor is a corporation or a partnership the Debtor represents and warrants to the Secured Party that all necessary corporate proceedings or proceedings of the partners, as the case may be, of the Debtor and all other matters and things necessary have been done to authorize and to make the creation and issue of this Agreement and its execution and delivery and the performance of the Debtor's obligations hereunder legal, valid and binding.

## SECTION 5
## EVENTS OF DEFAULT

5.1 **Acceleration.** The principal and other monies hereby secured shall at the option of the Secured Party immediately become due and payable whether with or without prior demand therefor, and the security hereby constituted shall immediately become enforceable in each and every of the events following:

5.1.1 if the Debtor makes default in the payment when due of the indebtedness hereby secured or fails to perform or satisfy any obligations to the Secured Party whether secured hereby or not;

5.1.2 if the Debtor makes default in the observance or performance of something required to be done by the Debtor in this Agreement, or in any other collateral security held by the Secured Party or some covenant or condition required to be observed or performed in this Agreement or in any other collateral security held by the Secured Party;

5.1.3 if any security interest, charge or encumbrance created or issued by the Debtor shall become enforceable;

5.1.4 if an Order is made or an effective resolution passed for the winding up of the Debtor or if a petition is filed for the winding up of the Debtor or any application is made by the Debtor pursuant to the Companies Creditors Arrangement Act;

5.1.5 if the Debtor becomes insolvent or makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency or if a bankruptcy petition or receiving order is filed or made against the Debtor or if a receiver or receiver manager is appointed of the Debtor's property or any part thereof or an application for such appointment is made;

5.1.6 if any execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is levied upon the Collateral of the Debtor or any part thereof or if an encumbrancer takes possession of the Debtor's Collateral or any part thereof.

## SECTION 6
## CONSEQUENCES OF DEFAULT REMEDIES

6.1 **Remedies.** If the security hereby constituted shall become enforceable, the Secured Party may:

6.1.1 proceed to enforce payment and exercise any and all of the rights and remedies of the Secured Party provided in Part 5 of the Personal Property Security Act of Alberta as well

as any and all other rights and remedies possessed by the Secured Party according to any other agreement, law or this Agreement;

6.1.2 take possession of all of the Collateral covered by the security interest herein contained or any part thereof and sell the same at such price and upon such terms as the Secured Party in its sole discretion may determine and the proceeds of such sale, less all costs and expenses of the Secured Party, including costs as between solicitor and client shall be applied on the monies owing hereunder, with the surplus, if any, to be paid to the Debtor. In the event that the monies realized from such sale are not sufficient to pay the full amount owing under this Agreement, the Secured Party shall be entitled to exercise such remedies against the Debtor to collect the balance owing as it may be entitled to by law;

6.1.3 appoint in writing a receiver or receivers of the assets hereby charged or any part thereof and may from time to time remove any receiver so appointed and appoint another in his stead, and the following provisions shall be applicable:

(a) such appointment may be made at any time either before or after the Secured Party shall have entered into or taken possession of the assets hereby charged or any part thereof;

(b) any such receiver may be invested with any of the powers and discretions of the Secured Party;

(c) any such receiver may carry on or concur in carrying on the business of the Debtor or any part thereof and may exercise all the powers herein conferred upon the Secured Party;

(d) any such receiver may with the consent of the Secured Party in writing borrow money for the purpose of carrying on the business of the Debtor or for the maintenance of the assets secured by this Agreement or any part thereof or for other purposes approved by the Secured Party, and any amount so borrowed together with interest thereon shall become part of the indebtedness secured by this Agreement and may be secured or unsecured, and if secured by a security interest on any of the Collateral, such security may rank in priority to or pari passu with or behind the security constituted by this Agreement, and if it does not so specify such security shall rank in priority to the security constituted by this Agreement;

(e) any such receiver shall have power to take possession of the said Collateral secured and charged by this Agreement or any part thereof and sell or concur in selling any of the Collateral;

(f) the Secured Party may from time to time fix the remuneration of any such receiver and direct the payment thereof out of the assets secured by this Agreement or the proceeds thereof;

(g) any such receiver shall so far as concerns responsibility for his acts be deemed the agent of the Debtor, and the Secured Party shall not be in any way responsible for any misconduct or negligence on the part of any such receiver;

(h) such monies as the receiver may from time to time recover in connection with the conduct of such receivership shall at the option of the Secured Party be paid to the Secured Party and such monies may be applied by the Secured Party towards the payment of all costs and expenses of realizing on its security

including costs as between solicitor and client and upon the payment of the principal or interest owing hereunder.

6.2 **Rights Supplemental.** It is agreed that the rights and powers conferred by the immediately preceding paragraph 6.1.3 are supplemental to and not in substitution for any rights the Secured Party may from time to time have as the holder of this Agreement. The term "receiver" as used in this Agreement includes a receiver and manager.

## SECTION 7
## MISCELLANEOUS

7.1 **Partial Discharge.** No release, postponement or discharge of the charge created by this Agreement in respect of all or any part of the security interest, shall in any way operate or be construed to release or discharge the security hereby constituted in respect of the remainder of the secured property or to release or discharge the Debtor from any obligation or liability to the Secured Party under this Agreement.

7.2 **Expenses of Recovery.** The Debtor agrees to pay to the Secured Party forthwith upon demand all expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in recovering or enforcing payment of monies or indebtedness owing hereunder or realizing upon this Agreement or any other securities for such monies including expenses of taking possession, protecting and realizing upon any property comprised in any such security together with interest at such rate as may be specified by the Secured Party from the date of such expenditure.

7.3 **Security Additional.** The security hereby constituted is in addition to and in not in substitution for any other security now or hereafter held or acquired by the Secured Party and shall in no way merge or affect any other security or securities that may have been or may hereafter be given in respect of the indebtedness secured hereby or any part thereof, or impair or affect any such security or securities or any remedy thereon.

7.4 **Negotiability.** It is agreed that the principal and other monies hereby secured will be paid and shall be assignable free from any right or set off or counterclaim or equities between the Debtor and the Secured Party.

7.5 **Secured Party Satisfy.** The Secured Party may pay or satisfy in whole or in part any security interest, lien, charge or encumbrance now existing or hereafter created or claimed upon the secured property or any part thereof and the amount paid in respect thereof shall be added to the indebtedness hereby secured and shall be payable forthwith with interest at the highest rate borne by any of the indebtedness owing hereunder, and shall be a charge upon the secured property. The propriety of paying out any monies on any security interest, lien, charge or encumbrance shall be a matter upon which the decision of the Secured Party shall be absolute and final.

## SECTION 8
## GENERAL INTERPRETATION

8.1 **Notice.** Any notice or demand required or permitted to be made or given by the Secured Party to the Debtor may be served personally at the address below or may be given by mailing the same by prepaid registered mail addressed to the Debtor at:

14238 134 Avenue NW
Edmonton, Alberta T5L 5V8

and shall be conclusively deemed to be received by the Debtor on the third business day following the day of such mailing. Any notice required or permitted to be given by the Debtor to the Secured Party may be served personally at the address below or may be given by mailing the same by prepaid registered mail addressed to the Secured Party at:

14238 134 Avenue NW
Edmonton, Alberta T5L 5V8

and shall be conclusively deemed to be received by the Secured Party on the third business day following the day of such mailing. Either party may change its address by notice in writing served upon the other party. In cases of notices personally served as aforesaid, notice shall be deemed to have been received on the date of service.

8.2 **Waiver.** The Secured Party may waive any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor under the terms of this Agreement; PROVIDED that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default.

Further, no delay or omission upon the part of the Secured Party to exercise any right or power hereunder shall impair such right or power or be considered to be a waiver of any default or any acquiescence thereunder.

8.3 **Judgment Not Merger.** The taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants and any such judgment shall provide that interest thereon shall be computed at the highest rate borne by any of the indebtedness secured hereunder, if any, until the said judgment shall have been fully paid and satisfied.

8.4 **Further Assurances.** The Debtor agrees to execute and deliver to the Secured Party or cause to be executed and delivered any further acts, deeds, supplemental agreements, mortgages, transfers and assurances in law as the Secured Party may require for the better securing, mortgaging, charging, assigning and confirming unto the Secured Party the assets hereby secured or intended to be secured or which the Debtor may be hereafter or may become bound to grant a security interest in favour of the Secured Party or to properly carry out the intention of this Agreement.

8.5 **Enurement.** This Agreement and all its provisions shall enure to the benefit of the Secured Party, and its successors and assigns, and shall be binding upon the Debtor, its successors and assigns.

8.6 **Receipt of Copy.** The Debtor acknowledges receipt of a copy of this Security Agreement and waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed at any time in respect of this Agreement.

8.7 **Trust.** All money collected or received by the Debtor as proceeds or in respect of accounts, chattel paper, instruments, intangibles, choses in action, contractual rights or rights to payment, whether collected or received before or after default shall be received by the Debtor as trustee for the Secured Party and shall be accounted to and paid to the Secured Party upon demand.

8.8 **Amalgamation.** The Debtor acknowledges that this Security Agreement and any security interest constituted thereby shall remain in full force and effect and the obligations of the Debtor hereunder shall not be affected or impaired by any merger, consolidation or amalgamation or other re-organization of the Debtor into or with any other entity or corporation. The Debtor acknowledges and agrees that in the event it amalgamates with any other corporation(s), it is the

intention of the parties hereto that the term "Debtor", when used herein, shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that any security interest granted herein:

8.8.1 shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any Collateral thereafter owned or acquired by the amalgamated corporation;

8.8.2 shall secure the indebtedness (as that term is defined in Section 1.1) of each of the amalgamating corporations and the amalgamated corporation to the Secured Party at the time of amalgamation and any indebtedness of the amalgamated corporation to the Secured Party thereafter arising;

8.8.3 shall attach to Collateral owned by each corporation amalgamating with the Debtor, and by the amalgamated corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned by acquired by the amalgamated corporation when such becomes owned or is acquired.

8.9 **Governing Law.** This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF the Debtor has executed this agreement on the date first above written.

**PEACE RIVER LODGE LP, by its general partner,**
PEACE RIVER LODGE GP LTD.

Per: ______________________________

## SCHEDULE "A"

## PERMITTED ENCUMBRANCES

NIL

# GENERAL SECURITY AGREEMENT

This Security Agreement made as of March 29, 2017.

BY:

**WANDERING RIVER LODGE LP,**
**by its general partner,**
**WANDERING RIVER LODGE GP LTD.**

(the "**Debtor**")

IN FAVOUR OF:

**CANADA NORTH CAMPS INC.**

(the "**Secured Party**")

## SECTION 1
## INDEBTEDNESS

1.1 **Indebtedness Obligations Secured.** The Debtor, for value received, hereby covenants with the Secured Party, that this Agreement is issued by the Debtor as continuing security for the payment in full of all indebtedness of the Debtor from time to time to the Secured Party together with interest thereon, as applicable, as well after as before demand and as well after as before default and judgment, until paid. For the purposes of this Agreement, indebtedness means all debts, liabilities and obligations, present and future, direct or indirect (including guarantees granted by the Debtor) absolute or contingent, matured or not, of the Debtor to the Secured Party, whether arising from any agreement or dealings between the Secured Party and the Debtor, or from any agreement or dealings with any third person or persons by which the Secured Party may be or become in any manner whatsoever a creditor of the Debtor or howsoever otherwise arising and whether the Debtor is bound alone or with another or others as principal or surety, and, without limiting the generality of the foregoing, shall include (but not be limited to) all costs, charges and expenses made or incurred by the Secured Party in connection with the taking, accepting, collecting, insuring, processing, discharging, releasing, transferring, assigning, liquidating, realizing or conveying of or otherwise dealing in or with, any property, real or personal, of the Debtor now or hereafter held by the Secured Party as security for the due payment of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party.

1.2 **No Discharge.** This Agreement and the security constituted hereunder shall not be released or discharged in whole or in part, by the payment, repayment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid by the Debtor to the Secured Party, and the Debtor shall have no right or claim whatsoever to any release or discharge of this Agreement, or the security hereby constituted, unless the Secured Party shall have first received and in writing acknowledged the payment in full of the entire balance of the indebtedness hereby secured.

1.3 **Readvance.** The security interest and security hereby created shall take effect forthwith upon the execution of these presents and shall be a continuous charge whether such indebtedness is from time to time reduced and thereafter increased or entirely repaid or extinguished and thereafter readvanced and reincurred.

## SECTION 2
## CHARGING CLAUSES; SECURITY INTEREST

2.1 **Security Interest.** As security for the payment of the indebtedness and of all other monies from time to time owing by the Debtor to the Secured Party and for the due performance of the obligations and the covenants of the Debtor contained herein and in any other collateral securities held by the Secured Party:

2.1.1 the Debtor hereby grants to the Secured Party a security interest in and a charge upon all of the Debtor's present and after acquired personal property, which the Debtor now has or may hereafter have, be possessed of, be entitled to or acquire by way of amalgamation or otherwise including without limitation the undertaking, property and assets referred to above including all of the Debtor's present and future goodwill, trademarks, inventions, processes, patents and patent rights, franchises, privileges, benefits, immunities, materials, supplies, inventories, furniture, implements, rents, revenues, incomes, monies, contracts, agreements, leases, licenses, credits, book debts, accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, unpaid capital and all other property and things of value of every kind and nature, tangible and intangible, legal or equitable;

2.1.2 the Debtor hereby charges to and in favour of the Secured Party as and by way of a floating charge (subject to exceptions to leasehold interests contained below) all of its estate and interest in any real property, both present and future; and

2.1.3 the Debtor hereby grants to and in favour of the Secured Party a security interest in and a charge upon the proceeds derived directly or indirectly from any dealing with any of the property described in or referred to in paragraphs 2.1.1 and 2.1.2, including accounts receivable, bills of exchange, insurance proceeds, chattel paper, intangibles, instruments as well as any choses in action claim or right to payment.

(All of the personal property described or referred to in this subsection 2.1 is hereinafter referred to as the "**Collateral**")

2.2 **Further Assurances.** The Debtor covenants to execute, acknowledge and deliver such further agreements and documents supplemental hereto (including financing statements, further schedules to this Agreement, assignments and transfers) and to do all acts, matters and things as may be requested by the Secured Party in order to give effect to this Agreement and to perfect the security interest, including but not limited to any of the same which may be required to correct or amplify the description of any Collateral or for any other purpose not inconsistent with the terms of this Agreement.

2.3 **Attachment.** The parties acknowledge that value has been given, the Debtor has rights in the Collateral, and the parties have not agreed to postpone the time for attachment of any security interest granted herein by the Debtor.

## SECTION 3
## RESTRICTIVE COVENANTS

3.1 The Debtor agrees that it will not without the prior written consent of the Secured Party other than in the ordinary course of business and for the purpose of carrying on such business, sell, exchange, lease, release, transfer, assign, or otherwise dispose of any of the Collateral or any group of property and assets forming part of the Collateral.

## SECTION 4
## REPRESENTATIONS & WARRANTIES

4.1 **Title.** The Debtor represents and warrants to the Secured Party that it is or is entitled to become the legal and beneficial owner of the Collateral and that the same are free and clear of all encumbrances except those set forth in Schedule "A" attached to this Agreement.

4.2 **Authorization.** Where the Debtor is a corporation or a partnership the Debtor represents and warrants to the Secured Party that all necessary corporate proceedings or proceedings of the partners, as the case may be, of the Debtor and all other matters and things necessary have been done to authorize and to make the creation and issue of this Agreement and its execution and delivery and the performance of the Debtor's obligations hereunder legal, valid and binding.

## SECTION 5
## EVENTS OF DEFAULT

5.1 **Acceleration.** The principal and other monies hereby secured shall at the option of the Secured Party immediately become due and payable whether with or without prior demand therefor, and the security hereby constituted shall immediately become enforceable in each and every of the events following:

5.1.1 if the Debtor makes default in the payment when due of the indebtedness hereby secured or fails to perform or satisfy any obligations to the Secured Party whether secured hereby or not;

5.1.2 if the Debtor makes default in the observance or performance of something required to be done by the Debtor in this Agreement, or in any other collateral security held by the Secured Party or some covenant or condition required to be observed or performed in this Agreement or in any other collateral security held by the Secured Party;

5.1.3 if any security interest, charge or encumbrance created or issued by the Debtor shall become enforceable;

5.1.4 if an Order is made or an effective resolution passed for the winding up of the Debtor or if a petition is filed for the winding up of the Debtor or any application is made by the Debtor pursuant to the Companies Creditors Arrangement Act;

5.1.5 if the Debtor becomes insolvent or makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency or if a bankruptcy petition or receiving order is filed or made against the Debtor or if a receiver or receiver manager is appointed of the Debtor's property or any part thereof or an application for such appointment is made;

5.1.6 if any execution or any other process of any court becomes enforceable against the Debtor or if a distress or analogous process is levied upon the Collateral of the Debtor or any part thereof or if an encumbrancer takes possession of the Debtor's Collateral or any part thereof.

## SECTION 6
## CONSEQUENCES OF DEFAULT REMEDIES

6.1 **Remedies.** If the security hereby constituted shall become enforceable, the Secured Party may:

6.1.1 proceed to enforce payment and exercise any and all of the rights and remedies of the Secured Party provided in Part 5 of the Personal Property Security Act of Alberta as well

as any and all other rights and remedies possessed by the Secured Party according to any other agreement, law or this Agreement;

6.1.2 take possession of all of the Collateral covered by the security interest herein contained or any part thereof and sell the same at such price and upon such terms as the Secured Party in its sole discretion may determine and the proceeds of such sale, less all costs and expenses of the Secured Party, including costs as between solicitor and client shall be applied on the monies owing hereunder, with the surplus, if any, to be paid to the Debtor. In the event that the monies realized from such sale are not sufficient to pay the full amount owing under this Agreement, the Secured Party shall be entitled to exercise such remedies against the Debtor to collect the balance owing as it may be entitled to by law;

6.1.3 appoint in writing a receiver or receivers of the assets hereby charged or any part thereof and may from time to time remove any receiver so appointed and appoint another in his stead, and the following provisions shall be applicable:

(a) such appointment may be made at any time either before or after the Secured Party shall have entered into or taken possession of the assets hereby charged or any part thereof;

(b) any such receiver may be invested with any of the powers and discretions of the Secured Party;

(c) any such receiver may carry on or concur in carrying on the business of the Debtor or any part thereof and may exercise all the powers herein conferred upon the Secured Party;

(d) any such receiver may with the consent of the Secured Party in writing borrow money for the purpose of carrying on the business of the Debtor or for the maintenance of the assets secured by this Agreement or any part thereof or for other purposes approved by the Secured Party, and any amount so borrowed together with interest thereon shall become part of the indebtedness secured by this Agreement and may be secured or unsecured, and if secured by a security interest on any of the Collateral, such security may rank in priority to or pari passu with or behind the security constituted by this Agreement, and if it does not so specify such security shall rank in priority to the security constituted by this Agreement;

(e) any such receiver shall have power to take possession of the said Collateral secured and charged by this Agreement or any part thereof and sell or concur in selling any of the Collateral;

(f) the Secured Party may from time to time fix the remuneration of any such receiver and direct the payment thereof out of the assets secured by this Agreement or the proceeds thereof;

(g) any such receiver shall so far as concerns responsibility for his acts be deemed the agent of the Debtor, and the Secured Party shall not be in any way responsible for any misconduct or negligence on the part of any such receiver;

(h) such monies as the receiver may from time to time recover in connection with the conduct of such receivership shall at the option of the Secured Party be paid to the Secured Party and such monies may be applied by the Secured Party towards the payment of all costs and expenses of realizing on its security

including costs as between solicitor and client and upon the payment of the principal or interest owing hereunder.

6.2 **Rights Supplemental.** It is agreed that the rights and powers conferred by the immediately preceding paragraph 6.1.3 are supplemental to and not in substitution for any rights the Secured Party may from time to time have as the holder of this Agreement. The term "receiver" as used in this Agreement includes a receiver and manager.

## SECTION 7
## MISCELLANEOUS

7.1 **Partial Discharge.** No release, postponement or discharge of the charge created by this Agreement in respect of all or any part of the security interest, shall in any way operate or be construed to release or discharge the security hereby constituted in respect of the remainder of the secured property or to release or discharge the Debtor from any obligation or liability to the Secured Party under this Agreement.

7.2 **Expenses of Recovery.** The Debtor agrees to pay to the Secured Party forthwith upon demand all expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in recovering or enforcing payment of monies or indebtedness owing hereunder or realizing upon this Agreement or any other securities for such monies including expenses of taking possession, protecting and realizing upon any property comprised in any such security together with interest at such rate as may be specified by the Secured Party from the date of such expenditure.

7.3 **Security Additional.** The security hereby constituted is in addition to and in not in substitution for any other security now or hereafter held or acquired by the Secured Party and shall in no way merge or affect any other security or securities that may have been or may hereafter be given in respect of the indebtedness secured hereby or any part thereof, or impair or affect any such security or securities or any remedy thereon.

7.4 **Negotiability.** It is agreed that the principal and other monies hereby secured will be paid and shall be assignable free from any right or set off or counterclaim or equities between the Debtor and the Secured Party.

7.5 **Secured Party Satisfy.** The Secured Party may pay or satisfy in whole or in part any security interest, lien, charge or encumbrance now existing or hereafter created or claimed upon the secured property or any part thereof and the amount paid in respect thereof shall be added to the indebtedness hereby secured and shall be payable forthwith with interest at the highest rate borne by any of the indebtedness owing hereunder, and shall be a charge upon the secured property. The propriety of paying out any monies on any security interest, lien, charge or encumbrance shall be a matter upon which the decision of the Secured Party shall be absolute and final.

## SECTION 8
## GENERAL INTERPRETATION

8.1 **Notice.** Any notice or demand required or permitted to be made or given by the Secured Party to the Debtor may be served personally at the address below or may be given by mailing the same by prepaid registered mail addressed to the Debtor at:

14238 134 Avenue NW
Edmonton, Alberta T5L 5V8

and shall be conclusively deemed to be received by the Debtor on the third business day following the day of such mailing. Any notice required or permitted to be given by the Debtor to the Secured Party may be served personally at the address below or may be given by mailing the same by prepaid registered mail addressed to the Secured Party at:

14238 134 Avenue NW
Edmonton, Alberta T5L 5V8

and shall be conclusively deemed to be received by the Secured Party on the third business day following the day of such mailing. Either party may change its address by notice in writing served upon the other party. In cases of notices personally served as aforesaid, notice shall be deemed to have been received on the date of service.

8.2 **Waiver.** The Secured Party may waive any breach by the Debtor of any of the provisions contained in this Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor under the terms of this Agreement; PROVIDED that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default.

Further, no delay or omission upon the part of the Secured Party to exercise any right or power hereunder shall impair such right or power or be considered to be a waiver of any default or any acquiescence thereunder.

8.3 **Judgment Not Merger.** The taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants and any such judgment shall provide that interest thereon shall be computed at the highest rate borne by any of the indebtedness secured hereunder, if any, until the said judgment shall have been fully paid and satisfied.

8.4 **Further Assurances.** The Debtor agrees to execute and deliver to the Secured Party or cause to be executed and delivered any further acts, deeds, supplemental agreements, mortgages, transfers and assurances in law as the Secured Party may require for the better securing, mortgaging, charging, assigning and confirming unto the Secured Party the assets hereby secured or intended to be secured or which the Debtor may be hereafter or may become bound to grant a security interest in favour of the Secured Party or to properly carry out the intention of this Agreement.

8.5 **Enurement.** This Agreement and all its provisions shall enure to the benefit of the Secured Party, and its successors and assigns, and shall be binding upon the Debtor, its successors and assigns.

8.6 **Receipt of Copy.** The Debtor acknowledges receipt of a copy of this Security Agreement and waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed at any time in respect of this Agreement.

8.7 **Trust.** All money collected or received by the Debtor as proceeds or in respect of accounts, chattel paper, instruments, intangibles, choses in action, contractual rights or rights to payment, whether collected or received before or after default shall be received by the Debtor as trustee for the Secured Party and shall be accounted to and paid to the Secured Party upon demand.

8.8 **Amalgamation.** The Debtor acknowledges that this Security Agreement and any security interest constituted thereby shall remain in full force and effect and the obligations of the Debtor hereunder shall not be affected or impaired by any merger, consolidation or amalgamation or other re-organization of the Debtor into or with any other entity or corporation. The Debtor acknowledges and agrees that in the event it amalgamates with any other corporation(s), it is the

intention of the parties hereto that the term "Debtor", when used herein, shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that any security interest granted herein:

8.8.1 shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any Collateral thereafter owned or acquired by the amalgamated corporation;

8.8.2 shall secure the indebtedness (as that term is defined in Section 1.1) of each of the amalgamating corporations and the amalgamated corporation to the Secured Party at the time of amalgamation and any indebtedness of the amalgamated corporation to the Secured Party thereafter arising;

8.8.3 shall attach to Collateral owned by each corporation amalgamating with the Debtor, and by the amalgamated corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned by acquired by the amalgamated corporation when such becomes owned or is acquired.

8.9 **Governing Law.** This Security Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF the Debtor has executed this agreement on the date first above written.

**WANDERING RIVER LODGE LP, by its general partner, WANDERING RIVER LODGE GP LTD.**

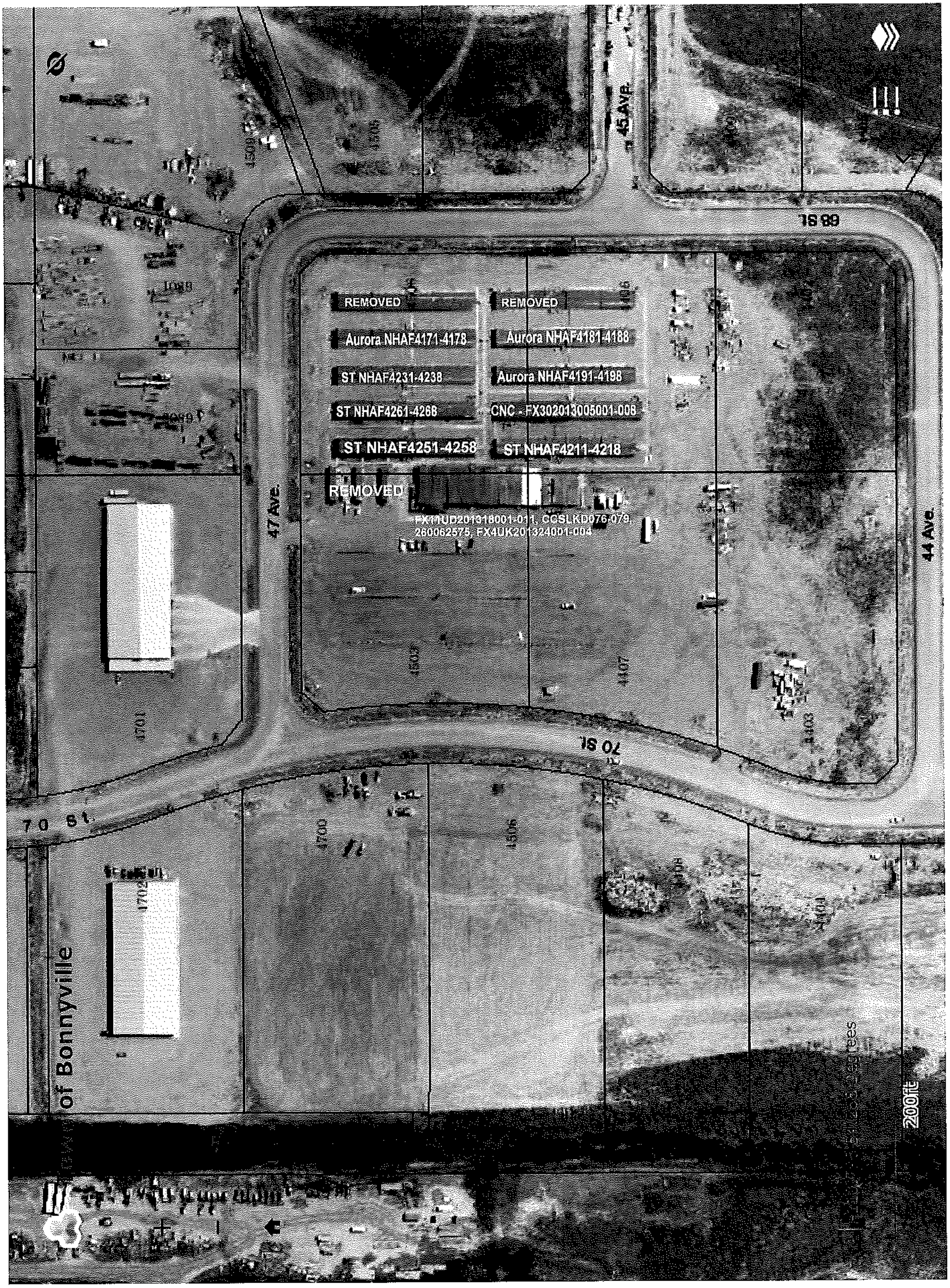
Per: ______________________________

## SCHEDULE "A"

## PERMITTED ENCUMBRANCES

NIL

# Schedule D



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Aurora NHAF4181-4188
ST NHAF4231-4238
Aurora NHAF4191-4198
ST NHAF4261-4268
CNC - FX302013005001-008
ST NHAF4251-4258
ST NHAF4211-4218
REMOVED
FX1UD201318001-011, CCSLKD076-079,
260062575, FX4UK201324001-004
47 Ave.
45 Ave.
44 Ave.
68 St
70 St
70 St.
of Bonnyville
200ft

# Schedule E

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;

# Schedule F


ALTA-FAB
1
G


ALTA-FAB


ALTA-FAB
H


ALTA-FAB
2