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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 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 NINTH REPORT**
	February 23, 2018
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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.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. 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 January 25, 2018, the Monitor filed its Seventh Report supporting the Applicants' request for:

   a) An extension of the Stay up to and including March 2, 2018; and,

   b) Authorization to draw Tranche 2 from the Incremental DIP Financing that was approved by the Court on December 12, 2017.

5. On February 6, 2018, the Monitor filed the Monitor's Eighth Report with the Court in support of the Applicants' request for Authorization to enter into a Term Sheet with the New Lender in furtherance of the Applicants' ongoing efforts to develop and finalize their Plan of Arrangement. The Court granted the relief sought by the Applicants in this regard on February 7, 2018.

6. The Purpose of this report (the "**Monitor's Ninth Report**") is 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 date;

d) An update on an offer recently 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 the adequacy of the Administration Charge in these CCAA proceedings at present; and

f) Provide the Court with the Monitor's recommendations with respect to the Applicants' request for an extension of the Stay to April 15, 2018.

DISCLAIMER

7. In preparing the Monitor's Ninth 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 the new materials filed with the Court by the Applicants in connection with the application set for February 27, 2018.

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 filed in connection with these CCAA proceedings to date.

NEW LENDER AND RESTRUCTURING INVESTOR

New lender Update

10. As noted in the Monitor's Seventh Report, the Applicants, with the assistance of the Monitor, extensively canvassed the market for potential new sources of operating and term funding to complement the funding from the proposed transaction with the Restructuring Investor, all in support of a Plan of Arrangement and the operations of the Applicants once they emerge from CCAA protection.

11. As a result of the efforts above, the Applicants received a Term Sheet from the New Lender for a term loan and a revolving facility (a copy of the Term Sheet was previously provided to the Court with the Confidential Supplement to the Tenth Affidavit of Shayne McCracken). After the Court authorized the Applicants to enter into the Term Sheet, discussions with the Restructuring Investor and New Lender continued. These discussions resulted in the New Lender proposing revisions to the Term Sheet.

12. In addition, the New Lender requested further information in relation to the Applicants' financial affairs and assets as the New Lender worked to refine the structure of the potential transaction and undertake its due diligence. The New Lender did not require the Applicants to pay the $60,000.00 deposit that was previously contemplated in the Term Sheet when it initiated its due diligence work.

13. Ultimately, after applying its own evaluation criteria to the financial information provided, the New Lender determined that the deal thresholds were not within its funding parameters. The New Lender has since advised the Monitor that it would not be issuing a revised Term Sheet and would not be proceeding with any proposed transaction.

14. At present, the Applicants, with the assistance of the Monitor, continue to actively engage in discussions with a few other potential lenders at this time; however, no other term sheets have been formalized as at the date of this report.

Restructuring Investor Update

15. The Applicants and their counsel continue to engage in discussions with the Restructuring Investor, and the Monitor advises that the Restructuring Investor continues to be interested in finalizing a transaction with the Applicants.

16. Given the recent decision of the New Lender not to issue a revised Term Sheet or proceed with any other transaction, the Applicants engaged in discussions with the Restructuring Investor to evaluate the impact of this decision on the most recent LOI/proposed transaction between the Applicants and the Restructuring Investor.

17. As a result of the discussions noted above, the Restructuring Investor issued a draft modified Letter of Intent (the "**Modified LOI**"), which was received by the Applicants on February 22, 2018. The Monitor has not yet had the opportunity to fully and completely review the Modified LOI nor conduct a detailed analysis in respect of same. The Monitor understands that terms continue to be negotiated, and expects that a copy of the Modified LOI will be provided by the Applicants in the form of a confidential supplement to their materials filed in support of their motion seeking an extension of the Stay. For the purposes of this report, the Monitor will limit its comments in relation to the Modified LOI to the following:

a) The terms of the Modified LOI are different than the previous LOI and involve a sale of certain fixed assets and shares but not all or substantially all of the assets of the Applicants;

b) The Monitor has a number of questions in relation to the terms of the Modified LOI that need to be addressed and discussed with the Applicants; and,

c) The funds contemplated being paid to the Applicants in the Modified LOI appear to be less than the previous LOI.

18. The Applicants will require additional time to evaluate and pursue the Modified LOI and, if pursued, determine how the finalization of the proposed transaction will impact these CCAA proceedings.

STATUS OF APPLICANTS' PLAN

19. It is a requirement by BDC in the Incremental DIP Financing agreement that the Applicants file a Plan on or before February 28, 2018. As a result, several other related timelines in the restructuring were driven by this requirement. The Applicants have, in the Monitor's opinion, been diligently working towards filing a Plan within this timeframe as required.

20. Given the New Lender's recent decision to discontinue with any potential financing, and the recent receipt of the Modified LOI from the Restructuring Investor, the Applicants are now re-evaluating their options and considering alternative scenarios.

21. Based on the above factors, the Monitor is of the view that the Applicants will not be able to file a Plan by February 28, 2018.

22. The Monitor has discussed this situation with BDC. BDC advised that as long as the DIP financing continues to be serviced by the Applicants (which amounts have been paid in full to date with future servicing requirements provided for in the cash flow projections), BDC does not take a position with respect to the length of a further extension of the Stay, if any. BDC will rely on the terms of an extension as approved by the Court on the basis of materials provided by the Applicants and other stakeholders.

23. The Monitor also understands that CWB is supportive of a short extension, provided cash flows support it, to afford it an opportunity to consider the Modified LOI.

DIP FINANCING

24. As at the date of this report, the Applicants have drawn the entire $3.5 million of DIP Financing approved by the Court. Further, no repayments of the principal amount of the DIP Financing have been made to BDC as at the date of this report.

PENDING SALE OF WINTERBURN REAL PROPERTY

25. As noted in previous materials and reports filed with the Court, the Applicants own a number of parcels of real property in Alberta. Recently, one of the Applicants (137) received an offer to purchase (the "**Offer**") one of its real properties from an unrelated party. The Monitor advises that both 137 and the potential purchaser have signed the Offer and that the purchaser's condition removal date as set out in the Offer is March 16, 2018. The Offer is also subject to Court approval on or before March 26, 2018.

26. The property in question is known as the Edmonton Yard, or "Winterburn", and is legally described as: Plan 862 2655, Block E, excepting thereout All Mines and Minerals, Area: 5.66 Hectares (13.99 Acres) more or less.

27. Counsel for 137 has discussed the Offer with counsel for CWB, and CWB's counsel has advised that it is supportive of the acceptance of the Offer, subject to an agreement with 137 in regard to the distribution of the net sale proceeds derived therefrom.

28. The Monitor understands that the specific details of the Offer will be provided by the Applicants in a confidential supplement to their materials filed in support of their motion seeking an extension of the Stay or otherwise at a later date, provided the purchaser's conditions are removed and 137 wishes to proceed to obtain the Court's approval to finalize the sale.

STATUS OF PROFESSIONAL FEES

29. 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 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.

30. As at February 20, 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 $640,000. This amount does not include work in progress not yet invoiced. The work in process estimate is approximately $150,000.

31. The Applicants have indicated that approximately $109,000 of fees will be paid to professionals in the week ended February 24, 2018, and have further committed to pay an additional $150,000 towards professional fees in the week ended March 3, 2018. If made, that will bring present outstanding professional fees outstanding down to approximately $381,000. The Monitor understands that the Applicants will maintain other payments to suppliers and regular professional fee payments as required going forward. If the Applicants are unable to collect sufficient funds and significantly pay down the outstanding professional fees as they have committed, the Monitor will be making application to the Court to increase the Administration Charge.

32. With respect to the Monitor's on-going fees, the Monitor expects that its time accrued going forward will drop significantly as discussions with potential lenders narrow in focus and material to respond to questions has, for the most part, already been developed.

EXTENSION OF THE STAY TO APRIL 15, 2018

33. Despite the challenges noted in this report, the Monitor remains of the opinion that a Plan to some, if not all, creditors is still possible; or alternatively, the Applicants can pursue an option or combination of options that benefit the stakeholders, through a structured wind-down scenario.

34. The Monitor understands that the Applicants are requesting an extension of the Stay to April 15, 2018. While the Monitor is of the view that an extension of the Stay is reasonable and appropriate in the circumstances, it is the Monitor's view that an extension of the Stay to March 23, 2018, is a more reasonable timeframe. There are several reasons the Monitor notes in support of an extension to the Stay, which are outlined in the paragraphs that follow.

35. The Applicants' discussions with the Restructuring Investor continue, as the Restructuring Investor remains committed to a transaction. Extending the Stay for an additional period of time will provide the Applicants the opportunity to evaluate and pursue the Modified LOI, discuss same with CWB and preserve a transaction that could form part of, or the foundation of a Plan. In addition, should the Applicants finalize a transaction with the Restructuring Investor, it is likely that any such transaction would provide for the continued employment of the majority of the Applicants' employees.

36. The Applicants have seen revenues and cash flow fall slightly below projections due to lower than projected occupancy in January, 2018. However, all new dorms are in place with the primary camps operating at capacity. The Monitor is advised that certain customers anticipate extending their time at the camps given the work to be completed and the slow start to the winter work season for

weather related reasons. Extending the Stay so the Applicants can maintain these customer relationships is important for preserving and increasing the value and collectability in the accounts receivable. No material variations from projections are noted.

37. Further, providing additional time in these CCAA proceedings will allow 137 to proceed with the Offer on the Winterburn property, without the additional risk of the purchaser withdrawing from the purchase transaction simply on account of the CCAA proceedings being terminated or other similar reasons.

38. Finally, discussions with parties who may provide operating and/ or term financing are continuing. There are several parties capable of providing some or all of the requisite go-forward financing in discussions regarding the amount and structure of a possible financing. A further extension of the Stay will allow these discussions to advance, should the Applicants determine that continued pursuit of such financing is still warranted in the circumstances.

CONCLUDING REMARKS

39. It is the Monitor's recommendation, based on the matters outlined in this report that an extension of the Stay to March 23, 2018 is reasonable and justifiable in the circumstances to provide the Applicants additional time to work through the matters outlined in this report.

Dated at Edmonton, this 23rd day of February, 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