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JUDICIAL CENTRE OF EDMONTON
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Clerk of the Court

COURT FILE NUMBER	1703-12327
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
	AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF CANADA NORTH GROUP INC., CANADA NORTH CAMPS INC., CAMPCORP STRUCTURES LTD., D.J. CATERING LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., AND 1919209 ALBERTA LTD.
DOCUMENT	**MONITOR'S TENTH REPORT**
	March 12, 2018
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**<u>MONITOR</u>** ERNST & YOUNG INC. EPCOR Tower 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com **<u>COUNSEL</u>** Duncan Craig LLP Suite 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 Attention: Darren R. Bieganek, QC Phone: 780-441-4386 Fax: 780-428-9683 Email: dbieganek@dcllp.com

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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.I. 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. Over the Course of these CCAA proceedings, the Applicants have made a number of applications to this Court requesting various relief and corresponding extensions of the Stay. Further details of these applications can be reviewed in the previous reports of the Monitor and other materials filed with the Court.

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

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

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

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

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

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

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

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

6. The purpose of this brief report (the "**Tenth Report**") is to provide additional information to the Court in relation to the status of unpaid professional fees and the adequacy of the Administration Charge in these CCAA proceedings since the date of the Ninth Report, and to support the Monitor's application for an increase to the Administration Charge as per the Initial Order from $500,000 to $950,000.

DISCLAIMER

7. In preparing the Tenth Report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management ("**Management**"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied upon in its preparation. Future oriented financial information reported or relied on in order to prepare this report is based on Management's assumptions regarding future events; actual results will vary from forecast, and such variations may be material.

8. This report should be read in conjunction with all previously filed affidavits and reports, as well as Court Orders previously issued in these proceedings all of which, save for items directed to be sealed for confidentiality purposes, are available on the Monitor's website established for these proceedings that is located at *http://documentcentre.eycan.com/Pages/Main.aspx?SID=1410*. In addition, this report should be read in conjunction with any new materials filed with the Court by the Applicants (if any) prior to the date set for the Monitor's application as set out in this report.

9. Unless otherwise stated, all references to monetary amounts contained herein are expressed in Canadian currency. Capitalized terms used herein not otherwise defined are as defined in the previous reports of the Monitor and other materials filed in connection with these CCAA proceedings to date.

STATUS OF PROFESSIONAL FEES

10. As noted in the Ninth Report, over the course of the past few months, given the numerous court applications, the on-going claims process, the assistance provided in canvassing the market for financing, negotiating with numerous potential lenders and the Restructuring Investor and other related work, professional fees have been higher than anticipated. Further, the Applicants' revenues and related cash collections have been behind plan primarily due to lower than expected occupancy. As such, the Applicants have fallen behind on payments to the professionals, whose unpaid fees form part of the Administration Charge pursuant to the Initial Order. The Administration Charge is presently set at $500,000.

11. As at February 27, 2018, the Monitor has been advised by the Applicants that the unpaid fees of all professionals, who have outstanding invoices with the Applicants, are approximately $594,000. This amount does not include work in progress not yet invoiced. The work in process estimate is approximately $260,000.

12. The Applicants previously indicated that approximately $109,000 of fees would be paid to professionals in the week ended February 24, 2018, and further committed to pay an additional $150,000 towards professional fees in the week ended March 3, 2018. The Monitor advises that only $52,000 of the $109,000 of fee payments the Applicants committed to pay in the week of February 24, 2018 were actually paid, and nothing was paid in the week of March 3, 2018.

13. With respect only to the Monitor's on-going fees and those of its counsel, although the Monitor expects that its time accrued going forward will eventually reduce (as discussions with potential lenders narrow in focus and material to respond to questions has, for the most part, already been developed), there is a significant amount of time and work required in the immediate future on the part of the Monitor and its counsel to review, evaluate and provide a report on a number of matters facing the Applicants and relevant to these CCAA proceedings in advance of the Applicants' upcoming application to Court currently scheduled for March 20, 2018. The Monitor expects that the other professionals involved in these CCAA proceedings, primarily counsel for the Applicants,

will also be required to dedicate a significant amount of time to this matter over the next few weeks in preparation for the March 20, 2018 application.

14. In light of the above, there is a risk that the present and future time and expenses of the professionals assisting the Applicants, stakeholders and this Honourable Court in these CCAA proceedings will go unpaid without an increase in the Administration Charge.

15. Given that approximately $854,000 is owing by the Applicants to the professionals as at the date of this report (including unbilled work in progress) and there is significant further professional time and costs that will be required for these CCAA proceedings to advance to the next Court application, the Monitor is recommending an increase of the Administration Charge as set out in the Initial Order from $500,000 to $950,000.

CONCLUDING REMARKS

16. It is the Monitor's recommendation, based on the matters outlined in this report that an increase to the Administration Charge from $500,000 to $950,000 is required in the circumstances to protect the professionals for the time and expenses incurred to date, and the additional time and costs of the professionals that will be required for these CCAA proceedings to advance to the next Court application.

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

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

Per:

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