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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 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD., 1919209 ALBERTA LTD. AND CANADA NORTH GROUP LP HOLDINGS LTD.
DOCUMENT	**THE MONITOR'S TWENTY-SECOND REPORT** **January 28, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>MONITOR</u> ERNST & YOUNG INC. EPCOR Tower 10423 – 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com **<u>COUNSEL</u>** Duncan Craig LLP Suite 2800, 10060 Jasper Avenue Edmonton, Alberta T5J 3V9 Attention: Darren R. Bieganek, QC / Ryan F.T. Quinlan Phone: 780-441-4386 / 780-441-4336 Fax: 780-428-9683 Email: dbieganek@dcllp.com rquinlan@dcllp.com

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4133-8188-8538.v1

PURPOSE OF THE REPORT

1. This report is the twenty-second report (the "**22nd Report**") of the Monitor filed in connection with these CCAA proceedings.

2. Over the Course of these CCAA proceedings, the Applicants and more recently, the Monitor, have made a number of applications to this Court, which have not been outlined in this report, requesting various relief and corresponding extensions of the Stay. Prior to this report, the Monitor has filed twenty-one reports with the Court and issued nine unfiled Confidential Supplements in relation to its Eleventh, Twelfth, Thirteenth, Sixteenth, Seventeenth, Eighteenth, Twentieth and Twenty-First Reports. Copies of all filed Monitor's reports (excluding the Confidential Supplements), 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.

3. The purpose of this 22nd Report is to:

   a.) provide the Court and the Remaining Applicants' stakeholders with a general update in relation to these proceedings pursuant to the Order (for Further Monitor's Report) granted by this Honourable Court on December 4, 2018 ("**Dec 4 Order**"). Specifically, this report along with an unfiled Confidential Supplement to the 22nd Report (the "**Confidential 22nd Supplement**") will provide the Court and the Remaining Applicants' stakeholders with the following:

      i.) Information and an update in relation to a significant accounting reconciliation that is in its final stages between the Monitor and Lodgistx Accommodations and Services Inc. ("**Lodgistx**"), in relation to amounts due to and from each of the parties as a result of several transactions that occurred after the effective date of the Berland and Simonette Camp sale the to the Restructuring Investor (the "**Camp Sale**");

      ii.) An update in regard to the results of the Monitor's efforts in relation to the collection of the Remaining Applicants' accounts receivable and work in progress since the Camp Sale;

      iii.) An accounting of the receipts and disbursements of the Remaining Applicants since the Camp Sale, which accounting will detail the consolidated amounts for each of the Remaining Applicants, as collected by each of the Remaining Applicants directly (prior to the expansion of the Monitor's powers), as well as the amounts collected by the Monitor to January 12, 2019;

      iv.) Information in relation to the various camp assets sold to date, the remaining camp assets to be sold, and those currently subject to the ownership/priority dispute with 726 (which will be included in the Confidential 22nd Supplement);

v.) An update in relation to the Monitor's realization strategy in regard to the remaining camp assets and various real properties;

vi.) An update on matters still to be completed in these proceedings to the best of the Monitor's information at present;

vii.) An updated proposed allocation methodology analysis (which will be appended to the Confidential 22nd Supplement);

viii.) Information in relation to a water damage incident that occurred on November 29, 2018 at Wabasca and the steps taken to date in relation to an insurance claim filed by the Monitor with respect to same; and

b.) Serve as support for the Monitor's request to seal the contents of the Confidential 22nd Supplement in a future application in these proceedings.

DISCLAIMER

4. This 22nd 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 22nd Report should be read in conjunction with any new materials filed with the Court by the Applicants (if any), or others to date.

5. Further to the above, this report should be read in conjunction with all reports previously filed by the Monitor, as well as all filed Confidential Supplements), as only new details not previously provided to the Court will be discussed herein, unless otherwise stated.

6. 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.

RECONCILIATION OF AMOUNTS DUE TO/FROM LODGISTX

7. For the Court's ease of reference, the Monitor advises that the effective date of Camp Sale was end of day on April 21, 2018 ("**April 21**"). After this date, all revenues and expenses in relation to the two camps sold should have been earned or incurred by the Restructuring Investor's new operating entity.

8. As at April 21, there were a number of closing related matters outstanding that needed to be addressed to finalize the sale and enable the Monitor to issue the associated Monitor's Certificate. Such matters were not finalized until May 3, 2018, at which time the Monitor's Certificate was issued, the Monitor's powers were expanded and the Monitor was able to take control of the Remaining Applicants' bank accounts and other assets.

9. In the interim period from April 22, 2018 to roughly May 3, 2018, Management of the Remaining Applicants maintained control over the Group's various operating accounts and operations of the remaining camps not included in the transaction with the Restructuring Investor. A number of transactions were processed by Management to facilitate the continued operation of both the Lodgistx operated camps and those of the Remaining Applicants. Generally, the Monitor discovered that a number of withdrawals of cash were made by Management in order to fund the operations at the Lodgistx camps and a number of expenses were incurred for these same camps that were paid out of the Remaining Applicants' cash on deposit. Management advised the Monitor that such actions were required on account of the fact that the Restructuring Investor would not provide any initial operating capital to Lodgistx until the sale transaction was finalized and the Monitor's Certificate was issued. Management confirmed that once the operating line for Lodgistx was established and available to draw on, that any such amounts owed to the Remaining Applicants on account of such transactions would be repaid in full.

10. After the expansion of the Monitor's powers, banking and receivable issues continued, primarily to the detriment of Lodgistx and in favour of the Monitor. The majority of these transactions were the result of direct deposit transactions from customers and Moneris transactions (Debit, Visa and Mastercard) that should have accrued to the benefit of Lodgistx, but instead were received by the Monitor. In addition, the Monitor discovered that Lodgistx paid a number of expenses on behalf of the Remaining Assets, which required reimbursement.

11. To further complicate matters, there was food inventory on-hand at both the Berland and Simonette camps as at April 21, GICs to support land leases maintained at Servus Credit Union and other items that needed to be paid for by Lodgistx.

12. As a result of the above, an extensive banking/transaction review and reconciliation was required.

13. The Monitor advises that, with the exception of an immaterial final adjustment or two, the reconciliation is complete and should be finalized in due course. The Monitor anticipates a net amount owing of less than $10,000 by Lodgistx to the Monitor as a result.

14. As will be noted in subsequent sections of this report, the statements of receipts and disbursements ("**SRDs**") included with the 22nd Report reflect several line items that reflect the cash impact of these transactions from the Monitor's perspective; however, the detailed reconciliation has not been provided. In the future, the Monitor will have to revise the SRDs to reallocate funds to different asset and disbursement categories from those currently reflected in the SRDs to account for these transactions once the reconciliation is finalized and agreed to by the parties. Given the timing of this report, the reallocation of these transactions within the SRDs was not possible.

COLLECTION OF REMAINING APPLICANTS' ACCOUNTS RECEIVABLES

15. Only three of the initial Applicants (CNC (now 185), DJ, and CCS) in these proceedings purported to have collectible receivables from operations or otherwise. The Monitor obtained a detailed listing of accounts receivable ("**AR**") and work in progress ("**WIP**") from Management for each of these three Applicants as at close of business on April 21, along with all supporting invoices and other applicable documents in order to pursue collection where possible. Although DJ and CCS are no longer applicants in these CCAA proceedings, any remaining AR and WIP were transferred to CNG to be collected by the Monitor where possible.

16. In addition to the above, the Monitor tested a number of AR and WIP entries both pre and post April 21 to gain comfort that proper cut off measures were taken by Management. With the exception of some missed BC Fire Camp WIP in 185, no other issues were discovered.

17. For the purposes of this report, the Monitor's comments in relation to the collection of AR and WIP for each of 185, DJ and CCS are outlined separately in the sections that follow.

<u>185 Receivables</u>

18. 185's Management provided information and support to the Monitor indicating that $1,690,275 (including GST and Hotel Tax in most instances) in AR was outstanding and $197,974 of WIP (excluding GST and Hotel Tax) was to be billed and collected up to and including April 21. Set out below are the results of the Monitor's investigations and pursuit of the AR and WIP for 185 along with comments in relation thereto:

	Per Management	Amount Received	Amount Disputed	Amount Uncollectable	Amount Outstanding
AR	1,690,275.94	1,405,444.90	67,380.51	223,064.93	0.00
WIP	197,974.00	174,727.77	5,590.00	1,154.00	63,490.00

19. The amount of AR recorded as being disputed by customers is comprised of the following amounts:

- $40,959.97 relates to customers who are claiming set-off against amounts they claim are owed to them by CNC/185 in the post-CCAA period;
- $7,911.20 relates to a receivable from a customer who claims to have gone bankrupt and cannot pay;
- $8,637.00 relates to a receivable from a customer who is unhappy with service provided by CNC, was asked to vacate early with little or no notice and as such, is refusing to pay; and,
- $9,872.34 relates to either amounts that customers claim to have paid by credit card or amounts where customers claim to not have stayed at a camp.

20. The amount of AR that is shown above as uncollectable is comprised of the following:

- $207,493.42 relates to receivables from related parties; and,
- $15,571.51 relates to receivables where no current customer contact information is available to pursue the outstanding receivables.

21. In regard to the WIP balances outlined above, the amount recorded as disputed is comprised of either work that was billed by 185 but never approved/requested by the respective customers, or the customers are claiming set-off against amounts they claim are owed to them by CNC/185 in the post-CCAA period. For the uncollectible WIP balance noted above, the Monitor has not been able to obtain current customer contact information to pursue the outstanding amounts.

22. The Monitor is working through finalizing its position on the collectability of the above noted disputed/uncollectible AR and WIP amounts with the assistance of Management (where required) and will report back to Court on the outcome of these accounts in a later report.

23. The Monitor advises that, as noted earlier in this section of the report, when the Monitor conducted its cut-off testing in relation to AR and WIP after April 21, it discovered that the WIP in relation to the BC Fire Camps was not properly recorded under 185. With the assistance of Management, the BC Fire Camp billings and invoices were reviewed, and it was determined that an additional $36,106.56 of WIP (inclusive of applicable GST and Hotel Tax) should have been recorded as WIP

for 185. This amount is now properly reflected in the WIP ledger maintained by the Monitor, and the amount has been collected in full. Also, the total amounts received by the Monitor are, for the most part, higher than reflected in the WIP listing primarily on account of GST and Hotel Taxes collected that were not included in the initial figure provided by Management for WIP.

24. Finally, the $63,490.00 shown as outstanding for WIP relates solely to one customer which is expected to be collected in the near future.

DJ Receivables

25. Similar to 185, DJ's Management provided information and support to the Monitor indicating that $392,245.20 (including GST and Hotel Tax in most instances) in AR was outstanding and $18,060.00 of WIP (excluding GST and Hotel Tax) was to be billed and collected up to and including April 21. Set out below are the results of the Monitor's investigations and pursuit of the AR and WIP for DJ:

	Per Management	Amount Received	Amount Disputed	Amount Uncollectable	Amount Outstanding
AR	392,245.20	391,310.59	3,166.16	0.45	0.00
WIP	18,060.00	16,757.25	3,090.00	0.00	0.00

26. The amount of AR recorded as being disputed by customers is comprised of either early payment discounts offered by DJ (and payment by the customers reflected the discount) or customer room bookings recorded as receivables in error. The amount of WIP recorded as being disputed by customers is in relation to work that was billed but never approved by the customers.

27. The Monitor considers the amounts noted as disputed or uncollectible for DJ to be immaterial, and will not be taking any further action in relation to collecting any such amounts.

CCS Receivables

28. Set out below are the results of the Monitor's investigations and pursuit of the AR and WIP for CCS as at April 21:

	Per Management	Amount Received	Amount Disputed	Amount Uncollectable	Amount Outstanding
A/R	3,389,113.10	0.00	1,231,479.42	2,157,633.68	0.00

29. In relation to the amount shown as disputed, the Monitor advises that:

- $186,900.00 relates to a change order that was not approved by the customer, and as such, the customer is refusing to pay;

- $397,058.40 relates to equipment that billed to a customer for a project that was never started and the equipment was never delivered; and,

- $647,521.02 relates to 6 dorms partially constructed, located in Arizona for a customer (a company related to 726) whereby the customer is claiming that the dorms were only partially constructed, never finished and not delivered such that it is not responsible to pay any amount, and has no interest in the dorms.

30. All of the above matters and related amounts have been discussed in previous reports of the Monitor.

31. In regard to the amounts reflected as uncollectible for CCS, the Monitor advises that:

- $2,128,977.98 relates to accounts receivable from Canadian Natural Resources Ltd. which have been transferred/remain with CCS pursuant to the Amended Order Approving Winterburn Sale, Assigning Litigation, Expanding Powers of Monitor, Removing Certain Parties as Applicants, Authorizing Name Changes of Certain Applicants and Extending the Stay of Proceedings dated April 30, 2018, and as such are no longer being pursued by the Monitor on behalf of the Remaining Applicants; and

- $28,655.70 related to receivables from related parties.

32. After considering the above, with the exception of a potential recovery in relation to 6 Arizona dorms noted above, the Monitor does not anticipate that it will collect any of the other AR or WIP reported by CCS.

<u>AR, WIP and Disclosure on SRDs</u>

33. Further to the Monitor's brief comments in relation to the SRDs previously in this report (and discussed next), the Monitor advises that a number of 185 AR/WIP were actually collected into DJ's bank accounts and will need to be transferred to 185's trust account. The Monitor will move funds/reallocate funds to account for this on the final or a subsequent accounting for these

proceedings. Any such amounts are noted in the SRDs attached to this report, and have already been accounted for (allocated) by the Monitor in the revised allocation methodology attached to the Confidential 22nd Supplement.

RECEIPTS AND DISBURSEMENTS SINCE APRIL 21

34. Attached as **Schedules A,B,C,D and E** to this report are copies of the Monitor's SRDs which outline the consolidated receipts and disbursements for 185, CCS, DJ, 137, and 816 respectively from April 21 up to and including January 12, 2019. The Monitor advises that it has balanced and reconciled its accounts to January 12, 2019, and the transactions reflected within the SRDs reflect the activities over this period. For 1919 and 816, the Monitor advises that no separate trust accounts have been opened at present on account of the fact that outside of some allocation of the purchase price received from the Restructuring Investor (deposited to 185's account) and the net cash portion of the sale proceeds from the Farm (in trust with Monitor's counsel as at the date of this report) only one small receipt was received totalling $47.21, which has also been deposited to 185's trust account maintained by the Monitor. There have been no specific receipts or disbursements for Holdings or 667 at this time. As noted previously in this report, the Monitor expects that will have to move funds/reallocate certain receipts and disbursements between the Remaining Applicants, and possibly open new separate trust accounts for certain of the Remaining Applicants prior to the finalization of these proceedings to facilitate distributions to stakeholders.

35. The Monitor advises that the SRDs reflect only the direct receipts and disbursements of the Remaining Applicants and the Monitor from April 22, 2018 up to and including January 12, 2019. The SRD's do not reflect amounts that are being held by the Monitor's counsel as at the date of this report or that were in transit after January 12, 2019. Such amounts include the following:

    a.) Cash Portion of Farm sale: $716,704.86;
    b.) Alta Fab Small asset sales proceeds: $3,150.00 (inclusive of GST);
    c.) HML Kitchen Proceeds: 73,500.00 (inclusive of GST);
    d.) $1,141,875 for the sale of the Aurora dorms; and
    e.) $340.74 of funds remaining in relation to the sale of Winterburn.

36. In addition to the above, the SRDs do not reflect the collection of the sale proceeds from the sale of the Head Office, or the total sale proceeds from the sale of the Farm. The net proceeds from the sale of the Head Office were paid directly to BDC by the Applicants' corporate counsel, and only the net cash portion of the sale proceeds from the sale of the Farm were received by the Monitor's legal counsel, in accordance with the Orders granted by the Court in respect of those sales.

CAMP ASSETS SOLD, REMAINING CAMP ASSETS, AND CAMP ASSETS CLAIMED BY 726

37. Attached as **Schedules A through C** to the Confidential 22nd Supplement are copies of the Monitor's analysis of the various camp assets sold since the expansion of the Monitor's powers, the remaining camp assets to be sold, and the camp assets claimed by 726 respectively. The analysis representing the camp assets claimed by 726 is based off of the Monitor's understanding of 726's claims from information provided and Affidavits filed by 726 to date.

38. The Monitor has included the June 2018 FSV from the Mirterra appraisal amounts, as well as the applicable sales amounts for items sold in these Schedules. Similar to previous reports filed in these CCAA proceedings, the Monitor considers this information sensitive in nature and should not be made public at this time.

MONITOR'S REALZATION STRATEGY

39. Since the expansion of the Monitor's powers, the Monitor, with the assistance of two external consultants, has had reasonable success in liquidating a number of the camp assets as evidenced in **Schedule A** to the Confidential 22nd Supplement. However, the Monitor is now of the view that sufficient time and efforts have been expended to canvass the market, outside of a formal liquidation process and that continued marketing in this same fashion is likely no longer the best strategy moving forward.

40. Given the above, the Monitor will be initiating a request for proposals process, similar to that utilized for the Applicants' rolling stock, in due course to liquidate or otherwise dispose of the remaining camp assets in a relatively prompt manner. It is the Monitor's intention to include both liquidators and other potential purchasers known to the Monitor, where possible. The Monitor will report back to Court with the results of this request for proposals process once completed.

41. In regard to the remaining real properties, the Monitor is not aware of any interest at present and there have been no offers to date over the course of the CCAA proceedings. Similar to the remaining camp assets discussed above, the Monitor will be initiating an invitation for proposals process to seek proposals from commercial real estate firms, liquidators, and any potential purchasers to purchase, sell, or otherwise liquidate the remaining real properties, relatively prompt manner. The Monitor will report back to Court with the results of this process once completed.

MATTERS TO BE COMPLETED

42. There are a number of matters that remain to be completed in these CCAA Proceedings, which include, but are not limited to, the following more significant matters (in no particular order and on a high level basis):

a.) Realize on remaining camp assets and remaining real properties (as discussed earlier in this report);

b.) Resolve insurance claim on Wabasca (as discussed later in this report);

c.) Realize on remaining AR and WIP (as discussed earlier in this report);

d.) Finalize the reconciliation with Lodgistx (as discussed earlier in this report);

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

f.) Deal with post-CCAA trade creditors;

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

h.) Resolve property tax priority matters with affected stakeholders or through Court determinations, and address outstanding property taxes (and the priority and application of the same) as required;

i.) Receive the Court of Appeal's decision in respect of CRA's appeal in relation to the Administration Charge, DIP Charge, and Director's Charge, and participate in further matters arising therefrom;

j.) Complete the ongoing dispute with 726 in relation to the ownership and priority claims currently before the Court;

k.) Wind up the limited partnerships in an orderly fashion;

l.) Consider/resolve AR dispute with 726/Reliant in relation to the Arizona Dorms;

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

n.) Complete a distribution to stakeholders after confirming the final allocation of costs; and o.) Obtain the Monitor's discharge.

43. The Monitor cautions readers that, in addition to this list being not all inclusive currently, the above listing could also expand as these proceedings progress on account of new obstacles or issues that arise, including any further appeals taken from decisions of the Court. It has not been unusual in these CCAA proceedings for new issues, roadblocks, disputes and other unanticipated matters to arise that will require efforts by the Monitor and its counsel to resolve.

REVISED PROPOSED ALLOCATION METHODOLOGY ANALYSIS

44. Attached as **Schedule D** to the Confidential 22nd Supplement is a revised allocation methodology prepared by the Monitor in January, 2019 (the "**January Allocation**"). As requested in the Dec 4 Order, this schedule reflects realizations achieved to date where possible, estimated proposed future realizations, the costs incurred to date, and the estimated future costs to be incurred to the best of the Monitor's information. The January Allocation, in order to be conservative, will not include, as part of the future realizations by the Monitor, any assets claimed by 726.

45. Attached as **Schedule E** to the Confidential 22nd Supplement is a second version of the January Allocation prepared by the Monitor which reflects the possible impact on realizations and the allocation of costs should the 726 claimed assets be confirmed to be properly realizable by the Monitor to the benefit of the Applicants' estate (the "**January 726 Allocation**"), and not otherwise accrue to the benefit of 726.

46. As noted previously in this report, a number of actual receipts and disbursements outlined in the SRDs will need to be reallocated/transferred within and between individual Applicant's bank accounts prior to completing the final allocation at the conclusion of these CCAA proceedings. There are a number of differences between the SRDs and the January Allocation, and although the January Allocation does reflect most of the receipts and disbursements to date, it does not take into consideration a number of receipts and disbursements noted on the SRDs (such as GST refund/owing, Hotel Taxes, the due to/from Lodgistix amounts) as these amounts will ultimately need to be reallocated to various receipts and disbursements categories at a later date. Another example relates to the Monitor's fees noted on the SRDs vs the January Allocation in that the total Monitor's fees paid since the onset of these CCAA proceedings are reflected in the SRD's; however, only the Monitor's fees paid since the expansion of the Monitor's powers are reflected in the allocation. The reason for this difference in disclosure in relation to the Monitor's fees is that previous versions of the allocation were prepared on the basis that amounts received by the Monitor

from the Applicants for fees prior to the expansion of the Monitor's powers were likely paid with the assistance of the DIP, and as such should be indirectly included in the DIP received, or from operations at the time paid. The inclusion of the full amount of Monitor's fees in the allocation would result in over accruing fees and costs to the stakeholders.

47. Finally, the Monitor emphasizes that although the January Allocation does incorporate the most recent information available to the Monitor, as well as several amounts realized and disbursed to date, it should not be misconstrued as an additional accounting at this time. As noted in this report, there are several accounting entries that will need to be made to the banking records of the Applicants to move funds, and/or account for some of the issues encountered to date. The Monitor reminds readers that the purpose of the allocation was to provide the Court and the stakeholders with a methodology to allocate fees and costs in these CCAA Proceedings, not to act as an accounting at various stages of the proceedings. Further, the allocation analysis will not be completely comparable to the Monitor's accounting until all realizations are completed, costs are finalized and the Monitor applies for approval to make distributions to creditors and obtain its discharge.

48. Reference should be made to the Confidential 22nd Supplement and the related schedules for more information in regard to both the January Allocation and the January 726 Allocation.

OTHER MATTERS

Contents of Confidential 22nd Supplement

49. In line with several of the previous reports filed to date in these proceedings, the Monitor prepared a Confidential 22nd Supplement to this report. It is the Monitor's view that the Confidential 22nd Supplement 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. In accordance with the Dec 4 Order, the Confidential 22nd Supplement will be delivered to appropriate parties who provide the appropriate confidentiality undertakings required by the Monitor. The Monitor understands that it was the intent of the Court to confirm by virtue of the Order (for Further Monitor's Report) that the Confidential 22nd Supplement will remain sealed in the same fashion as previously submitted confidential supplements in these proceedings. The Monitor will be confirming such sealing in a future application.

Water Damage at Wabasca

50. In September, 2018, as the cold winter weather approached, the Monitor discussed with Management its need to winterize certain of the remaining camps, and its intention to use certain existing CNC staff ("**Winterization Individual**") to assist in this regard. Management confirmed to the Monitor that the individual proposed to complete the winterization was competent and could complete the winterizations as required, and had done so for the Applicants on a number of occasions previously.

51. The Winterization Individual winterized all of the dorms and other assets (as required) at both the HML and Wabasca sites, which are significant.

52. The Monitor obtained a checklist of steps that would be done in order to complete the Winterizations at the camps from the Winterization Individual and forwarded same to representatives from Altafab and Management who confirmed the checklist was adequate. With the exception of the issued discussed herein, there were no other issues at HML, the HML Dorms or any other assets that were winterized by the Winterization Individual.

53. The winterization of Wabasca was completed the week of October 11, 2018.

54. On November 30, 2018, the Monitor received a call from its on-site guard at Wabasca advising that a fire suppression water line had burst the day before (at approximately 4pm) causing a significant volume of water to be dispensed into the dorms listed as "Dorm 2" in the Mirterra appraisals at Wabasca. Over the next few days, the Monitor compiled additional information and pictures of the damage, and contact its insurance company to report the loss and commence a claim.

55. Based on the information gathered, it appears that the Winterization Individual somehow missed winterizing one fire suppression water line in Dorm 2.

56. On two separate occasions in December 2018, the Insurance Company sent and adjuster and an inspector to Wabasca to survey the damage to Dorm 2. Then, on January 17, 2018, the insurance adjuster contacted the Monitor with some further questions in relation to the incident.

57. The Monitor continues to work with the insurer with the intention of filing a claim to mitigate the loss. The Monitor understands that the deductible for this incident could be $20,000 if a claim is processed, and that an initial estimate to repair the damage is approximately $100,000.

58. The Monitor will provide an update to this matter in a future report to Court.

All of which is respectfully submitted.

Dated at Edmonton, this 28th day of January, 2019.

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

Per:

Matt McCulloch, CA, CPA, CIRP, LIT
Senior Vice President

Schedule A

Schedule A
CNC (185) - Consolidated Statement of Receipts and Disbursements
(CNC, EY & Servus Accounts)
as at January 12, 2019

Opening Cash Balances:

Operating Account BMO (@April 21):	$	573,357.30	
Operating Account (1919) - Deposited to CNC due to imateriality	$	47.21	
EY Trust Account:	$	-	
Operating Account Servus (@April 1):	$	828.48	
Total Opening Cash:	**$**	**574,232.99**	

Cash Receipts:

Sale of Assets (Net of GST)	$	9,167,080.00	
Collection of A/R (Net of GST)	$	1,457,669.51	
Transfer in from DJ Servus Account #2089134	$	37,791.90	**Note 1**
Transfer in from CNC Operating Account	$	45.00	**Note 1**
Refunds - Misc (Net of GST)	$	211,806.53	**Note 2**
GST Collected	$	118,432.34	
Hotel Tax Collected	$	27,647.45	
Funds Transferred from BMO Op Acct	$	472,300.05	**Note 3**
Interest Received	$	29,115.06	
Unallocated (EY)	$	-	
Cash in Bank	$	1,671.73	**Note 4**
Transfer in from DJ	$	75,011.94	**Note 1**
Transfer in From Spall - Reimburse exps - for Spall from RBC/BMO Accounts	$	6,000.00	**Note 1**
Berland Gas re-sale to occupants	$	2,484.58	**Note 5**
Transfer in from CNC Servus to CNC BMO	$	19,050.77	**Note 1**
Due to Lodgistx	$	66,577.45	**Note 5**
Intercompany	$	8,000.77	**Note 1**
Simmonette Merchant Sales (Owed to Lodgistx)	$	44,570.90	**Note 5**
Total Cash Receipts:	**$**	**11,745,255.98**	

Cash Disbursements:

Wages Paid	$	252,965.46	
Source Deductions	$	191,756.28	
Utilities (Net of GST)	$	110,290.97	
Insurance	$	134,746.93	
Legal Fees (Net of GST)	$	793,331.14	**Note 6**
Waste Disposal (Net of GST)	$	141,528.83	
Property Taxes	$	6,040.46	**Note 7**
GST Paid	$	199,151.87	
Other (EY)	$	4,330.00	
Other (OP)	$	359,763.30	**Note 8**
Monitor Fees	$	1,571,553.62	
Monitor Disbursements	$	24,741.87	
Operating Costs/Misc (Net of GST)	$	303,217.48	
Deemed Trust Claim (crown-Federal)	$	652,916.43	
PST Paid	$	14.46	
DIP Lenders - Payment	$	3,606,582.29	
Trust Funds Allocated to CCS Disbursements	$	111,983.47	**Note 9**
Rent	$	28,571.43	
Disbursements Made - DJ Bills	$	31,887.93	**Note 1**
Disbursements - HML Lodge GP (Net of GST if Applicable)	$	12,126.82	**Note 1**
Disbursements Made - CCS Bills	$	1,243.80	**Note 1**
Berland Gas - Transaction Fees	$	146.70	
Bank Service Charges	$	98.33	
Transfer out to RBC CNC OP Accnt	$	3,000.77	**Note 1**
Transfer out to Servus DJ OP Accnt	$	110.73	**Note 1**
Transfer out to Servus CNC OP Accnt	$	45.00	**Note 1**
Transfer out to BMO CNC Accnt	$	58,051.54	**Note 1**
Due from Lodgistx	$	74,671.68	**Note 5**
Moneris Fees Simonnette - to be recoverd	$	2,089.30	**Note 5**
Moneris Fees - AR collections	$	2,162.17	**Note 5**
Other Moneris Fees	$	315.42	**Note 5**
Transfer to Cimmaron Account	$	1,000.00	**Note 1**
Daycare Expenses (Net of GST)	$	33,405.00	**Note 10**
Net Disbursements for 816 (no funds received at date of this accounting)	$	2,388.85	**Note 11**
BDC DIP Interest	$	32,613.02	
Total Cash Disbursements:	**$**	**8,748,843.35**	
Remaining Cash on Hand:	**$**	**3,570,645.62**	

Schedule A - Notes

Note 1 Prior to the expansion of the Monitor's powers, Management primarily used the CNC (185) bank account to facilitate most operational expenses for all of the Applicants. As such, funds from other Applicant's accounts were typically transferred into the BMO operating account, and then related disbursements were made. This amount relates to pre-expansion of powers transactions of this nature made by Management of the Applicants.

Note 2 This total is comprised primarily of the following amounts: a.) a refund of Credit Card deposits totalling $25,000 from RBC; b.) A refund from William Scottsman of $163,666.23 (a deposit on work that was cancelled and as such never completed (Per Management); and c.) 21,132.58 received by CNC prior to the expansion of the Monitor's powers noted by Management as a WCB refund. The Monitor continues to review the last two refunds noted above with Management to confirm the nature of the transactions giving rise to the figures reported.

Note 3 This amount relates to funds paid by CNC into EY's Trust account prior to the expansion of the Monitor's powers to cover Monitor's fees - upon consolidation of the accounts - this amount needs to be disclosed for the accounting to balance as the Trust account was in place since the onset of the CCAA proceedings.

Note 4 Amount relates to two small amounts on deposit at RBC and HSBC recovered by Monitor. This amount will be reduced by $181.34 on account of a bank error detected by the Monitor and corrected by HSBC after the completion of this report.

Note 5 After the transaction with the Restructuring Investor closed, but before the expansion of the Monitor's powers, Lodgistx (the new operating entity of the Restructuring Investor) borrowed funds from CNC to fund operations until an operating facility was established. As a result, significant funds were borrowed by Lodgistx from CNC and were required to be repaid. Further, the Monitor continued to collect a number of receivables and other revenues otherwise due to Lodgistx post expansion of the Monitor's powers and post sale. The Monitor and Lodgistx are in the final stages of reconciling the due to/due from accounts at the present time. In the end, the Monitor estimates that Lodgistx currently owes CNC/the Monitor approximately $10,000. Several amounts noted on this schedule may be reallocated on the final accounting for this matter.

Note 6 The total legal fees noted in this report can be broken down between the various law firms as follows:

a.) Duncan Craig LLP:	$451,996.09
b.) Oviatt Law:	$144,256.73
c.) Miller Thomson:	$78,138.00
d.) DLA Piper:	$106.43
e.) Dentons:	$118,833.89
Total:	$793,331.14

Note 7 According to information on hand with the Monitor, and information provided by Management, this amount pertains to the Wabasca properties only.

Note 8 Pertains to a number of operating expenses paid by the Applicants, primarily prior to the expansion of the Monitor's powers. The Monitor may reallocate this figure (at least in part) to other disbursement categories at a later date. As at the date of this report, the Monitor is still awaiting information from Management in relation to the exact nature of certain transactions that make up the total of this disbursement. There is one significant transsaction noted as being an operating expense that requires additional explanations from Management and the Monitor is currently awaiting a response as at the date of this report.

Note 9 This amount relates to disbursements made by CNC on behalf of CCS as noted and further detailed in the CCS statement.

Note 10 This amount relates to a deposit for moving the Daycare boxes from the Winterburn site to Fairview, the day prior to the expansion of the Monitor's powers. This deposit was made directly by Management to the contractor.

Note 11 As at the date this accounting was completed, the Monitor had not yet received the net sale proceeds from the sale of the Farm to cover certain small 816 related expenses. As such, most of these expenses were covered using CNC funds (to be reimbursed once 816 funds received from the sale of the Farm). The Monitor has requested the cash proceeds to be received from counsel for First Island and is currently awaiting receipt of the funds. See detailed 816 SRD for more information in regard to the expenses incurred to date as reflected in this report.

Schedule B

Schedule B
DJ Catering - Consolidated Statement of Receipts and Disbursements
(DJ Operating, EY & Servus Accounts)
as at January 12, 2019

Opening Cash Balances:			
Operating Account BMO (@April 21):	$	9,510.58	
EY Trust Account:	$	-	
Servus Operating Account (@April 1):	$	1,911.04	
Total Opening Cash:	**$**	**11,421.62**	
Cash Receipts:			
Sale of Assets (Net of GST)	$	-	
Collection of A/R (Net of GST)	$	391,625.53	
Refunds - Misc(net of GST)	$	17,158.24	Note 1
GST Collected	$	19,615.45	
Hotel Tax Collected	$	8,785.64	
Transfer in from CNC BMO Operating Account	$	110.73	Note 2
AR for CNC Collected by DJ - Due to CNC	$	15,736.20	Note 3
Interest(EY)	$	1,111.23	
Total Cash Receipts:	**$**	**454,143.02**	
Cash Disbursements:			
Utilities (Net of GST)	$	52,820.34	
Legal Fees (Net of GST)	$	340.95	
Post CCAA Payables(Net of GST)	$	894.09	
Property Taxes	$	41.00	
GST Paid	$	2,729.97	
POS Fees	$	360.17	
Bank Charges	$	101.00	
Transfer out to CNC Servus Account #13901574	$	37,791.90	Note 4
GST Remitted	$	2,925.85	
Lease/Rent Paid	$	543.50	
Funds Transferred to CNC Op Account by CNC	$	75,011.94	Note 4
Total Cash Disbursements:	**$**	**173,560.71**	
Remaining Cash on Hand:	**$**	**292,003.93**	

Schedule B - Notes

Note 1	This amount represents a refund of overpayment of utilities from Direct Energy.
Note 2	The total of this amount was transferred in just prior to/just after the expansion of the Monitor's powers by the Applicants (May 1 - $105.73, and May 4 - $5.00)
Note 3	The invoice to the customer was issued by CNC (185); however, the customer paid DJ the amount owed pursuant to previously established banking arrangements/direct deposit instructions.
Note 4	Prior to the expansion of the Monitor's powers, Management primarily used the CNC (185) bank account to facilitate most operational expenses for all of the Applicants. As such, funds from other Applicant's accounts were typically transferred into the BMO operating account, and then related disbursements were made. This amount relates to pre-expansion of powers transactions of this nature made by Management of the Applicants.

Schedule C

Schedule C
CCS - Consolidated Statement of Receipts and Disbursements
(CCS & EY Accounts)
as at January 12, 2019

Opening Cash Balances:			
Operating Account BMO (@April 21):	$	148,609.84	
EY Trust Account:	$	-	
Total Opening Cash:	**$**	**148,609.84**	
Cash Receipts:			
Sale of Assets (Net of GST)	$	-	
Collection of A/R (Net of GST)	$	-	
Refunds - Misc(net of GST)	$	39.80	
GST Collected	$	-	
Other(EY)	$	1,541.89	
Transfer in from US Acct	$	675.80	
CNC Trust Funds Used for Disbursements	$	111,983.47	Note 1
WCB Refund	$	4,483.30	
Total Cash Receipts:	**$**	**118,724.26**	
Cash Disbursements:			
Wages Paid	$	44,516.97	
Source Deductions	$	37,081.78	Note 2
Utilities (Net of GST)	$	6,326.70	Note 2
Insurance	$	-	
Hotel Taxes	$	-	
Legal Fees (Net of GST)	$	-	
Waste Disposal (Net of GST)	$	146.25	Note 2
Property Taxes	$	-	
GST Paid	$	5,803.13	Note 2
FV Daycare Expenses (net of GST)	$	98,972.12	Note 2
Other (OP)	$	13,676.11	
General Operating Expenses	$	8,269.01	Note 2
Deemed Trust Claim	$	32,626.50	Note 2
Bank Charges	$	1,991.84	
Total Cash Disbursements:	**$**	**249,410.41**	
Remaining Cash on Hand:	**$**	**17,923.69**	

Schedule C - Notes

Note 1 This amount was not actually transferred to the EY Trust account or the other operating accounts of CCS. This amount represents the funds used from the CNC (185) trust account to cover the following CCS expenses that are included as disbursements in this analysis:

1.) Source Deductions for Staff $10,530.57 (not CRA's Deemed Trust claim)
2.) Utilities (Net of GST) of $6,326.70
3.) Waste Disposal (Net of GST) $146.25
4.) GST Paid $2,771,17
5.) FV Daycare Expenses (Net of GST) $51,353.07
6.) General Operating Expenses $8,269.01
7.) CRA's Deemed Trust Claim $32,626.50

The total of these expenses is $112,023.27, which was partially offset by a small refund of $39.80 which meant $111,983.47 of CNC funds were required. This amount corresponds to the CNC (185) SRD.

Note 2 As per Note 1, a portion or all of this disbursment is an accounting entry related to the allocation of CNC funds noted in Note 1. The portion of this disbursement noted in Note 1 was paid from CNC(185) accoutns, not CCS.

Schedule D

Schedule D
1371047 Alberta Ltd. - Consolidated Statement of Receipts and Disbursements
(137 & EY Accounts)
As at January 12, 2019

Opening Cash Balances:			
Operating Account BMO (@April 21):	$	835.42	
EY Trust Account:	$	-	
Total Opening Cash:	**$**	**835.42**	
Cash Receipts:			
Sale of Assets (Net of GST)	$	5,456,103.00	Note 1
GST Collected	$	-	Note 1
Interest(EY)	$	26,366.21	
Total Cash Receipts:	**$**	**5,482,469.21**	
Cash Disbursements:			
Legal Fees (Net of GST)	$	1,994.14	
Post CCAA Payables(Net of GST)	$	2,320.00	
GST Paid	$	315.71	
Payment to Secured Creditor	$	4,157,132.75	Note 2
Total Cash Disbursements:	**$**	**4,161,762.60**	
Remaining Cash on Hand:	**$**	**1,321,542.03**	

Schedule D - Notes

Note 1 This amount represents the net sale proceeds received from the sale of the Winterburn Yard after commissions, property taxes and other direct expenses. This sale was done on a GST exempt basis, and as such, no GST was collected.

Note 2 This amount was paid to Staheli Construction Co. Ltd. in accordance with a previous Order of the Court

Schedule E

Schedule E
816956 Alberta Ltd.Consolidated Statement of Receipts and Disbursements
(816 & EY Accounts)
as at January 12, 2019

Opening Cash Balances:			
Operating Account BMO (@April 21):	$	121.45	Note 1
EY Trust Account:	$	-	
Total Opening Cash:	**$**	**121.45**	
Cash Receipts:			
Sale of Hay Bales (no GST charged - local farmer)	$	540.00	Note 1
Transfer from CNC Op Acct	$	48.00	Note 1
Total Cash Receipts:	**$**	**588.00**	
Cash Disbursements:			
Utilities (Net of GST)	$	2,210.56	Note 1
Legal Fees (Net of GST)	$	564.20	Note 1
Property Taxes	$	119.61	Note 1
GST Paid	$	138.74	Note 1
PST Paid	$	15.75	Note 1
Bank Charges	$	49.44	Note 1
Total Cash Disbursements:	**$**	**3,098.30**	Note 1
Remaining Cash on Hand:	**-$**	**2,388.85**	Note 1

Schedule E - Notes

Note 1 The Monitor has not set up a separate trust account for 816 at this time due to the limited activity and funds at present. This SRD has been created by the Monitor to track 816 specific receipts and disbursments. The net cash remaining (deficit) is reflected on the SRD for CNC (185).