Clerk's Stamp

JUDICIAL CENTRE OF EDMONTON
FILED
MAR 16 2018
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. C36, 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. and 1371047 ALBERTA LTD.
DOCUMENT	AFFIDAVIT #2 OF DARRELL MORGAN
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Heather MB. Ferris Lawson Lundell LLP Suite 3700, 205 - 5th Avenue S.W. Bow Valley Square 2 Calgary, Alberta T2P 2V7 Phone: 403.269.6900 Fax: 403.269.9494

AFFIDAVIT

I, Darrell Morgan, Businessman, of #101 – 727 Fisgard Street, in the City of Victoria, in the Province of British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Chief Financial Officer of First Island Financial Services ("First Island") and as such have personal knowledge of the facts and matters herein after deposed to save and except where stated to be based upon information and believe, and where so stated, I verily believe the same to be true.

2. Attached hereto and marked as **Exhibit "A"** to this Affidavit is a photocopy of the Proof of Claim filed by First Island on December 21, 2017 confirming that First Island holds a first

mortgage charging property known in these proceedings as the "Farm". The Farm is owned by 816956 Alberta Ltd. which is one of the Petitioners. In support of that mortgage, the principals of the Petitioners, Paul McCracken and Shayne McCracken, guaranteed the loan of 816956 Alberta Ltd. to First Island and also granted collateral mortgages in support of those guarantees against three recreational pieces of property located in Vernon, British Columbia. Although the stay of proceedings does not effect the collateral mortgages granted by Paul and Shayne McCracken, the stay of proceedings does prevent First Island from issuing demand as against 816956 Alberta Ltd. thus prevents any action being taken against the collateral mortgages.

3. As at March 15, 2018, First Island is owed $4,741,605.02. Per diem from March 15 to March 31, 2018 accrues in the amount of $1,091.78 per day.

4. The Farm is not an asset that has anything to do with the business operations of the Petitioners. The Farm is basically vacant and unused property except for a couple of metal storage units with an area of approximately 16,000 square feet. On occasion, there are a couple of horses grazing on the lands. I was initially advised by Shayne McCracken, and do verily believe, that the hope was to rezone the Farm into residential lots and to redevelop the same. Until that was accomplished, the property was used only for personal enjoyment. Similarly, the Vernon properties are lakeside recreational properties used by the McCracken family for vacations. These Vernon properties have never had anything to do with the business of the Petitioners.

5. Attached hereto and marked as **Exhibit "B"** to this Affidavit is a photocopy of First Island's email forwarded to Shayne and Paul McCracken on July 9, 2017 confirming that the Farm had been listed for sale. No response was received from Paul or Shayne McCracken to that email and on July 27, 2017 a further email from counsel for the Petitioners with respect to the listing was received. Attached hereto and marked as **Exhibit "C"** to this Affidavit is a photocopy of that email exchange.

6. Although the information obtained from counsel for the Petitioner indicated that the Farm had been listed for sale, there was no listing on the MLS services nor information as to what was being done with the Vernon properties. Accordingly, on or about July 27, 2017, First Island spoke with the listing realtor at Cushman Wakefield regarding the Farm property. He indicated that the property had been listed at $6.6 million and he had confirmed that they did not use a

MLS system, particularly for commercial property. He indicated that he had an interested party although there were a "lot of moving parts".

7. On or about September 11, 2017, First Island received a request for a payout statement from the Petitioners. A full payout statement was provided on or about that date. On or about September 18, 2017, as a result of the request from our counsel, counsel for the Petitioner advised that there was no pending sale of the property and there was no need for a formal payout. The request was simply for the existing CRO to assist it with its debt summary.

8. Nothing further was heard with respect to a potential sale of the Farm, and, as a result, on or about October 24, 2017, our counsel approached counsel for the Monitor to obtain an update with respect to this. Attached hereto and marked as **Exhibit "D"** to this Affidavit is a photocopy of the email received by our counsel in that regard.

9. Again, nothing further was heard on this matter and on November 17, 2017 First Island conducted a follow-up with respect to the Farm and the Vernon properties. By November 17, 2017, the Vernon property had been listed for sale at a price of $6,686,000.00 for an excess of seven months with no offer being received. In addition, there was no indication that any steps had been taken by the Petitioners or the Monitor with respect to the Vernon property.

10. Aa a result of the above, our counsel again contacted counsel for the Monitor. Attached hereto and marked as **Exhibit "E"** to this Affidavit is a photocopy of the email forwarded by our counsel to counsel for the Monitor on November 21, 2017.

11. Attached hereto and marked as **Exhibit "F"** to this Affidavit is a photocopy of the email exchange between counsel for the Monitor and our counsel commencing November 21, 2017.

12. On or about November 27, 2017 our counsel again requested counsel for the Petitioner to agree that the Vernon properties did not form part of the Company's assets and thus to allow the stay to be lifted so that demand could be made in foreclosure proceedings commenced with respect to those properties. Attached hereto and marked as **Exhibit "G"** to this Affidavit is a

photocopy of the email dated November 27, 2017 wherein the same is set out. Attached hereto and marked as **Exhibit "H"** to this Affidavit is the further exchange in that regard.

13. As a result of the above, First Island proceeded to obtain its own appraisal with respect to the Farm. Attached hereto and marked as **Exhibit "I"** to this Affidavit is a photocopy of the appraisal – REDACTED AND NOT ATTACHED. This appraisal was forwarded to counsel for the Petitioner and counsel for the Monitor on January 23, 2018. Attached hereto and marked as **Exhibit "J"** to this Affidavit is a photocopy of the email from our counsel with respect to the same dated January 23, 2018. – REDACTED AND NOT ATTACHED.

14. In our calculations as to why we believe First Island will suffer a shortfall here, the amount of allocation to the Farm with respect to the DIP charge and Administration charge has to be taken into account. Our counsel approached counsel for the Monitor on this issue commencing November of 2017 and on December 1, 2017 an answer was received. Attached hereto and marked as **Exhibit "K"** to this Affidavit is a photocopy of the email dated December 1, 2017. – REDACTED AND NOT ATTACHED.

15. Further exchanges took place between our counsel, counsel for the Petitioner and counsel for the Monitor with respect to the Farm in January of 2018. Attached hereto and marked as **Exhibit "L"** to this Affidavit are photocopies of that email exchange.

~~16. On or about February 22, 2018, First Island received a phone call from Paul McCracken~~ advising that he had received a verbal offer to buy the Farm property. Although he did not exactly say how much the offer was for, the indication was it was approximately $4.4M.

17. As far as I am aware, the verbal offer referred to above is the first and only offer received by the Petitioners with respect to the Farm.

18. Based on the pleadings exchanged since February of 2018, it is apparent that the Farm property and the Vernon properties are not being used for any type of Plan of Arrangement, but rather the intention would simply be to have them involved in a forced liquidation to be conducted by the Monitor as the Petitioners are unable to file a Plan of Arrangement.

19. First Island is a mortgage lender and is well equipped and well versed in realizing on its own mortgage security. It does not require the assistance of the Monitor in that regard nor does it want to be responsible for the additional costs.

20. Based on the information contained in this Affidavit, should the Farm sell in the range of the $4.4M, not even taking into account the allocation for the DIP charge and the Administration charge, there will be a short fall to First Island of approximately $3M dollars. Based on the information received from the Monitor and as contained in Exhibit "K" – REDACTED. Therefore, my best estimate is that there will be a shortfall to the Petitioner on the sale of the Farm property in the range of $600,000.00 - $800,000.00.

21. The three Vernon properties have existing first mortgages on them as follows:

(a) CWB - $1,025,000.00 – approximately;

(b) HSBC - $1,080,000.00 – approximately;

(c) RBC - $1,070,000.00- approximately.

22. Attached hereto and marked as **Exhibit "M"** are copies of the tax assessments for the Vernon properties.

23. I make this Affidavit in support of the Application that the stay of proceedings be lifted in order to allow First Island to commence foreclosure proceedings on the Farm and to issue demand as against the Vernon properties.

SWORN BEFORE ME at the City of Victoria, in the Province of British Columbia, this 14 day of March, 2018)

A Commissioner for taking Affidavits within British Columbia) DARRELL MORGAN

R. LAWRENCE SPOONER
A Commissioner for taking affidavits within British Columbia.

30302.136407.HMF.14897745.1

PROOF OF CLAIM
AGAINST 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. (collectively, the "Canada North Group")

Please read the enclosed Instruction Letter prior to completing this Proof of Claim. Defined terms not defined within this Proof of Claim form shall have the meaning ascribed thereto in the Claims Process Order dated December 6, 2017, as may be amended or restated from time to time.

1. **Particulars of Claimant**

a. Please complete the following (Full legal name should be the name of the original Claimant, regardless of whether an assignment of a Claim, or a portion thereof, has occurred) and Full Mailing Address of the Claimant (the Original Claimant, not the Assignee.)

Full Legal Name:	FIRST ISLAND FINANCIAL SERVICES LTD.
Full Mailing Address:	c/o Lawson Lundell LLP #1600 - 925 W. Georgia St., Vancouver, BC V6C 3L2
Telephone Number:	604.631.9145
Facsimile Number:	604.669.1620
Email Address:	hferris@lawsonlundell.com
Attention (Contact Person):	Heather M.B. Ferris

b. Has the Claim been sold, transferred or assigned by the Claimant to another party (an Assignee")

Yes: [ ]

No: [✓]

This is Exhibit " A " referred to in the affidavit of Darrell Morgan made before me on March 14 20 18

A Commissioner for taking Affidavits for British Columbia

2. **Particulars of Assignee (if any)**

a. Please complete the following if all or a portion of the Claim has been assigned. Insert full legal name of assignee(s) of the Claim. If there is more than one assignee, please attach a separate sheet with the required information:

Full Legal Name of Assignee:	
Full Mailing Address of Assignee:	
Telephone Number of Assignee:	
Facsimile Number of Assignee:	
Email Address of Assignee:	
Attention (Contact Person):	

Proof of Claim

I, Darrell Morgan, (*name of individual Claimant or Representative of corporate Claimant*), of Victoria, BC (*City, Province or State*) do hereby certify:

that I [_____] am a Claimant; OR

[_____] am the Director (*state position or title*) of First Island Financial Services Ltd. (*name of corporate Claimant*) which is a Claimant;

that I have knowledge of all the circumstances connected with the Claim referred to below;

that 816956 Alberta Ltd. (***name of applicable Canada North Group entity*** *and/or Directors and/or Officers*) was and still is indebted to the Claimant as follows;

CLAIM (other than a Restructuring Claim):

$ 4,611,089.05 (*insert value of Claim*)

RESTRUCTURING CLAIM

$ __________ (*insert value of Claim arising after the Commencement Date resulting from the restructuring, disclaimer, resiliation, termination or breach after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral)*;

that the Claimant's Claim and the Claimant's invoices, statements and/or supporting documents attached are denominated in:

[ ] Canadian Dollars

[ ] U.S. Dollars

[ ] Other __________ (*stipulate other currency referenced*)

A. TOTAL CLAIM(S): $ __________

Nature of Claim:

(*Check and complete appropriate category*)

[_____] A. UNSECURED CLAIM OF $ __________. That in respect of this debt, no assets of any of the Canada North Group entities are pledged as security.

[✓] B. SECURED CLAIM OF $ 4,611,089.05. That in respect of this debt, assets of 816956 Alberta Ltd. (*insert name of applicable Canada North Group entity*) valued at $ 4,800,000.00 are pledged to me as security, particulars of which are as follows. See attached Schedule "A"

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

Particulars of Claims:

Other than as already set out herein, the particulars of the undersigned's total Claim and/or Restructuring Claim are attached.

(Provide all particulars of the claims and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the claims, name of any guarantor which has guaranteed the claims, name of any co-obligor or indemnitor, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Canada North Group entities to the Claimant and estimated value of such security. Where a claim is advanced against any Directors or Officers, please provide either a reference to a statutory authority for your claim or enclose a draft Notice of Civil Claim.)

Filing of Claims:

This Proof of Claim **must be received by the Monitor by no later than 5:00 p.m. (Mountain Time) on January 19, 2018** (the "**Claims Bar Date**") unless your claim is a Restructuring Claim.

Proofs of Claim for Restructuring Claims arising after the Commencement Date resulting from a restructuring, disclaimer, resiliation, termination or breach after the Commencement Date of any contract, employment agreement, lease or other agreement, or arrangement of any nature whatsoever, whether written or oral, **must be received by the Monitor by the later of (a) the Claims Bar Date, and (b) by 5:00 p.m. (Mountain Time) on the day which is ten (10) Business Days after the date of the applicable Notice of Disclaimer or Resiliation** (the "**Restructuring Claims Bar Date**")

Failure to file your proof of claim as directed by the Claims Bar Date or Restructuring Claims Bar Date, as applicable, will result in your claim being forever barred and extinguished and you will be prohibited from making or enforcing a claim against any of the Canada North Group entities and/or any of their Directors and/or Officers.

Ernst & Young Inc.
Court-appointed Monitor of Canada North Group
EPCOR Tower, 10423 - 101 Street, Suite 1400
PO Box 44
Edmonton, Alberta T5H 0E7

Attention: Franca Mazzulla
Email: canadanorthgroup.monitor@ca.ey.com
Phone: 1-855-943-4472
Fax: 780-229-2997

DATED this 20th day of DEC., 2017

Per:

Witness: Kyla Sabkowicz
Admin/Accounting Assistant

Print name of Claimant: FIRST ISLAND FINACIAL SERVICES LTD.

If Claimant is not an individual, print name and title of authorised signatory.

Name: Darrell Morgan

Title: Director, CFO

FIRST ISLAND FINANCIAL SERVICES LTD.
Suite 101
727 Fisgard Street
Victoria, B.C. V8W 1R8

SCHEDULE "A" TO PROOF OF CLAIM

1. Mortgage Registered on July 10, 2015 over 54312 Range Road 255, Sturgeon County, Alberta;

2. Joint and Several Guarantee signed by Paul and Shayne McCracken secured by mortgages over:

   a. 7619 Okanagan Landing Road, Vernon, B.C.;

   b. 7631 Okanagan Landing Road, Vernon, B.C.; and

   c. 7619 Okanagan Landing Road, Vernon, B.C.

THE LAND TITLES ACT

MORTGAGE

816956 ALBERTA LTD. of 14238 – 134 Avenue NW, Edmonton, Alberta, T5L 5V8 (hereinafter the "Mortgagor"), being registered as owner of an estate in fee simple in possession, subject however to such encumbrances, liens and interests as are notified by memorandum underwritten or endorsed hereon, of all and singular that certain piece or parcel of land situate in the Province of Alberta, in the Dominion of Canada, being composed of:

> THE SOUTH EAST QUARTER OF SECTION NINETEEN (19)
> TOWNSHIP FIFTY FOUR (54)
> RANGE TWENTY FIVE (25)
> WEST OF THE FOURTH MERIDIAN
> CONTAINING 65.2 HECTARES (161 ACRES) MORE OR LESS.
> EXCEPTING THEREOUT: ALL THAT PORTION OF THE SAID QUARTER SECTION LYING NORTH OF A LINE DRAWN WESTERLY AND AT RIGHT ANGLES TO THE EAST BOUNDARY OF THE SAID QUARTER SECTION, THROUGH A POINT THEREON SIX HUDNRED AND SIXTY (660) FEET SOUTHERLY FROM THE NORTH EAST CORNER THEREOF, CONTAINING 16.2 HECTARES (40 ACRES) MORE OR LESS
> EXCEPTING THEREOUT ALL MINES AND MINERALS
>
> (hereinafter the "Said Lands")

In consideration of the sum of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** lent to it by the following Mortgagees:

> **FIRST ISLAND FINANCIAL SERVICES LTD.** of 101, 727 Fisgard Street, Victoria, British Columbia, V8W 1R8 as to **THREE MILLION ($3,000,000.00) DOLLARS**
>
> and
>
> **ZENEX CAPITAL CORP.** of PO Box 5148, Drayton Valley, Alberta, T7A 1R3 as to **ONE MILLION FOUR HUNDRED THOUSAND ($1,400,000.00) DOLLARS**
>
> (together, the "Mortgagee")

(who and whose heirs, executors, administrators, successors and assigns are hereinafter included in the expression the "Mortgagee"), the receipt of which sum the Mortgagor does hereby acknowledge, covenants with the Mortgagee:

1. That the Mortgagor will pay to the Mortgagee in lawful money of Canada at Calgary, Alberta the said sum of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** in the following manner:

   (a) The interest rate both before and after maturity shall be calculated monthly, not in advance, at **8.5%** per cent per annum. Interest shall be calculated on the outstanding balances of the mortgage amount. The interest adjustment date shall be **June 29, 2005,** with payments commencing on **August 1, 2015,** and all funds will be repayable on

June 29, 2016 or the date payment is demanded following the occurrence of an event in default (hereinafter "Maturity Date").

(b) Monthly payments of interest shall be required during the term of the Mortgage on the outstanding balance of the Mortgage commencing the first day of the month following the interest adjustment date. The principal and any accrued interest due and owing shall be due and payable on the Maturity Date.

(c) All interest in arrears to become principal and to bear interest at the rate aforesaid, payable at the times, in the manner and at the place hereinbefore provided for the payment of interest, from the time the same becomes due and payable. And in the case that the sums hereby secured or any part thereof be not paid at the time or times above set forth for payment thereof, it will so long as such sums or any part thereof remain unpaid or owing on the security hereof, or during the continuance of this security, pay interest from day to day as hereinbefore provided on the said sums or so much thereof as shall for the time remain due, owing or unpaid during the continuance of the security. Provided that in the event of any default being made in the payment of any installment of interest secured under this Mortgage the same shall thereupon become part of the principal and shall bear interest from the time when the same became due at the rate aforesaid, and on each day when any installment of interest falls due hereunder in each and every year until the whole of the said principal and interest secured hereby is fully paid and satisfied, all sums of money, whether interest or otherwise then due and remaining unpaid shall become principal and bear interest at the rate aforesaid. And it covenants that the taking of a judgment or judgments under any of the covenants herein contained shall neither operate as a merger of the said covenants nor affect the right of the Mortgagee to interest at the above rate on any monies due or owing to the Mortgagee during the continuance of this security or under any of the covenants herein contained or on any judgment to be recovered thereon.

2. And the Mortgagor hereby agrees that if any default shall happen to be made in any payment of principal or interest or any of the monies hereby secured or any part thereof, then, and in such case, the whole principal monies hereby secured shall at the option of the Mortgagee, become due and payable in like manner to all intents and purposes as if the time herein mentioned for payment of such principal money had fully come and expired. AND in the event of the Mortgagor making a breach of any of the covenants in this Mortgage contained then such breach shall be deemed to be a default in payment of interest, and the Mortgagee shall at his option be at liberty to call in forthwith the whole of the principal and interest secured by this Mortgage and eject all persons in possession of the Said Lands. PROVIDED, however, and the parties hereby agree that the powers in this paragraph contained must be actually invoked to become effective and that nothing herein contained shall cause any limitation period, statutory or otherwise, to commence to run unless and until the Mortgagee shall actually exercise the option hereinbefore contained.

3. And the Mortgagor further covenants with the Mortgagee that it will forthwith insure and during the continuance of this security keep insured in favour of the Mortgagee, against loss or damage by fire and, as the Mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightening, floods and other risks or hazards, each and every building on the Said Lands and which may hereafter be erected there, both during erection and thereafter, for the full replacement value thereof in lawful money of Canada in a company approved by the Mortgagee; to the extent of their full insurable value; And that the Mortgagor will not do or suffer anything whereby the said policy or policies may be vitiated; And that it will pay all premiums and sums of

money necessary for such purposes as the same shall become due and will assign and deliver over to the Mortgagee the policy or policies of insurance and the receipt or receipts thereto appertaining. And if the Mortgagor shall neglect to keep the said buildings or any of them insured as aforesaid, or to pay the said premiums, or to deliver such receipts, then it shall be lawful for the Mortgagee to insure the said buildings and all monies expended by the Mortgagee with interest at the rate aforesaid from the time of such payment shall be payable at the time appointed for the next ensuing payment of interest on the said principal sum and all such payments shall become a part of the principal secured by this Mortgage and shall be charged upon the Said Lands and all the estate and interest of the Mortgagor therein. Evidence of the renewal of such insurance shall be produced to the Mortgagee at least seven days before the insurance then existing shall expire, otherwise the Mortgagee may insure as hereinbefore provided.

4. And it is hereby agreed that all monies received by virtue of any policy or policies of insurance may, at the option of the Mortgagee, either be forthwith applied in or towards substantially rebuilding, reinstating and repairing the said building, or in or towards the payment of the last installment of principal falling due under and by virtue of these presents and in the case of a surplus in or towards the payment of the installment next preceding in point of time of payment, and so on until the whole of the principal hereunder shall be paid, and in the case of a surplus, then in or towards payment of interest at the rate aforesaid and so on until the whole of the principal sum and interest hereunder shall be fully paid and satisfied, the balance, if any, to be paid to the Mortgagor.

5. The Mortgagor further agrees to furnish, forthwith on the happening of such loss or damage by fire or other hazard or peril, and at its expense, all the necessary proofs of loss and to do all the acts necessary to enable the Mortgagee to obtain payment of the insurance monies.

6. And for the purpose of better securing the punctual payment of the interest on the said principal sum, the Mortgagor does hereby attorn to and become tenant of the Mortgagee for the Said Lands, at a yearly rental equivalent to the annual interest payable hereunder, to be paid in manner and on the days and times before appointed for the payment of the said interest, and on payment thereof the same shall be taken to be, and shall be, in satisfaction of the said interest; but nothing in this provision shall make the Mortgagee chargeable or accountable as Mortgagee in possession. Provided, also that the Mortgagee may at any time after default in payment or performance of any covenant or condition hereunder, enter into and upon the Said Lands, or any part thereof, and determine the tenancy hereby created, without giving any notice to quit.

7. And, further, that if the Mortgagor shall make default in payment of any part of the said principal or interest or any other monies hereby intended to be secured at any day or time hereinbefore limited for the payment thereof, it shall and may be lawful for the Mortgagee, and the Mortgagor does hereby grant full power and license to the Mortgagee to enter, seize and distrain upon the Said Lands, or any part thereof, and by distress warrant to recover by way of rent reserved, as in the case of a demise of the Said Lands, as much of said principal, interest and other monies as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress for rent.

8. It is also covenanted between the Mortgagor and the Mortgagee that if the Mortgagor shall make default in payment of the principal sum and interest thereon or any part thereof at any of the before appointed times, then the Mortgagee shall have the right and power, and the Mortgagor does hereby covenant with the Mortgagee for such purpose, and does grant to the Mortgagee full license and authority for such purpose when and so often as in the Mortgagee's discretion he shall think fit to enter into possession, either by himself or his agent of the Said Lands, and to collect

the rents and profits thereof, and to make any demise or lease of the Said Lands, or any part thereof for such terms, periods, and at such rent as he shall think proper, and that any proceedings for sale or foreclosure may be taken either before or after and subject to such demise or lease.

9. And it is further agreed between the Mortgagor and the Mortgagee that the Mortgagor will pay all taxes and rates which now are or may hereafter be levied or charged against the Said Lands or on this Mortgage or on the Mortgagee in respect of this Mortgage and that the Mortgagee may at such time or times as he may deem it necessary, without the concurrence of any other person, make arrangements for the repairing, finishing, adding to or putting in order any building or buildings, or improvements on the Said Lands and for managing and taking care of the Said Lands and premises and may pay any such taxes and rates and any liens, charges or encumbrances upon the Said Lands, and monies for insurance, and the amount so paid or indebtedness incurred as aforesaid by the Mortgagee, together with all costs, charges, and expenses which may be incurred in connection therewith or in the taking, recovering and keeping possession of the Said Lands or inspecting the same (including allowance for the time and services of any agent of the Mortgagee appointed for such purpose) and generally in any other steps or proceedings whether in Court or not taken to protect his security or realize the monies hereby secured, or to perfect the title to the Said Lands, shall become part of the principal hereby secured and be a charge on the Said Lands in favour of the Mortgagee, and shall be payable forthwith by the Mortgagor, its heirs, executors, administrators or assigns, to the Mortgagee with interest at the rate aforesaid until paid and in default proceedings for sale or foreclosure may be taken, in addition to all other remedies. In the event of the money hereby advanced, or any part thereof, being applied to the payment of any charges or encumbrances, the Mortgagee shall stand in the position of and be entitled to all the rights and remedies whether legal or equitable of the person or persons so paid off, whether any such charges or encumbrances have or have not been cancelled or discharged.

10. Provided that upon default being made for a period of one calendar month in payment of any of the monies hereby secured, the Mortgagee shall be entitled to sell and convey the Said Lands and premises, without entering into possession of the same and without giving any notice to the Mortgagor of its intention to do so, and either before or after and subject to any demise or lease made by the Mortgagee as herein before provided. Provided that any sale made under the powers hereby given may be on such terms as to credit or otherwise as shall appear to the Mortgagee most advantageous, and for such price as can be reasonably obtained therefore, and that sales may be made of any portion or portions of the Mortgaged lands and premises, from time to time to satisfy any interest or any part of the principal overdue, leaving the principal or balance thereof to run at interest payable as aforesaid, and that the Mortgagee may make any stipulation as to title or otherwise as to the Mortgagee may seem proper, and the Mortgagee may buy in or rescind or vary and contract for sale of any of the Said Lands and premises, and resell without being responsible for any loss occasioned thereby, and or any of the said purposes may make and execute such agreements and assurances as shall be by the Mortgagee deemed necessary.

11. The Mortgagor shall not be entitled to a discharge of this Mortgage until and unless they shall have kept and performed all of the covenants, provisos, agreements and stipulations herein contained, whether the Mortgagee has taken legal proceedings thereon and recovered judgment or otherwise, and the Mortgagor covenants with the Mortgagee that they shall and will in everything do, perform and keep all the provisions and covenants in these presents, according to the true intent and meaning thereof.

12. All erections and improvements fixed or otherwise now on or hereafter put upon the said premises, including but without limiting the generality of the foregoing, all fences, heating,

plumbing, air-conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, window blinds, storm windows and storm doors, window screens and screen doors, and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and of the security and are included in the expression the "Said Lands", and that the Mortgagor will not commit or permit any act of waste thereon; and that it will at all times during the continuance of this security repair, maintain, restore, amend, keep, make good, finish, add to and put in order the same; and in the event of any loss or damage thereto or destruction thereof, the Mortgagee may give notice to the Mortgagor to repair, rebuild or reinstate the same within a time to be determined by the Mortgagee and to be stated in such notice; and upon our failure to so repair, rebuild or reinstate within such time, such failure shall constitute a breach of covenant hereunder and thereupon the mortgage money shall at the option of the Mortgagee become immediately due and payable, without any demand by the Mortgagee upon it.

13. This Mortgage provides for a revolving line of credit as contemplated in s. 104 of the *Land Titles Act*, R.S.A. 2000 c. L-4 up to the amount set out in paragraph 1 and shall secure all such sums advanced by the Mortgagee to the Mortgagor.

14. In case of default being made in any of the covenants, agreements, provisos, and stipulations herein contained, and by reason of such default the Mortgagee considers it necessary to place this Mortgage in the hands of his solicitors for the purpose of having such default remedied then the Mortgagor covenants and agrees with the Mortgagee to pay the actual reasonable costs of said solicitors as between solicitor and client.

15. It is further agreed that all fees and charges of the Mortgagee's Solicitors in connection with the preparation and registration of this Mortgage and passing on the Mortgagor's title to the Said Lands shall be paid by the Mortgagor forthwith and if they make default in paying the same the Mortgagee may pay the amount of such fees and charges and add the amount so paid to the principal sum hereby secured and it shall thereafter be a charge on the Said Lands in favour of the Mortgagee and shall be repayable with interest as aforesaid.

16. And it is further agreed that the Mortgagor will provide written authority, duly signed, addressed to the requisite municipal or other authority having jurisdiction, so as to allow release to Mortgagee or to the Mortgagee of any information contained in the records of such authority respecting any erection or construction on the Said Lands and, at the option of Mortgagee or of the Mortgagee, to permit an inspection of the erection or construction by such authority to determine any outstanding work orders or deficiencies.

17. The Mortgagor covenants and agrees with the Mortgagee that in the event of the Mortgagor selling, conveying, transferring or entering into an agreement for sale of or transfer of title of the Said Lands securing the Mortgage to a purchaser or transferee not approved of in writing by the Mortgagee, which approval shall not be unreasonably withheld, all monies hereby secured with accrued interest thereon shall become due and payable at the Mortgagee's option and sole discretion.

18. It is further agreed that the waiver of one or more defaults under this Mortgage shall not be construed as a waiver of any subsequent or other default. AND it is further agreed that the foreclosure, cancellation or any other dealing with any other security for the monies advanced hereunder or secured hereby shall not release or affect this Mortgage and that the taking of this Mortgage or the foreclosure or cancellation of or any other dealing with, or proceedings under

this Mortgage shall not release or affect any other security held by the Mortgagee for the monies advanced or secured hereby.

19. And the Mortgagor hereby covenants with and represents to the Mortgagee that:

(a) it has a good title to the Said Lands;

(b) it has a right to Mortgage the Said Lands;

(c) if in default the Mortgagee shall have quiet possession of the Said Lands free from all encumbrances;

(d) it will execute further assurances of the Said Lands as may be requisite;

(e) it has done no act to encumber the Said Lands; and

(f) all documents and papers concerning or affecting the title of the Said Lands shall be held by the Mortgagee during the currency of this Mortgage.

20. And it is agreed that this Mortgage and all the covenants herein shall be binding upon and enure to the benefit of the executors, administrators, successors and assigns of the parties hereto respectively and wherever the singular or masculine is used throughout this Mortgage the plural or feminine or a body corporate shall be implied wherever the context so requires. And it is further agreed that if this Mortgage is entered into and executed by more than one person then all the covenants and stipulations herein contained and implied shall apply to and be binding upon all the Mortgagors jointly and severally. And for the better securing to the Mortgagee the repayment in manner aforesaid of the said principal and interest and other charges and money hereby secured the Mortgagor does hereby Mortgage to the said Mortgagee all its estate and interest in the Said Lands.

21. The Mortgagor hereby acknowledges that it is aware of the provisions of Sub-Sections (1) and (2) of Section 41 of the *Law of Property Act* being Chapter L-8 of the Revised Statutes of Alberta, 1980, as amended, whereby it is provided that in any action brought upon any mortgage or agreement for sale of land the remedy of the mortgagee is limited to the land alone and no action shall lie on the covenant for payment contained in such mortgage, and in consideration of the within Mortgage, the Mortgagor hereby waives the said provisions of the said Act and agrees with the Mortgagee, its successors and assigns, that in the event that the Mortgagor is in default in payment of the principal, interest or other amounts due to the Mortgagor, which amounts are secured by and payable under this Mortgage, then the Mortgagee may proceed against the Mortgagor under this Mortgage, and on his personal covenant herein contained notwithstanding the provisions of the said act or any legislations similar thereto or in replacement thereof.

22. The Mortgagor covenants and agrees with the Mortgagee that any agreement in writing between the Mortgagor and the Mortgagee for the renewal of this Mortgage or extension of the Maturity Date, or any part thereof, or for any change in the interest rate, including an increase in the interest rate, prior to the execution by the Mortgagee of a discharge or release of this Mortgage, need not be registered, but shall be effectual and binding to all intents and purposes on the Said Lands and on the Mortgagor, and on any Mortgagee, assignee, or other chargeholder, or transferee who acquires an interest in the Said Lands or any part thereof subsequent to the date of the Mortgage securing this Mortgage and shall take priority as against such Mortgagee, assignee, or other chargeholder, or transferee when deposited with or held by the Mortgagee, and shall not

release or affect any covenant or agreement in the Mortgage securing this Mortgage or collateral hereto. The Mortgagor acknowledges and agrees that nothing in this paragraph confers upon the Mortgagor a right to a renewal or an extension of the Mortgage securing this Mortgage.

23. The commitment letter dated **May 29, 2015** from First Island Financial Services Ltd. to 816956 Alberta Ltd. (hereinafter "Commitment Letter") shall survive the execution and registration of the Mortgage. The execution, delivery and registration of the Mortgage documents shall in no way merge or extinguish the Commitment Letter, or any security documents contemplated in the Commitment Letter, or the terms and conditions thereof, or any revisions or amendments which may be subsequently agreed to by the parties hereto, which shall survive and continue in full force and effect, provided however, that in case of any inconsistency or conflict with the provisions of this Mortgage, the provisions of the Commitment Letter shall prevail. The Mortgagor covenants and agrees with the Mortgagee that a default by the Borrower of any of its covenants and agreements contained in the Commitment Letter, or a default by the Borrower of any of its covenants and agreements contained in any security documents contemplated in the Commitment Letter, shall be deemed to constitute a default hereunder entitling the Mortgagee to pursue any and all remedies that may be available to the Mortgagee arising upon a default hereunder. The Commitment Letter is not transferable and the benefit thereof may not be assigned by the Mortgagor. The Mortgagee retains the right to transfer, assign or sell in whole or in part its interest in the Commitment Letter and in this Mortgage and other security documents securing the Mortgage to a Mortgagee or Mortgagee of their choice on the terms and conditions as set out in the Commitment Letter at their sole discretion.

24. The Mortgagor covenants and agrees with the Mortgagee that any default under any other mortgage registered against the title to the Said Lands shall constitute a default under the within Mortgage and the Mortgagee herein shall be entitled to take whatever steps it considers necessary to protect its security hereunder.

25. The Mortgagor shall defend the title to the Said Lands against all persons and shall keep the Said Lands free and clear of all other security interests, mortgages, charges, liens and other encumbrances except for those disclosed to the Mortgagee in writing prior to the execution of this Mortgage or hereafter approved in writing by the Mortgagee prior to their creation or assumption. The existence of any other financial encumbrances not permitted by this clause shall be an act of default under this Mortgage.

26. In the event of the mortgage monies advanced hereunder, or any part thereof, being applied to the payment of any charge or encumbrance, the Mortgagee shall be subrogated to all the rights of and stand in the position of and be entitled to equities of the party so paid off, whether such charge or encumbrances has or has not been discharged, and the decision of the Mortgagee as to the validity or amount of any advance or disbursement made under this Mortgage or of any claims so paid off shall be final and binding upon the Mortgagor, the Mortgagee shall not be charged with any monies receivable or collectible out of the Said Lands or otherwise, except those actually received, and all revenue of the Said Lands so received or collected by the Mortgagee from any source other than by payment by the Mortgagor may, at the option of the Mortgagee, be used in maintaining or insuring or improving the Said Lands or in payment of taxes or other charges against the Said Lands or applied on the Mortgage account.

27. In the event that the Mortgagee pays money to a prior Mortgagee, or encumbrance holder, at its sole unfettered discretion, where said prior Mortgagee or encumbrance holder is in default of payment, then the Mortgagee shall be able to add to its Mortgage indebtedness the amount of the funds paid to said prior Mortgagee or encumbrance holder, the Mortgagee being entitled to a

further fee in each instance wherein a payment is made to a prior Mortgagee or prior encumbrance holder, in default.

28. And for the better securing to the Mortgagee the repayment in the manner aforesaid of the principal sum and interest and other monies hereby secured the Mortgagor does hereby Mortgage and charge to the Mortgagee all of the Mortgagor's estate and interest in the Said Lands above described.

29. The Mortgagor, immediately upon obtaining knowledge of the institution of any proceedings for the expropriation of the Said Lands or any part thereof, shall notify the Mortgagee of such proceedings. If the Said Lands or any part thereof are taken or damaged in or by any such expropriation proceedings or otherwise, the award or compensation payable to the Mortgagor shall be paid to the Mortgagee, to whom it is hereby irrevocably assigned.

30. The Mortgagor acknowledges and agrees as follows:

(a) that it has been advised by its counsel as to the meaning of Sections 49 and 52 of the *Expropriation Act*, Chapter E-16 R.S.A. 1980 as amended and being fully aware that under the terms of the said Act the Mortgagee may be restricted to recovering the market value of this Mortgage at the date of any expropriation, the Mortgagor hereby waives the provisions of the Act generally and specifically waives the provisions of Sections 49 and 52 of the *Expropriation Act* and further waives any provisions which may be enacted and in force from time to time in replacement of or in addition to the provisions of the said Sections 49 and 52 of the *Expropriation Act*, and in addition the Mortgagor covenants to pay to the Mortgagee the balance between the monies owing to the Mortgagee hereunder and the monies paid to the Mortgagee by the expropriating authority;

(b) if the lands or any part thereof is condemned or expropriated to an extent which, is the Mortgagee's sole discretion, materially affects this Mortgage security or any collateral security therefor, the full amount of the principal and interest of and any other monies secured by this Mortgage then outstanding shall, at the election of the Mortgagee, be deemed to become due and payable in full on the day before the Said Lands are expropriated and interest shall accrue thereon, at the aforesaid rate, until the Mortgagee has been paid in full and the Mortgagor shall be estopped from denying otherwise; and

(c) the Mortgagor shall pay or cause to be paid to the Mortgagee, upon request of the Mortgagee, and from any expropriation proceeds, the full amount of the principal and interest and any other monies then outstanding hereunder.

31. In the event of transfer or transmission of the Said Lands to any third party by court order or similar process or action, all monies secured with interest thereon shall forthwith become due and payable; provided that this clause does not apply if the grantee or transferee shall have been approved by the Mortgagee (such approval to be in the Mortgagee's sole discretion). This clause shall not be construed to affect transfers by devise or descent or by operation of law upon the death of a joint tenant or partner.

32. The Mortgagor hereby consents that in the event legal action is commenced to enforce the security, the action may be brought in the Judicial District of Calgary and all applications shall be heard at the Calgary Courts Centre in the Judicial District of Calgary and all examinations or cross-examinations for discovery on or affidavits shall take place in the City of Calgary, and not in the Judicial District where the Said Lands are located.

33. If any term or provision of this Mortgage or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Mortgage or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and such term or provision of this Mortgage shall be valid and shall be enforceable to the extent permitted by law.

IN WITNESS WHEREOF **816956 ALBERTA LTD.** has hereunto affixed its corporate seal and signed by its proper signing officers this 25 day of June, 2015.

816956 ALBERTA LTD.

Per: ______________________

Name: Paul McCracken
Title: President

Per: ______________________ c/s

Name:
Title:

FORM_B_V21

LAND TITLE ACT
FORM B (Section 225)

MORTGAGE - PART 1 Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

1. APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

CREASE HARMAN LLP, Barristers and Solicitors, 250-388-5421
800 - 1070 Douglas Street — file no. 215359/001FIFS ZENEX
P.O. Box 997
Victoria BC V8W 2S8

Deduct LTSA Fees? Yes ☑

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

SEE SCHEDULE

STC? YES ☐

3. BORROWER(S) (MORTGAGOR(S)): (including postal address(es) and postal code(s))

PAUL MCCRACKEN, BUSINESSMAN
SHAYNE MCCRACKEN, BUSINESWOMAN
14238 - 134TH AVENUE
EDMONTON ALBERTA
AS JOINT TENANTS T5L 5V8 CANADA

4. LENDER(S) (MORTGAGEE(S)): (including occupation(s), postal address(es) and postal code(s))

SEE SCHEDULE

5. PAYMENT PROVISIONS:

			Y	M	D
(a) Principal Amount: See Schedule	(b) Interest Rate: 8.5% per annum	(c) Interest Adjustment Date: N/A			
(d) Interest Calculation Period: Monthly, not in advance	(e) Payment Dates: On Demand	(f) First Payment Date: On Demand			
(g) Amount of each periodic payment: On Demand	(h) *Interest Act* (Canada) Statement. The equivalent rate of interest calculated half yearly not in advance is N/A % per annum.	(i) Last Payment Date: On Demand			
(j) Assignment of Rents which the applicant wants registered? YES ☐ NO ☑ If YES, page and paragraph number:	(k) Place of payment: POSTAL ADDRESS IN ITEM #4	(l) Balance Due Date: On Demand			

6. MORTGAGE contains floating charge on land ?
YES ☐ NO ☑

7. MORTGAGE secures a current or running account ?
YES ☑ NO ☐

8. INTEREST MORTGAGED:
Freehold ☑
Other (specify) ☐

9. MORTGAGE TERMS:
Part 2 of this mortgage consists of (select one only):
(a) Prescribed Standard Mortgage Terms ☐
(b) Filed Standard Mortgage Terms ☑ D F Number: MT930036
(c) Express Mortgage Terms ☐ (annexed to this mortgage as Part 2)
A selection of (a) or (b) includes any additional or modified terms referred to in item 10 or in a schedule annexed to this mortgage.

10. ADDITIONAL OR MODIFIED TERMS:
SEE SCHEDULE

11. PRIOR ENCUMBRANCES PERMITTED BY LENDER:
SEE SCHEDULE

12. EXECUTION(S): This mortgage charges the Borrower's interest in the land mortgaged as security for payment of all money due and performance of all obligations in accordance with the mortgage terms referred to in item 9 and the Borrower(s) and every other signatory agree(s) to be bound by, and acknowledge(s) receipt of a true copy of, those terms.

Officer Signature(s)	Execution Date Y	M	D	Borrower(s) Signature(s)
Heather Barnhouse HEATHER A. BARNHOUSE BARRISTER & SOLICITOR 2900, 10180-101 St Edmonton, AB T5J3V5	15	06	16	PAUL MCCRACKEN SHAYNE MCCRACKEN

OFFICER CERTIFICATION:
Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the *Evidence Act*, R.S.B.C. 1996, c.124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the *Land Title Act* as they pertain to the execution of this instrument.

FORM_E_V21

LAND TITLE ACT
FORM E

SCHEDULE

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:

[PID] [LEGAL DESCRIPTION]

009-206-884 **LOT 1, DISTRICT LOT 6 AND OF SECTION 19, TOWNSHIP 9, OSOYOOS DIVISION, YALE DISTRICT, PLAN 13101**

STC? YES ☐

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:

[PID] [LEGAL DESCRIPTION]

005-364-841 **LOT 2, DISTRICT LOT 6, OSOYOOS DIVISION, YALE DISTRICT, PLAN 13101**

STC? YES ☐

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:

[PID] [LEGAL DESCRIPTION]

010-067-302 **LOT 3, SECTION 19, TOWNSHIP 9, OSOYOOS DIVISION, YALE DISTRICT, PLAN 6842**

STC? YES ☐

FORM_E_V21

LAND TITLE ACT
FORM E
SCHEDULE

ENTER THE REQUIRED INFORMATION IN THE SAME ORDER AS THE INFORMATION MUST APPEAR ON THE FREEHOLD TRANSFER FORM, MORTGAGE FORM, OR GENERAL INSTRUMENT FORM.

4. LENDER(S) (MORTGAGEE(S)): (including occupation(s), postal address(es) and postal code(s))

FIRST ISLAND FINANCIAL SERVICES LTD.
#101 - 727 FISGARD STREET
VICTORIA BRITISH COLUMBIA
V8W 1R8 CANADA
Incorporation No BC0116225
AS TO AN UNDIVIDED 30 / 44 INTEREST

ZENEX CAPITAL CORP.
525 BOBLAW PLACE
VICTORIA BRITISH COLUMBIA
V9C 3Z1 CANADA
Incorporation No A0054786
AS TO AN UNDIVIDED 14 / 44 INTEREST

Enter the required information in the same order as the information must appear on the Freehold Transfer Form, Mortgage Form or General Document Form.

5. PAYMENT PROVISIONS:

(a) Principal Amount

All indebtedness and liabilities of the Mortgagor to the Mortgagee under a certain guarantee granted by the Mortgagor to the Mortgagee of all present and future debts and liabilities now or at any time and from time to time hereafter due or owing to the Mortgagee by 816958 Alberta Ltd.

10. ADDITIONAL OR MODIFIED TERMS

(a) Upon the sale, conveyance or transfer of title of the Lands charged by this mortgage or any interest therein or part thereof to a Purchaser, Grantee or Transferee, the principal balance then outstanding and all other monies secured shall at the option of the Lender forthwith become due and payable.

(b) The Mortgagor agrees that notwithstanding anything to the contrary contained in this mortgage, all payments due from or made by the Mortgagor shall be made without set-off or counterclaim, and without any deductions or withholdings whatsoever.

(c) It is expressly agreed between the parties hereto that all grants, covenants, provisos and agreements, rights, powers, privileges and liabilities contained in this mortgage shall be read and held as made by and with and granted to and imposed upon the respective parties hereto and their respective heirs, executors, administrators, successors and assigns and, in the case of more than one Mortgagor and/or Covenantor, the said grants, covenants, provisions, and agreements, rights, powers, privileges and liabilities shall be construed and held to be several as well as joint.

(d) Whereas the following existing first Mortgages are registered against the Lands charged by this Mortgage:

(i) against Parcel Identifier 009-206-884, a Mortgage registered under number CA506240 in favour of HSBC Bank Canada, which the Mortgagor has represented to the Mortgagee does not at present, and shall not hereafter, secure any balance in excess of $1,080,000.00;

(ii) against Parcel Identifier 005-364-841, a Mortgage registered under number CA4306198 in favour of Royal Bank of Canada, which the Mortgagor has represented to the Mortgagee does not at present, and shall not hereafter, secure any balance in excess of $1,070,000.00; and

(iii) against Parcel Identifier 010-067-302, a Mortgage registered under number CA2816887 in favour of Canadian Western Bank;

(hereinafter together called the "First Mortgages")

The Mortgagor covenants and agrees that it will well and truly pay all monies payable pursuant to the terms of the First Mortgages as and when the same shall be due and to well and truly observe or perform the mortgage covenants in the First Mortgages contained; and in the event that the

Land Title Act
Form E

SCHEDULE

Enter the required information in the same order as the information must appear on the Freehold Transfer Form, Mortgage Form or General Document Form.

Mortgagor shall default in payment of any of the First Mortgages as aforesaid or shall fail to observe or perform the mortgagor's covenants therein contained then such default or failure shall constitute a default under the terms of this Mortgage and the whole of the principal moneys then remaining unpaid together with interest then accrued due thereon shall at the option of the Mortgagee forthwith become due and payable and it is agreed that in the event of default in payment by the Mortgagor of moneys due and payable under and pursuant to any of the First Mortgages the Mortgagee herein may pay the same and any moneys so paid by the Mortgagee shall be forthwith due and payable by the Mortgagor to the Mortgagee herein and shall bear interest at the rate aforesaid until paid, and shall be a charge on the Lands until paid.

(e) 816956 Alberta Ltd. (the 'Borrower"), whose Indebtedness to the Mortgagor has been guaranteed by the Mortgage herein, has agreed to grant or has granted to the Mortgage a first Mortgage (the "Alberta Mortgage") securing $4,400,000.00 charging property at 54312 Range Road 255, Sturgeon County, Alberta, and the Mortgage herein covenants and agrees with the Mortgagee that any default by the Borrower under the Alberta Mortgage shall constitute an event of default under this Mortgage.

11. PRIOR ENCUMBRANCES PERMITTED BY LENDER:

As to PID 009-206-884
Restrictive Covenant 65636E
Mortgage CA506240 in favour of HSBC Bank Canada, to secure a maximum balance not exceeding $1,080,000.00

As to PID 005-364-841
Restrictive Covenants 61079E and 65636E
Mortgage CA4306198 in favour of Royal Bank of Canada, to secure a maximum balance not exceeding $1,070,000.00

As to PID 010-067-302
Restrictive Covenant 70710E
Mortgage CA2816887 in favour of Canadian Western Bank

ACKNOWLEDGMENT OF MORTGAGE TERMS

TO: FIRST ISLAND FINANCIAL SERVICES LTD. and ZENEX CAPITAL CORP.

RE: MORTGAGORS: Paul McCracken and Shayne McCracken
CIVIC: 7619 Okanagan Landing Road, Vernon, B.C.
LEGAL: PID 009-206-884 Lot 1, District Lot 6 and of Section 19, Township 9, Osoyoos Division, Yale District, Plan 13101
CIVIC: 7631 Okanagan Landing Road, Vernon, B.C.
LEGAL: PID 005-364-841 Lot 2, District Lot 6, Osoyoos Division, Yale District, Plan 13101
CIVIC: 7619 Okanagan Landing Road, Vernon, B.C.
LEGAL: PID 010-067-302 District Lot 3, Section 19, Township 9, Osoyoos Division, Yale District, Plan 6842

*(Electronic Registration) The undersigned hereby acknowledges:

1. receipt of a set of standard mortgage terms filed under number #MT930036, and a statement of any additions, amendments or deletions to the set of standard mortgage terms (including copies of such additions, amendments or deletions) as contained in or attached to Form B of this mortgage before executing or at the time of executing this mortgage.

2. that the Form B Mortgage will be registered at the Victoria Land Title Office by way of Electronic Filing System.

The undersigned hereby authorizes and directs Robert Lawrence Spooner to affix his electronic signature to the Form B Mortgage in the form attached hereto as signed by the undersigned and to submit the electronically signed Form B Mortgage to the British Columbia Land Title system for registration by way of Electronic Filing System.

Dated at Edmonton, Alberta this 16 day of June, 2015.

PAUL MCCRACKEN

SHAYNE MCCRACKEN

FORM_C_V20 (Charge)

LAND TITLE ACT
FORM C (Section 233) CHARGE
GENERAL INSTRUMENT - PART 1 Province of British Columbia

Your electronic signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your electronic signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

1. APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

CREASE HARMAN LLP, Barristers and Solicitors, 250-388-5421
800 - 1070 Douglas Street
P.O. Box 997
Victoria BC V8W 2S8

file no. 215359/001RLS/lc
FIFS ZENEX

Deduct LTSA Fees? Yes ☑

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [LEGAL DESCRIPTION]

SEE SCHEDULE

STC? YES ☐

3. NATURE OF INTEREST | CHARGE NO. | ADDITIONAL INFORMATION

Assignment of Rents

4. TERMS: Part 2 of this instrument consists of (select one only)
(a) ☐ Filed Standard Charge Terms D.F. No. (b) ☑ Express Charge Terms Annexed as Part 2
A selection of (a) includes any additional or modified terms referred to in Item 7 or in a schedule annexed to this instrument.

5. TRANSFEROR(S):

PAUL MCCRACKEN
SHAYNE MCCRACKEN

6. TRANSFEREE(S): (including postal address(es) and postal code(s))

SEE SCHEDULE

7. ADDITIONAL OR MODIFIED TERMS:

8. EXECUTION(S): This instrument creates, assigns, modifies, enlarges, discharges or governs the priority of the interest(s) described in Item 3 and the Transferor(s) and every other signatory agree to be bound by this instrument, and acknowledge(s) receipt of a true copy of the filed standard charge terms, if any.

Officer Signature(s)	Execution Date Y	M	D	Transferor(s) Signature(s)
Heather Barnhouse HEATHER A. BARNHOUSE BARRISTER & SOLICITOR 2900, 10180 - 101 St Edmonton, AB T5J 3V5	15	06	16	PAUL MCCRACKEN SHAYNE MCCRACKEN

OFFICER CERTIFICATION:
Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the *Evidence Act*, R.S.B.C. 1996, c.124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the *Land Title Act* as they pertain to the execution of this instrument.

FORM_E_V20

LAND TITLE ACT
FORM E

SCHEDULE

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [LEGAL DESCRIPTION]

009-206-884 **LOT 1, DISTRICT LOT 6 AND OF SECTION 19, TOWNSHIP 9, OSOYOOS DIVISION, YALE DISTRICT, PLAN 13101**

STC? YES ☐

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [LEGAL DESCRIPTION]

005-364-841 **LOT 2, DISTRICT LOT 6, OSOYOOS DIVISION, YALE DIVISION, PLAN 13101**

STC? YES ☐

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [LEGAL DESCRIPTION]

010-067-302 **LOT 3, SECITON 19, TOWNSHIP 9, OSOYOOS DIVISION, YALE DISTRICT, PLAN 6842**

STC? YES ☐

FORM_E_V21

LAND TITLE ACT
FORM E

SCHEDULE

ENTER THE REQUIRED INFORMATION IN THE SAME ORDER AS THE INFORMATION MUST APPEAR ON THE FREEHOLD TRANSFER FORM, MORTGAGE FORM, OR GENERAL INSTRUMENT FORM.

6. TRANSFEREES (including postal addresses and postal codes)

FIRST ISLAND FINANCIAL SERVICES LTD. (Incorporation Number BC0116225)
as to an undivided 30/44 interest
#101 - 727 Fisgard Street
Victoria, B.C. V8W 1R8
and
ZENEX CAPITAL CORP. (Registration Number A0054786)
as to an undivided 14/44 interest
525 Boblaw Place
Victoria, B.C. V9C 3Z1

Terms of Instrument – Part 2

Interpretation:

1.1 In these charge terms:

"borrower" means the person or persons named in the general instrument form as a transferor;

"borrower mailing address" means the postal address of the borrower set out in the mortgage or the most recent postal address provided in a written notice given by the borrower to the lender under these charge terms;

"borrower's promises and agreements" means any one or more of the borrower's obligations, promises, and agreements contained in this assignment of rents;

"default" includes each of the events of default listed in section 5.1;

"general instrument form" means the Form C to which these charge terms are annexed as Part 2 and all schedules to Form C;

"interest" means interest as defined in the mortgage;

"land" means all the borrower's present and future interest in the land described in the general instrument form including every incidental right, benefit, or privilege attaching to that land or running with it and all buildings and improvements that are now or will later be constructed on or made to that land;

"lease" means a lease or tenancy agreement, whether written or oral, of all or any part of the land, regardless of whether the lease now exists or arises at any time in the future;

"lender" means the person or persons named in the general instrument form as a transferee and includes any person to whom the lender transfers this assignment of rents;

"lender mailing address" means the postal address shown on the mortgage or the most recent postal address provided in a written notice given by the lender the borrower under these charge terms;

"mortgage" means the mortgage of the land that the borrower has executed or will execute in return for the lender agreeing to lend the principal amount;

"mortgage money" means the mortgage money as defined in the mortgage;

"place of payment" means the place of payment shown on the mortgage or any other place specified in a written notice given by the lender to the borrower under these charge terms;

"principal amount" means the principal amount as defined in the mortgage;

"rents" means all rents and other moneys that now are, or at any time in the future may be, due or owing to the borrower under any lease;

"this assignment of rents" means the combination of the general instrument form and these charge terms.

1.2 In this assignment of rents the singular includes the plural and vice versa.

What this Assignment of Rents Does:

2.1 In return for the lender agreeing to lend the principal amount to the borrower, the borrower assigns and transfers to the lender, as security for repayment of the mortgage money and for performance of all the borrower's promises and agreements and grants a security interest in:

(a) all rents;

(b) the benefit of all covenants and agreements included in any lease.

2.2 This assignment of rents shall be a charge on the land.

2.3 This assignment of rents is given in addition to and not in substitution for any other security for repayment of the mortgage money.

2.4 This assignment of rents does not operate as a merger of the mortgage or any other security or agreement.

2.5 When the borrower has paid the mortgage money and performed all the borrower's promises and agreements under the mortgage and the lender has no obligation to make any further advances or readvances, the borrower will be entitled, at the borrower's cost, to receive a discharge of this assignment of rents.

2.6 Provided that the borrower is not at the time in default under this agreement, then any rent received by the borrower may be used by the borrower.

Promises and Declaration of the Borrower:

3.1 The borrower promises:

(a) to accept rents under any lease only in the amounts and on the days and times and in the manner provided for in the lease and not to accept prepayment of any rents to accrue due or owing under any lease;

(b) from time to time, as the lender requires, to provide to the lender copies of any lease;

(c) to keep records of all rents received and of all expenses paid by the borrower in connection with the land and, at least annually, have a statement of revenue and expenses for the land prepared by a professional accountant if the lender requires and to give a copy of the statement to the lender if the lender requires the borrower to do so;

(d) to pay all of the lender's costs, including legal fees on a solicitor and client basis, to:

(i) prepare and register this assignment of rents;

(ii) collect the rents, including the cost of the time and services of the lender or the lender's employees for so doing;

(iii) enforce the terms of this assignment of rents, including efforts to compel the borrower to perform the borrower's promises and agreements;

(iv) do anything that the borrower has promised to do but has not done; and

(v) prepare and give the borrower a discharge of this assignment of rents when the borrower has paid all money due under the mortgage;

and these expenses and costs will be added to the principal amount, be payable on demand, and bear interest until they are fully paid;

(e) if the lender requires the borrower to do so, to assign in registerable form to the lender as additional security for the repayment of the mortgage money, any lease that may be granted by the borrower and to execute the assignment in the standard form of the lender or in such other form as the lender may require in its absolute discretion;

(f) to execute and deliver any other deeds, documents, and assurance, and to do any other acts required to carry out the true intent and meaning of this assignment of rents.

3.2 The borrower declares to the lender that the borrower has the right to assign and transfer the rents to the lender.

Agreements Between the Borrower and the Lender:

4.1 The lender shall not be responsible for the collection of the rents or any part of the rents or for the observance or performance of any of the covenants or agreements contained in any lease and need only provide an accounting to the borrower for any money that the lender actually receives pursuant to this assignment of rents.

4.2 If the borrower gives notice to the lender, the borrower must do so by having the notice delivered to the lender personally or by sending it by registered or certified mail to the lender mailing address.

4.3 If the lender gives notice to the borrower, the lender must do so by having the notice delivered to the borrower personally or by sending it by registered or certified mail to the borrower mailing address.

4.4 Any notice sent by mail is considered to have been received five days after it is mailed.

4.5 Any notice to be given by the borrower to the lender or vice versa during a mail strike or disruption must be delivered.

Default:

5.1 A default occurs under this assignment of rents if a default occurs under the mortgage or if the borrower is in default of any of the borrower's promises and agreements.

Consequences of a Default:

6.1 If a default occurs, the lender may do any one or more of the following:

(a) notify the tenant under any lease to make payment of rent to the lender;

(b) collect, realize, or otherwise deal with the rents or any part of the rents in any manner and without notice to the borrower.

6.2 If the lender does not exercise any of the lender's rights on the happening of a default or does not ask the borrower to cure it, the lender is not prevented from later compelling the borrower to cure that or any subsequent default or exercising any of its rights.

General:

7.1 This assignment of rents binds the borrower and the borrower's successors, executors, administrators, and assigns.

7.2 Each person who signs this assignment of rents as a borrower is jointly and severally liable for all of the borrower's promises and agreements as though each such borrower had been the only borrower to sign.

7.3 If any part of this assignment of rents is not enforceable, all other parts will remain in effect and be enforceable against the borrower.

GUARANTEE

WHEREAS **816956 ALBERTA LTD.** (hereinafter the "Borrower") has applied to **FIRST ISLAND FINANCIAL SERVICES LTD.** and **ZENEX CAPITAL CORP.** (hereinafter together referred to as the "Lender") for a loan of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** and has executed and delivered to the Lender a Loan Agreement (the "Loan Agreement") as security for the repayment of the said loan and interest thereon.

AND WHEREAS Canada North Camps Inc. of 2900-10180 101 Street, Edmonton, Alberta, T5J 3V5 (hereinafter the "Guarantor") has agreed to execute these presents in consideration of the advance of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** or any part thereof, by the Lender to the Borrower, and in further consideration of the sum of ONE ($1.00) DOLLAR, receipt whereof by the Guarantor is acknowledged hereby:

NOW THEREFORE the Guarantor does covenant and agree to and with the Lender as follows:

(a) That the Guarantor unconditionally guarantees to the Lender the due payment by the Borrower of the sum of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** and interest thereon at the times and in the manner set out in the said Loan Agreement and the due performance and observance by the Borrower of all covenants, conditions, stipulations and provisions contained in the said Loan Agreement.

(b) That as between the Lender and the Guarantor, the Guarantor is and shall continue to be liable as principal debtor under all the covenants contained in the aforesaid Loan Agreement notwithstanding any transaction which may take place between the Lender and the Borrower or any neglect or default of the Lender which might otherwise operate as a discharge whether partial or absolute of the Guarantor if they were sureties only of the Borrower, and without restricting the generality of the foregoing, notwithstanding the releasing in whole or in part of the properties and assets mortgaged or charged, or of the granting of time or other indulgence to the Borrower.

(c) That the Lender in their absolute discretion or in the absolute discretion of any officer or agent, and without diminishing the liability of the Guarantor may grant time or other indulgences to the Borrower and any other person or persons now or hereafter liable to the Lender in respect of the said principal monies and interest and may give up, modify, vary, exchange, renew or abstain from perfecting or taking any security or the advantage of any security or securities in whole or in part and may discharge any part or parts or accept any composition, or arrangements or realize any security or securities when and in such manner as the Lender or any officer thereof may think expedient and in no case shall the Lender be responsible for any neglect or omission with respect such security or securities or the taking thereof. The Guarantor renounces to all benefits of discussion and division. Any account settled or state by or between the Lender and the Borrower or admitting by or on behalf of the Borrower may be adducted by the Lender and shall in that case be accepted by the Guarantor as conclusive evidence that the balance or amount thereof thereby appearing is due by the Borrower to the Lender.

(d) That the Guarantor will not at any time claim to be subrogated in any manner to the position of the Lender and will not claim the benefit of any security at any time held by the Lender; PROVIDED HOWEVER that in the event of the Guarantor paying to the Lender all the monies remaining unpaid then such Guarantor shall be entitled on demand made by them in writing to the Lender to the assignment of such security remaining in the Lender at the time such notice is received by it.

(e) That the Lender shall not be bound to exhaust their recourse against the Borrower or other parties or other security or securities it may hold or any of them, before requiring payment of the Guarantor, and the Lender may enforce the various remedies available to them and may realize upon the various securities or any part thereof in such order as the Lender may determine.

(f) This Guarantee shall be a continuing Guarantee and shall apply to and secure any ultimate balance due and remaining unpaid to the Lender by the Borrower. And it is further hereby expressly declared that the release of any of the Guarantors from their liability hereunder shall not affect the liability of the remaining Guarantor or Guarantors which shall remain unimpaired and still in full force and effect as if the Guarantor or Guarantors so released had not been a Guarantor of the said principal sum or any part thereof.

(g) No suit based on this Guarantee shall be instituted until demand for payment has been made and demand for payment shall be deemed to have been effectually made upon any Guarantor if any when an envelope containing such demand addressed to the Guarantor at the address of the Guarantor last known to the Lender is posted postage prepaid in any Government Post Office and if posted as aforesaid shall be deemed to have been effectually made upon the Guarantor on the third following day after the posting of such demand.

(h) This Guarantee of the loan has been executed by more than one person or corporation and the liability of the persons and corporations executing this guarantee is joint and several and every reference in this guarantee to the "Guarantor" shall be construed as meaning each person and corporation who has executed it as well as all of them. This guarantee is binding on those who have executed it notwithstanding that it may remain unexecuted by any other person or corporation.

(i) This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall be construed together as one Guarantee.

(j) This Guarantee and Agreement shall extend to and enure to the benefit of the Lender and their successors and assigns and reference herein to the undersigned or to the Guarantor is a reference to and shall be construed as including their heirs, executors, administrators and assigns.

(k) The Guarantors agree to attorn to the jurisdiction of the Courts of the Province of Alberta, in the Country of Canada, and agree that any action, lawsuit or pleadings shall be issued through the Courts of the Province of Alberta.

(l) Wherever the singular number or the masculine gender is used in this instrument the same shall be construed as including the plural and feminine and neuter respectively where the fact or context so requires; and in any case where this instrument is executed by more than one party all covenants and agreements herein contained shall be construed and taken as against such executing parties as joint and several; and the heirs and executors, administrators, successors and assigns of any party executing this instrument are jointly and severally bound by the covenants, agreement stipulations, and provisions herein contained; and the covenants, agreements, stipulations, and provisions herein stated shall be in addition to those granted or implied by statute.

IN WITNESS WHEREOF, the Guarantor has affixed its corporate seal attested to by the hands of its proper officers this 25 day of June, 2015.

DATED at the City of Edmonton, in the Province of Alberta as of the date first above written.

CANADA NORTH CAMPS INC.

Per: ______________________

Per: ______________________ (c/s)

GUARANTEE

WHEREAS **816956 ALBERTA LTD.** (hereinafter the "Borrower") has applied to **FIRST ISLAND FINANCIAL SERVICES LTD.** and **ZENEX CAPITAL CORP.** (hereinafter together referred to as the "Lender") for a loan of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** and has executed and delivered to the Lender a Loan Agreement (the "Loan Agreement") as security for the repayment of the said loan and interest thereon.

AND WHEREAS Paul McCracken and Shayne McCracken, both of 14238 – 134 Avenue, Edmonton, Alberta, T5L 5V8 (hereinafter collectively called the "Guarantors") have agreed to execute these presents in consideration of the advance of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** or any part thereof, by the Lender to the Borrower, and in further consideration of the sum of ONE ($1.00) DOLLAR, receipt whereof by the Guarantors is acknowledged hereby:

NOW THEREFORE the Guarantors do covenant and agree to and with the Lender as follows:

(a) That the Guarantors unconditionally guarantee to the Lender the due payment by the Borrower of the sum of **FOUR MILLION FOUR HUNDRED THOUSAND ($4,400,000.00) DOLLARS** and interest thereon at the times and in the manner set out in the said Loan Agreement and the due performance and observance by the Borrower of all covenants, conditions, stipulations and provisions contained in the said Loan Agreement.

(b) That as between the Lender and the Guarantors, the Guarantors are and shall continue to be liable as principal debtors under all the covenants contained in the aforesaid Loan Agreement notwithstanding any transaction which may take place between the Lender and the Borrower or any neglect or default of the Lender which might otherwise operate as a discharge whether partial or absolute of the Guarantors if they were sureties only of the Borrower, and without restricting the generality of the foregoing, notwithstanding the releasing in whole or in part of the properties and assets mortgaged or charged, or of the granting of time or other indulgence to the Borrower.

(c) That the Lender in their absolute discretion or in the absolute discretion of any officer or agent, and without diminishing the liability of the Guarantors may grant time or other indulgences to the Borrower and any other person or persons now or hereafter liable to the Lender in respect of the said principal monies and interest and may give up, modify, vary, exchange, renew or abstain from perfecting or taking any security or the advantage of any security or securities in whole or in part and may discharge any part or parts or accept any composition, or arrangements or realize any security or securities when and in such manner as the Lender or any officer thereof may think expedient and in no case shall the Lender be responsible for any neglect or omission with respect such security or securities or the taking thereof. The Guarantors renounce to all benefits of discussion and division. Any account settled or state by or between the Lender and the Borrower or admitting by or on behalf of the Borrower may be adducted by the Lender and shall in that case be accepted by the Guarantors as conclusive evidence that the balance or amount thereof thereby appearing is due by the Borrower to the Lender.

(d) That the Guarantors will not at any time claim to be subrogated in any manner to the position of the Lender and will not claim the benefit of any security at any time held by the Lender; PROVIDED HOWEVER that in the event of the Guarantors paying to the Lender all the monies remaining unpaid then such Guarantors shall be entitled on demand made by them in writing to the Lender to the assignment of such security remaining in the Lender at the time such notice is received by it.

(e) That the Lender shall not be bound to exhaust their recourse against the Borrower or other parties or other security or securities it may hold or any of them, before requiring payment of the Guarantors, and the Lender may enforce the various remedies available to them and may realize upon the various securities or any part thereof in such order as the Lender may determine.

(f) This Guarantee shall be a continuing Guarantee and shall apply to and secure any ultimate balance due and remaining unpaid to the Lender by the Borrower. And it is further hereby expressly declared that the release of any of the Guarantors from their liability hereunder shall not affect the liability of the remaining Guarantor or Guarantors which shall remain unimpaired and still in full force and effect as if the Guarantor or Guarantors so released had not been a Guarantor of the said principal sum or any part thereof.

(g) No suit based on this Guarantee shall be instituted until demand for payment has been made and demand for payment shall be deemed to have been effectually made upon any Guarantor if any when an envelope containing such demand addressed to the Guarantor at the address of the Guarantor last known to the Lender is posted postage prepaid in any Government Post Office and if posted as aforesaid shall be deemed to have been effectually made upon the Guarantor on the third following day after the posting of such demand.

(h) This Guarantee of the loan has been executed by more than one person and the liability of the persons executing this guarantee is joint and several and every reference in this guarantee to the "Guarantor" shall be construed as meaning each person who has executed it as well as both of them. This guarantee is binding on those who have executed it notwithstanding that it may remain unexecuted by any other person.

(i) This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall be construed together as one Guarantee.

(j) This Guarantee and Agreement shall extend to and enure to the benefit of the Lender and their successors and assigns and reference herein to the undersigned or to the Guarantor is a reference to and shall be construed as including their heirs, executors, administrators and assigns.

(k) The Guarantors agree to attorn to the jurisdiction of the Courts of the Province of Alberta, in the Country of Canada, and agree that any action, lawsuit or pleadings shall be issued through the Courts of the Province of Alberta.

(l) Wherever the singular number or the masculine gender is used in this instrument the same shall be construed as including the plural and feminine and neuter respectively where the fact or context so requires; and in any case where this instrument is executed by more than one party all covenants and agreements herein contained shall be construed and taken as against such executing parties as joint and several; and the heirs and executors, administrators, successors and assigns of any party executing this instrument are jointly and severally bound by the covenants, agreement stipulations, and provisions herein contained; and the covenants, agreements, stipulations, and provisions herein stated shall be in addition to those granted or implied by statute.

IN WITNESS WHEREOF, the Guarantors have hereunto affixed their hands this 25 day of June, 2015.

DATED at the City of Edmonton, in the Province of Alberta as of the date first above written.

SIGNED, SEALED AND DELIVERED by)
PAUL McCRACKEN in the presence of:)

Witness

PAUL McCRACKEN

SIGNED, SEALED AND DELIVERED by)
SHAYNE McCRACKEN in the presence of)

Witness

SHAYNE McCRACKEN

GUARANTEES ACKNOWLEDGMENT ACT (Section 3)

CERTIFICATE

I HEREBY CERTIFY THAT:

1. **PAUL McCRACKEN,** the guarantor in the Guarantee dated June 25, 2015 made between 816956 Alberta Ltd., as Borrower, First Island Financial Services Ltd. and Zenex Capital Corp., together as Lender, and Paul McCracken, Shayne McCracken, and Canada North Camps Inc., collectively as Guarantors, which this certificate is attached to or noted on, appeared in person before me and acknowledged that he had executed the Guarantee.

2. I satisfied myself by examination of the guarantor that he is aware of the contents of the Guarantee and understands it.

CERTIFIED by ~~Heather Barnhouse~~ Amy Oygen, Barrister and Solicitor, at the City of Edmonton, in the Province of Alberta, this 25 day of June, 2015.

Barrister and Solicitor

AMY B. OYGEN
BARRISTER AND SOLICITOR

STATEMENT OF GUARANTOR

I am the person named in this certificate.

PAUL McCRACKEN

GUARANTEES ACKNOWLEDGMENT ACT (Section 3)

CERTIFICATE

I HEREBY CERTIFY THAT:

1. **SHAYNE McCRACKEN**, the guarantor in the Guarantee dated June 25, 2015 made between 816956 Alberta Ltd., as Borrower, First Island Financial Services Ltd. and Zenex Capital Corp., together as Lender, and Paul McCracken, Shayne McCracken, and Canada North Camps Inc., collectively as Guarantors, which this certificate is attached to or noted on, appeared in person before me and acknowledged that she had executed the Guarantee.

2. I satisfied myself by examination of the guarantor that she is aware of the contents of the Guarantee and understands it.

CERTIFIED by ~~Heather Barnhouse,~~ Amy Oygen ℗. Barrister and Solicitor, at the City of Edmonton, in the Province of Alberta, this 25 day of June, 2015.

Barrister and Solicitor

AMY B. OYGEN
BARRISTER AND SOLICITOR

STATEMENT OF GUARANTOR

I am the person named in this certificate.

SHAYNE McCRACKEN

Amanda Simister (3364) - 17Flr

From:	Heather Ferris (3145) - 17Flr
Sent:	Monday, July 10, 2017 10:54 AM
To:	Amanda Simister (3364) - 17Flr
Subject:	FW: FIFS First Mortgage over your 120 acres - Sturgeon County

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Phil Wooster [mailto:pwooster@firstisland.com]
Sent: Sunday, July 09, 2017 9:48 PM
To: Shayne McCracken (shayne@golfguide.ca); Shayne McCracken - Canada North Camps; Paul McCracken - CNC (paul.mccracken@canadanorthcamps.com)
Subject: FIFS First Mortgage over your 120 acres - Sturgeon County

Hello Shayne / Paul,

I know you likely have no end of issues to deal with at present, but we have our investors to answer to (and pay) which is creating plenty of anxiety as you can understand.

We were advised by your counsel that the 120 acres we have as security is up for sale, as are to be the 3 Okanagan Lakefront homes. When viewing the MLS, I cannot find same listed. Are these "exclusive" listings you've engaged in, or am I simply missing something?

Thank you for your edification on where you are at, and where you wish to get to.

P.D. (Phil) Wooster

First Island Financial Services Ltd.
101-727 Fisgard St, Victoria, BC V8W 1R8
Tel 250 388-5441 **Fax** 250 361-9160
Cel 250 480-9319 **Em** pwooster@firstisland.com

firstisland.com

FIRST ISLAND

This is Exhibit " B " referred to in the affidavit of Darrell Morgan made before me on March 14. 2018

A Commissioner for taking Affidavits for British Columbia

R. LAWRENCE SPOONER
A Commissioner for taking affidavits within British Columbia.

Amanda Simister (3364) - 17Flr

From:	Heather Ferris (3145) - 17Flr
Sent:	Thursday, July 27, 2017 12:44 PM
To:	Amanda Simister (3364) - 17Flr
Subject:	FW: Canada North group

This is Exhibit " C " referred to in the affidavit of Darrell Morgan made before me on March 14 2018

A Commissioner for taking Affidavits for British Columbia

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Phil Wooster [mailto:pwooster@firstisland.com]
Sent: Thursday, July 27, 2017 12:40 PM
To: Heather Ferris (3145) - 17Flr
Subject: RE: Canada North group

Glad to see the farm is listed, however, I still do not see it on MLS.....not sure how hard they may be trying to liquidate it?

Wonder why the BC houses are not being sold.....certainly not required for business purposes.

P.D. (Phil) Wooster

First Island Financial Services Ltd.
101-727 Fisgard St, Victoria, BC V8W 1R8
Tel 250 388-5441 **Fax** 250 361-9160
Cel 250 480-9319 **Em** pwooster@firstisland.com

FIRST ISLAND

firstisland.com

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: July-27-17 11:19 AM
To: Phil Wooster <pwooster@firstisland.com>
Subject: FW: Canada North group

????

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Norris, Spencer [mailto:spencer.norris@dlapiper.com]
Sent: Thursday, July 27, 2017 10:45 AM
To: Heather Ferris (3145) - 17Flr
Cc: Wanke, Stephanie
Subject: RE: Canada North group

Hi Heather,

My name is Spencer Norris; I'm an associate assisting Stephanie with this file.

Attached is a brochure and below is a link with respect to the listing of the farm land.

http://cwedm.com/properties/details/?id=45536&property-title=sturgeon+county+land+%26+buildings

There may have been some confusion in your earlier talks with Stephanie as it's our understanding the B.C. properties are presently not listed for sale.

Thank you, Heather.

Spencer Norris
Associate

T 780.670.6862
F 780.702.4372
E spencer.norris@dlapiper.com

DLA PIPER

DLA Piper (Canada) LLP
1201 Scotia Tower 2
10060 Jasper Avenue
Edmonton AB T5J 4E5
Canada
www.dlapiper.com

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: July-21-17 3:48 PM
To: Wanke, Stephanie
Subject: Canada North group

Stephanie, when we spoke, you indicated that the BC properties held by my client (First Island) as security under the personal gtees as well as the farm property held by the # co, had been or were being listed for sale. My client has been unable to locate any such listings. Can you advise please?

Regards,

Heather

HEATHER M.B. FERRIS | Partner
D 604.631.9145 | **F** 604.694.2957 | **E** hferris@lawsonlundell.com
LAWSON LUNDELL LLP 1600 - 925 West Georgia Street, Vancouver, BC V6C 3L2
Vancouver | Calgary | Yellowknife

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Amanda Simister (3364) - 17Flr

From: Heather Ferris (3145) - 17Flr
Sent: Wednesday, October 25, 2017 10:34 AM
To: Amanda Simister (3364) - 17Flr
Subject: FW: Canada North

This is Exhibit " D " referred to in the affidavit of Darrell Morgan made before me on March 14 20 18

A Commissioner for taking Affidavits for British Columbia

For file.

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Darren Bieganek [mailto:dbieganek@dcllp.com]
Sent: Wednesday, October 25, 2017 10:19 AM
To: Heather Ferris (3145) - 17Flr
Cc: matt.mcculloch@ca.ey.com
Subject: RE: Canada North

Heather,

As was outlined in the motion materials in respect of the last extension application, the company is listing its real estate assets for sale. Cushman Wakefield is in the process of being retained. The Monitor was provided with their FMA's yesterday and the listings are now being finalized.

As well, the company is to have to the Monitor within the next day or so its ISSP proposal material. The Monitor is to report on that within a reasonable period of time. I will speak with the Monitor about including comment on the real estate listings to update the creditors.

Parallel with that process, the Company is engaged in discussions with two local investors. The Monitor and I will be meeting with the company, its financial advisors and its counsel on Friday for an update and to consider what a plan might look like if deals are structured with these investors. That said, in the case of mortgage holders such as your client, I do believe (but stand to be corrected) that the plan is to pay off the mortgages with proceeds from the land secured.

As for payments, cash flow is steady but not of a volume to support ongoing payments to secured lenders. This is the slow season for the business. Things are now gearing up for the winter and cash flow is projected to improve but the projections do not account for ongoing payments to lenders. They never have.

I trust this answers your inquiry. I know that that there may be concerns with the speed with which matters are moving but I can say matters have improved steadily since the departure of the CRO and, from the monitor's perspective, real progress is being made.

If you have any further questions please do not hesitate to call or write.

Regards,

Darren Bieganek

Darren Bieganek, LLB, QC
[illegible]

Duncan Craig LLP
2800 Scotia Place, 10060 Jasper Ave
Edmonton, Alberta, T5J 3V9

[illegible]
[illegible]
[illegible]
e-mail: dbieganek@dcllp.com

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Please note that errors can occur in electronically transmitted materials. We do not accept liability for any such errors. If verification is required please ask for a hard copy.

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: October-24-17 3:45 PM
To: Darren Bieganek <dbieganek@dcllp.com>
Subject: Canada North

Darren, my client has seen a lot of pleadings dealing with process matters, and I understand the need for that, but what my client, as a secured creditor, would like to know is when we are going to see some money flowing? Is the monitor going to report on the status of the properties that are listed, offers etc. and if there is enough money to start paying the mortgage holders or when we can expect to see a germ of a Plan?

Please advise.

Heather

HEATHER M.B. FERRIS | Partner
D 604.631.9145 | **F** 604.694.2957 | **E** hferris@lawsonlundell.com
LAWSON LUNDELL LLP 1600 - 925 West Georgia Street, Vancouver, BC V6C 3L2
Vancouver | Calgary | Yellowknife | Kelowna

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Heather Ferris (3145) - 17Flr

From:	Heather Ferris (3145) - 17Flr
Sent:	Tuesday, November 21, 2017 10:42 AM
To:	'Phil Wooster' (pwooster@firstisland.com)
Subject:	FW: Canada North

This is Exhibit " E " referred to in the affidavit of Darrell Morgan made before me on March 14 2018

A Commissioner for taking Affidavits for British Columbia

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Tuesday, November 21, 2017 10:41 AM
To: 'Darren Bieganek'
Subject: Canada North

We refer to our last e-mail exchange regarding this matter of Oct 25, 2017. We have heard nothing further from you in the last month.

As you know, our client, First Financial Island Services Ltd., holds 4 mortgages against properties that are unrelated to the debtor's core business, specifically, a second charge on the lots/homes in Vernon, and a first charge on property in Edmonton which is currently being used to board the principals' horses and for storage. We have received no update as to the listings, offers or sales.

There is currently no MLS listing for the Vernon properties despite assurances months ago when this process commenced that they would be listed immediately to pay out the existing first mortgages in favour of CWB and to reduce our debt.

The Edmonton property has now been listed for over 7 months at a list price of $6,686,000 with no offers, we understand. It would appear obvious that the list price is too high and should be immediately be reduced. Please provide us with your realtor's reporting regarding this property and their recommendations.

As we understand the numbers, there is no equity in any of these properties for the debtor. Therefore, we fail to understand, particularly given they are not part of the debtor's business, why they remain under the stay protection and why the lenders cannot foreclosure in the normal course. It is apparent that no real action is being taken to liquidate these assets as the interest continues to accrue in the range of hundreds of thousands of dollars leaving our client to believe, given the outstanding tax arrears and commission, that they will now have a shortfall.

Unless we receive a response satisfactory to our client, we expect instructions to apply to lift the stay for the purposes of proceeding with a foreclosure on these assets.

We await your prompt reply.

Regards,

Heather Ferris

Amanda Simister (3364) - 17Flr

From: Heather Ferris (3145) - 17Flr
Sent: Monday, November 27, 2017 10:19 AM
To: Amanda Simister (3364) - 17Flr
Subject: FW: Canada North Camps - Monitor's Fourth Report
Attachments: DCLLP-#2243550-v1-Sturgeon_Property_Lisitn_Brochure.PDF; Intent-To-Annex-Signed.pdf

For file

~~Heather M.B. Ferris | Partner~~
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

This is Exhibit " F " referred to in the
affidavit of Darrell Morgan
made before me on March 14 2018

A Commissioner for taking Affidavits
for British Columbia

From: Darren Bieganek [mailto:dbieganek@dcllp.com]
Sent: Wednesday, November 22, 2017 6:06 PM
To: Heather Ferris (3145) - 17Flr
Cc: Matt McCulloch; Wanke, Stephanie
Subject: RE: Canada North Camps - Monitor's Fourth Report

Heather,

I was tied up for most of the day so apologize for the delay on getting back to you.

With respect to the Sturgeon County lands, I enclose a copy of the Cushman Wakefield brochure. I have not had the chance to obtain instructions as yet from the Monitor in respect of your intended course of action but will advise once I have had the chance to speak with him. I will note, however, the following for your consideration:

1. While agricultural land at the moment, the property is in the proposed Annexation Zone for the City of St. Albert. The annexation notice was issued in June. I enclose it for your reference;
2. The Company is working through its ISSP process and a parallel negotiation for investment with another party (who has been interested since commencement of proceedings). The company and the Monitor remain

optimistic that there will be sufficient interest at sufficient value to formulate a plan generally and an exit plan. A little more patience on the part of your client may not be unwarranted; and

3. The existing stay expires at the end of January. Generally speaking, there does not appear to be any apparent urgency to having the stay issue addressed prior to that time. The land is not going anywhere and it is on the market. I take your point with the price and will address that with the Monitor, and the company, as well. My sense is that your bigger concern is receiving better communication on pricing, marketing and if there has been any interest. I will endeavour to address that.

With respect to the Vernon lands, you will need to speak to Ms. Wanke directly. While there is a stay in place, the lands do not form part of the Group's assets so the Monitor is not able to take a position on your client's concerns in respect of same.

I will get back to you further once I have instructions.

Darren Bieganek

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: November-22-17 12:57 PM
To: Darren Bieganek <dbieganek@dcllp.com>
Subject: RE: Canada North Camps - Monitor's Fourth Report

Darren, The McCrackens have contacted my client and advised:

1. The Edmonton property which they refers to as the " barn" will cover all debts as he thinks it is worth over 8M despite that fact that it has been listed for over 7 months at 6.86M with no sale; and
2. As a result, there is no need to list the Vernon properties for sale.

Darren, not only is this nonsensical, but also unacceptable.

Again, please provide the marketing/listing information for the barn. Please provide the Monitor's position on this.

I anticipate receiving instructions to lift the stay to deal with all these properties.

Please advise when I can expect t6o be in receipt of the same.

Heather

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Tuesday, November 21, 2017 2:17 PM
To: 'Darren Bieganek'
Subject: RE: Canada North Camps - Monitor's Fourth Report

Client is owed approx..5M

Amanda Simister (3364) - 17Flr

From:	Heather Ferris (3145) - 17Flr
Sent:	Wednesday, November 22, 2017 11:57 AM
To:	Amanda Simister (3364) - 17Flr
Subject:	FW: Canada North Camps - Monitor's Fourth Report

For file

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Wednesday, November 22, 2017 11:57 AM
To: 'Darren Bieganek'
Subject: RE: Canada North Camps - Monitor's Fourth Report

Darren, The McCrackens have contacted my client and advised:

1. The Edmonton property which they refers to as the " barn" will cover all debts as he thinks it is worth over 8M despite that fact that it has been listed for over 7 months at 6.86M with no sale; and
2. As a result, there is no need to list the Vernon properties for sale.

Darren, not only is this nonsensical, but also unacceptable.

Again, please provide the marketing/listing information for the barn. Please provide the Monitor's position on this.

I anticipate receiving instructions to lift the stay to deal with all these properties.

Please advise when I can expect t6o be in receipt of the same.

Heather

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Tuesday, November 21, 2017 2:17 PM
To: 'Darren Bieganek'
Subject: RE: Canada North Camps - Monitor's Fourth Report

Client is owed approx..5M

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Darren Bieganek [mailto:dbieganek@dcllp.com]
Sent: Tuesday, November 21, 2017 2:10 PM
To: Heather Ferris (3145) - 17Flr
Subject: RE: Canada North Camps - Monitor's Fourth Report

Heather,

I appreciate that the report does not answer your question – it was, however, already in the process of being filed and served so it was not sent merely to placate you.

I will get you some answers shortly but am up to my eye balls on something else at the moment on another matter.

In the meantime please confirm a rough estimate of the amount outstanding to your client.

Darren

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: November-21-17 3:06 PM
To: Darren Bieganek <dbieganek@dcllp.com>
Subject: FW: Canada North Camps - Monitor's Fourth Report

Darren, please see below and advise as your report does not answer the questions posed and issues raised in my earlier e-mail.

Regards,

Heather

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Phil Wooster [mailto:pwooster@firstisland.com]
Sent: Tuesday, November 21, 2017 2:03 PM
To: Heather Ferris (3145) - 17Flr
Subject: RE: Canada North Camps - Monitor's Fourth Report

Hi Heather – the below two clauses suggest all properties are listed. Cushman does not sell residential homes, and the 3 Vernon properties are not on the MLS.

Thank you,

Listing of Applicant's Real Property

16. The Monitor advises that after securing most of the appr Applicant's real property, and after obtaining an opinion of commercial realtor, the Applicants have now listed all of thei for Sale with Cushman & Wakefield Edmonton.

17. Any affected creditor can contact the Monitor or the Appl relation to any of the properties listed for sale, included listing

P.D. (Phil) Wooster

First Island Financial Services Ltd.
101-727 Fisgard St, Victoria, BC V8W 1R8
Tel 250 388-5441 **Fax** 250 361-9160
Cel 250 480-9319 **Em** pwooster@firstisland.com

firstisland.com

FIRST ISLAND

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: November-21-17 1:38 PM
To: Phil Wooster <pwooster@firstisland.com>
Subject: FW: Canada North Camps - Monitor's Fourth Report

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Darren Bieganek [mailto:dbieganek@dcllp.com]
Sent: Tuesday, November 21, 2017 1:29 PM
To: Wanke, Stephanie; Norris, Spencer; heather.barnhouse@dentons.com; morgan.deacon@dentons.com; cristina.wendel@dentons.com; matt.mcculloch@ca.ey.com; dan.mcculloch@ca.ey.com; jsolursh@relgrp.com; jgollob@relgrp.com; hbrodie@relgrp.com; crussell@mross.com; joliver@casselsbrock.com; jenns@casselbrock.com; Terry Warner; Kent Rowan; Heather Ferris (3145) - 17Flr; jmackay@amjcampbell.ab.ca; klumsden@wittenlaw.com; pstocco@brownleelaw.com; gm@forthryte.com; ndaprocida@shaw.ca; rmccarty@rmrf.com; mderendube@mltaikins.com; slivingstone@mross.com; tgusa@millerthomson.com; Body, George; grant@watsonconstructionlaw.ca; tfong@fasken.com; vstorwick@fasken.com; gpunia@fasken.com; khickling@bdo.ca; pwright@blackdiamondgroup.com; jdhaibi@brownleelaw.com; pearcemay@shaw.ca; thamelin@bmllp.ca; Kevin Chapotelle
Subject: Canada North Camps - Monitor's Fourth Report

With reference to the above captioned matter, enclosed please find for service upon you a copy of the Monitor's 4th Report providing you with updates in respect of the Investment and Sales and Solicitation Process, the listing of the Applicants' real estate and the sale of the head office building.

The Report is submitted for information purposes as directed by the Court and not in respect of any pending applications.

If you have any questions please do not hesitate to contact the writer or the Monitor directly.

Yours truly,

Darren Bieganek, LLB, QC
Partner, Insolvency, Restructuring and Commercial Litigation

[illegible]
2800 Scotia Place, 10060 Jasper Ave
Edmonton, Alberta, T5J 3V9

[illegible]
Toll free: 1.800.782.9479
Fax: 780.969.6381
e-mail: dbieganek@dcllp.com

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Amanda Simister (3364) - 17Flr

From:	Heather Ferris (3145) - 17Flr
Sent:	Monday, November 27, 2017 10:20 AM
To:	Amanda Simister (3364) - 17Flr
Subject:	FW: Canada North Camps - Monitor's Fourth Report
Attachments:	DCLLP-#2243550-v1-Sturgeon_Property_Lisitn_Brochure.PDF; Intent-To-Annex-Signed.pdf

For file

This is Exhibit " G " referred to in the affidavit of Darrell Morgan made before me on March 14 20 18

A Commissioner for taking Affidavits for British Columbia

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Monday, November 27, 2017 10:19 AM
To: stephanie.wanke@dlapiper.com
Subject: FW: Canada North Camps - Monitor's Fourth Report

Stephanie, please see below. According to our client, there is not sufficient equity in the Farm to satisfy the secured charge and we will be looking to the Vernon properties to cover. The Monitor, as set out below, has stated that the Vernon properties do not form part of the Company's assets and therefore they do not take a position on them. That in itself suggests that the stay should not extend to those lands.

You client had advised mine months ago when this started that the Vernon lands were being listed for sale and now they are not. I anticipate receiving instructions to lift the stay to proceed against the Vernon lands subject to anything you can tell me that may satisfy my client.

Regards,

Heather Ferris

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Friday, November 24, 2017 10:16 AM
To: 'Phil Wooster' (pwooster@firstisland.com)
Cc: Heather Ferris (3145) - 17Flr
Subject: FW: Canada North Camps - Monitor's Fourth Report

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

Heather Ferris (3145) - 17Flr

From:	Heather Ferris (3145) - 17Flr
Sent:	Monday, November 27, 2017 3:44 PM
To:	'Wanke, Stephanie'
Subject:	RE: Canada North Camps - Monitor's Fourth Report

Revised below.

Please ignore earlier e-mail.

This is Exhibit " H " referred to in the affidavit of Darrell Morgan made before me on March 14 2018

A Commissioner for taking Affidavits for British Columbia

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Monday, November 27, 2017 3:39 PM
To: 'Wanke, Stephanie'
Subject: RE: Canada North Camps - Monitor's Fourth Report

Stephanie, our client advises it is currently owed approx. 4.65M. As you know, this is a 1st charge on the Farm property which has been listed at 6.8M for over 7 months with no sale. CWB is in 3rd. There is also significant tax arrears.

I don't see how a new appraisal assists given the current marketing and the apparent lack of interest.

My client will need to look to the Vernon properties where they are also in 2nd position behind a number of other lenders.

In short, I don't see a legal reason why my client should not be permitted to proceed against the Vernon lands.

Heather

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Wanke, Stephanie [mailto:stephanie.wanke@dlapiper.com]
Sent: Monday, November 27, 2017 10:33 AM
To: Heather Ferris (3145) - 17Flr
Subject: RE: Canada North Camps - Monitor's Fourth Report

Hi Heather,

Can you confirm the current amount outstanding on the farm to your clients?

We have obtained an updated appraisal on the Farm which I can share with you on your undertaking of confidentiality to only use the appraisal for these proceedings and to otherwise keep the information therein confidential and to obtain the same undertaking from your clients prior to forwarding the appraisal.

Amanda Simister (3364) - 17Flr

From: Heather Ferris (3145) - 17Flr
Sent: Thursday, January 25, 2018 11:10 AM
To: Amanda Simister (3364) - 17Flr
Subject: FW: Sturgeon County Land - Final Signed - 01.22.2018.pdf - Canada North Group

print

This is Exhibit " L " referred to in the affidavit of Darrell Morgan made before me on March 14 2018

A Commissioner for taking Affidavits for British Columbia

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Thursday, January 25, 2018 11:09 AM
To: 'Stephanie Wanke'
Cc: Darren Bieganek
Subject: RE: Sturgeon County Land - Final Signed - 01.22.2018.pdf - Canada North Group

My client has asked what assurance you can provide that there will be no allocation of the DIP and Admin Charge against the Farm. My client is of the firm opinion, supported by the appraisal etc., that any allocation of these charges will definitely result in a significant shortfall.

Please advise.

Regards,

Heather Ferris

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Stephanie Wanke [mailto:stephanie.wanke@oviattlaw.com]
Sent: Wednesday, January 24, 2018 10:44 AM
To: Heather Ferris (3145) – 17Flr
Cc: Darren Bieganek
Subject: RE: Sturgeon County Land - Final Signed - 01.22.2018.pdf - Canada North Group

Hi Heather,

By way of update, the list price on the farm was reduced to $5.7M early in January. The reduction in list price has spurred interest in the property – including from Melcor, who is a major land developer in Alberta and is the developer of the nearby Jensen Lakes community.

The farm is being used to store dorms and other Canada North equipment and is part of the company's operations.

As you will see from the materials that we have filed for our application, Canada North is on track to be able to provide a Plan of Arrangement to its creditors that we believe will be accepted. The intention is that mortgagees like your client (direct lenders) would be unaffected by the Plan of Arrangement. The DIP and admin charges would be paid out in full with the new equity/sale/financing proceeds and there would be no allocation against your client's interest. I do not believe that your client is in a shortfall position.

The Company would then bring the mortgage current following the Plan Implementation Date, which is expected to be in early April. I do note that we are in the final stage of these proceedings – with a little over two months to go after this upcoming court application.

If you intend to file your appraisal, please provide it in a confidential form and seek a sealing order. We again offer to provide your our appraisal, provided that you undertake to keep it confidential and to obtain the same undertaking from your client prior to forwarding the appraisal to your client.

I do appreciate that the suspension of mortgage payments has been inconvenient for your client, however, I do not believe that the continuation of the stay with respect to the farm will prejudice your client. If your client were able to commence foreclosure proceedings, there would be nothing that would happen from now until April that would be any different from what is already happening – i.e. the property is listed for a price recommended by a realtor that is slightly lower than the mid-point between our two appraisal. If the farm stays in the process, it improves the likelihood of a successful Plan of Arrangement being completed and the mortgage being brought current.

As a result, we are not prepared to agree to release the farm and ask your client to reconsider its position.

Regards,

Stephanie

Stephanie A. Wanke

Lawyer
Oviatt Law

(t) 780.809.2219
(f) 780.669.7215

#401, 10408 124 Street
Edmonton, Alberta
T5N 1R5

From: Heather Ferris [mailto:hferris@lawsonlundell.com]
Sent: January 23, 2018 1:13 PM
To: Darren Bieganek <dbieganek@dcllp.com>; Stephanie Wanke <stephanie.wanke@oviattlaw.com>
Subject: FW: Sturgeon County Land - Final Signed - 01.22.2018.pdf - Canada North Group

As you' re aware, we are counsel for First island Financial in this matter and have been asking various and ongoing questions regarding our main piece of security, that being the ' Farm". As you know from my previous e-mail, despite having been listed for months, there has been no offers. Although Darren's last e-mail to me indicated that the appraisal was higher than the list price, we now attach a current appraisal given a market value of $5,000.000. Our client is owed slightly less than that and that doesn't include the allocation of the DIP, the Admin Charge, selling commission, etc. Our client is in a shortfall position. In addition, the " Farm" is an unrelated price of property to the business and is basically used for storage. We can see no reason why this property should continue to be included in the stay.

Given the shortfall that our client now finds itself in, an extension of the stay significantly prejudices our client as its goes deeper under water with the time delay and the further increase in the DIP.

We are instructed to oppose your application as it relates to the Farm. We cannot see how the Monitor could include in its Report that the continual inclusion of this piece of property effects the CCAA proceeding at all given that it has nothing to do with the business.

Please advise if you will consent to releasing the Farm from the stay, failing which, we will prepare and serve materials on this issue.

Regards,

Heather Ferris

Heather M.B. Ferris | Partner
Lawson Lundell LLP
D 604.631.9145 | F 604.694.2957

From: Heather Ferris (3145) - 17Flr
Sent: Tuesday, January 23, 2018 11:58 AM
To: Heather Ferris (3145) - 17Flr
Subject: Sturgeon County Land - Final Signed - 01.22.2018.pdf

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This is Exhibit " M " referred to in the affidavit of Darrell Morgan made before ~~me on~~ March 14 20 18

A Commissioner for taking Affidavits for British Columbia

THE CORPORATION OF THE CITY OF VERNON

PROPERTY TAX CERTIFICATE

3400 30th Street
Vernon BC V1T 5E6

Phone: (250) 545 1361
Fax: (250) 545 7876

This statement is issued in accordance with The Community Charter Section 249 - Statement of Taxes Outstanding.
Under 249(2), an error in a statement or certificate given under this section does not subject the municipality to damages.
THIS PROPERTY MAY BE SUBJECT TO OTHER CHARGES OR FEES.

Printed: Mar 14, 2018 | Number: 35136 | Reference: 30302-136407
Original search: PID 009-206-884.

Owner

MCCRACKEN, PAUL
MCCRACKEN, SHAYNE
14238 134 AVE NW
EDMONTON AB T5L 5V8

Property

Folio: 07820.360 | **LTO No.:** CA506239
Pid: 009-206-884 | **MHR No.:**

Civic: 7619 OKANAGAN LANDING RD
Legal: LT 1 PL 13101 SEC 19 TWP 9 DL 6 ODYD
Status: ACTIVE

2018 Assessments

Value Set	Assessment Class	Value Type	Land	Improvements	Total
GENERAL	Residential	GROSS	803,000	329,000	1,132,000
GENERAL	Residential	EXEMPT	0	0	0
GENERAL	Residential	NET	803,000	329,000	1,132,000

2017 Levies, Grants, Deferrals	
Total Levy	**6,571.36**
Grant Available	
65 and Over	1,045.00
Under 65	770.00
Grant Claimed	**0.00**
Deferred	**0.00**

Property Taxes Owing As At Mar 14, 2018	
Delinquent (2016)	0.00
Arrears (2017)	0.00
Interest to Mar 14, 2018	0.00
Current (2018)	0.00
Penalties	0.00
Total Taxes Owing	**0.00**

2018 Instalments	
Payments Made	-4,784.00
Interest Earned	-3.04
Adjustments	0.00
Balance as at Mar 14, 2018	**-4,787.04**

> > > >

Quarterly Utilities Account 123755

Unpaid arrears and late payment of current charges are subject to interest charges. If applicable please contact the city for details.

		Details of Last Bill			
Unpaid Arrears	0.00	Charges on Last Bill			184.12
Balance of Last Bill - Due **Feb 19, 2018**	0.00	Total Discount	0.00	Claimed	0.00
		Payments Applied			-184.12
Account Balance as at Mar 14, 2018	0.00	Penalties			0.00
		Adjustments			0.00

Service Charges for Last Period:

Description	Amount	Discount Avail	Units	Days	Consumption
Prior Charges That Cover Past Oct 01, 2017					
GVW RESIDENTIAL WATER Tier 1 0-40 m3 @ $ 0.82	32.80	0.00	1.00	90	40.00 CU MTRS
GVW RESIDENTIAL WATER Tier 2 41-80 m3 @ $ 1.64	65.60	0.00	1.00	90	40.00 CU MTRS
GVW RESIDENTIAL WATER Tier 3 Over 80 m3 @ $2.46	1,038.12	0.00	1.00	90	422.00 CU MTRS
Oct 01, 2017 TO Dec 31, 2017					
GVW WATER METER RENEWAL < 1 "	7.07	0.00	1.00	92	
GVW RES WATER INFRASTRUCTURE BASE	90.00	0.00	1.00	92	
GVW RESIDENTIAL WATER Tier 1 0-40 m3 @ $ 0.82	4.92	0.00	1.00	94	6.00 CU MTRS

RES SEWER INFRASTRUCTURE BASE	50.20	0.00	1.00	92
GARBAGE - RESIDENTIAL	27.89	0.00	1.00	92
YARD RECYCLING - RESIDENTIAL	4.04	0.00	1.00	92

Pre-Authorized Withdrawals

Tax/Utility Account#	Reference Number	Account Holder Name	Withdrawal Amount	Scheduled Dates Start	Stop

Monthly withdrawals are made on the 15th of each month starting in August and ending in May. The balance of the taxes due are then withdrawn on the tax due date. Credit balances including interest will not be refunded and must be taken into account when preparing the Statement of Adjustments. No refunds will be given by the City of Vernon. Please have the vendor sign below to cancel his/her pre-authorized tax payment plan - otherwise it will continue beyond the date of sale.

I(we) hereby authorize the City of Vernon to cancel my(our) pre-authorized tax payment plan effective this ______ day of the

month of ___________________, in the year _____________ (Must be received no later than the 10th of the month).

______________________ ______________________

Authorized Signature Authorized Signature

TAX 07820.360	13257	MCCRACKEN, PAUL	598.00	Aug 01, 2017	

There are four (4) quarterly withdrawals made on the utility due date. Account balances including interest must be taken into consideration when preparing the Statement of Adjustments. Please have the vendor sign below to cancel his/her utility auto withdrawal from the payment plan - otherwise it will continue beyond the date of sale. No refunds will be given by the City of Vernon.

I(we) hereby authorize the City of Vernon to cancel my(our) utility auto-withdrawal payment plan effective this ______ day of

the month_____________________, in the year _____________ (Must be received no later than the 10th of the month).

______________________ ______________________

Authorized Signature Authorized Signature

UTILITY 123755	13257	MCCRACKEN, PAUL	0.00	Apr 24, 2008	

Important Property Comments

GENERAL — A) PROPERTY TAXES - DUE JULY 3

Remember to claim the Home Owner Grant, if eligible, by completing and returning the application on the bottom portion of the Property Tax Notice.

The property tax bill covers the period January 1 to December 31 of the current year.

Late payments are subject to a 10% penalty if not paid by the property tax due date, July 3

To avoid penalty, eligible owners should apply for the grant by the tax due date, July 3, even if not paying the taxes that are due at that time.

GENERAL — B) PROPERTY SALES AND THE HOME OWNER GRANT

The Home Owner Grant is a reduction of indebtness against the current year property taxes. A new owner is unable to claim the grant if the previous owner has paid the taxes in full.

Only one grant can be claimed per owner and per property each year.

The Provincial Home Owner Grant is a benefit, if the home owner(s) is/are eligible. Grant amounts are:

Basic Grant $770 or Senior/Additional $1,045. Please contact our office if you require further information.

More information about the Home Owner Grant is available on the Provincial Government website at www.rev.gov.bc.ca/hog

GENERAL

C) WATER AND SEWER

Metered water and sewer charges are based on consumption and billed four times per year, each covering a three-month period.

Late payments are subject to interest charges.

Any utility balances remaining unpaid as of December 31 will be transferred to the property tax account as arrears. New property owners should be made aware of these dates.

New constructed properties may have utility charges not currently reflected on this tax certificate.

GENERAL

D) THE CITY LEVIES CHARGES AGAINST PROPERTIES, NOT OWNERS

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GENERAL

E) CONTACT THE PROPERTY TAX & UTILITY OFFICE AT (250) 545-1361 IF YOU HAVE NOT RECEIVED A BILL TEN DAYS BEFORE THE DUE DATE

It can be 4-6 weeks before we receive new ownership information from the Land Title Office. Penalties and interest charges are applicable even if you don't receive a bill.

GENERAL

F) ACCOUNTS RECEIVABLE

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GENERAL

IMPORTANT! Due to high volumes associated with property taxation, this property tax account might not be up to date. Please allow 5-7 business days for payment and Home Owner Grant transactions to be processed.

E & O/E

End of Tax Certificate

THE CORPORATION OF THE CITY OF VERNON

PROPERTY TAX CERTIFICATE

3400 30th Street
Vernon BC V1T 5E6

Phone: (250) 545 1361
Fax: (250) 545 7876

This statement is issued in accordance with The Community Charter Section 249 - Statement of Taxes Outstanding.
Under 249(2), an error in a statement or certificate given under this section does not subject the municipality to damages.
THIS PROPERTY MAY BE SUBJECT TO OTHER CHARGES OR FEES.

Printed: Mar 14, 2018 | Number: 35137 | Reference: 30302-136407
Original search: PID 005-364-841.

Owner

MCCRACKEN, SHAYNE
MCCRACKEN, PAUL
14238 134 AVE NW
EDMONTON AB T5L 5V8

Property

Folio: 07820.350 **LTO No.:** CA3701984
Pid: 005-364-841 **MHR No.:**

Civic: 7631 OKANAGAN LANDING RD
Legal: LT 2 PL 13101 DL 6 ODYD
Status: ACTIVE

2018 Assessments

Value Set	**Assessment Class**	**Value Type**	**Land**	**Improvements**	**Total**
GENERAL	Residential	GROSS	888,000	388,000	1,276,000
GENERAL	Residential	EXEMPT	0	0	0
GENERAL	Residential	NET	888,000	388,000	1,276,000

2017 Levies, Grants, Deferrals

Total Levy	**7,271.85**
Grant Available	
65 and Over	1,045.00
Under 65	770.00
Grant Claimed	**0.00**
Deferred	**0.00**

Property Taxes Owing As At Mar 14, 2018

Delinquent (2016)	0.00
Arrears (2017)	0.00
Interest to Mar 14, 2018	0.00
Current (2018)	0.00
Penalties	0.00
Total Taxes Owing	**0.00**

2018 Instalments

Payments Made	-5,296.00
Interest Earned	-3.38
Adjustments	0.00
Balance as at Mar 14, 2018	**-5,299.38**

> > > >

Quarterly Utilities Account 123754

Unpaid arrears and late payment of current charges are subject to interest charges. If applicable please contact the city for details.

Details of Last Bill

Unpaid Arrears	0.00	Charges on Last Bill			179.20
Balance of Last Bill - Due **Feb 19, 2018**	0.00	Total Discount	0.00	Claimed	0.00
		Payments Applied			-179.20
Account Balance as at Mar 14, 2018	0.00	Penalties			0.00
		Adjustments			0.00

Service Charges for Last Period:

Description	**Amount**	**Discount Avail**	**Units**	**Days**	**Consumption**
Prior Charges That Cover Past Oct 01, 2017					
GVW RESIDENTIAL WATER Tier 1 0-40 m3 @ $ 0.82	32.80	0.00	1.00	90	40.00 CU MTRS
GVW RESIDENTIAL WATER Tier 2 41-80 m3 @ $ 1.64	65.60	0.00	1.00	90	40.00 CU MTRS
GVW RESIDENTIAL WATER Tier 3 Over 80 m3 @ $2.46	296.43	0.00	1.00	90	120.50 CU MTRS
Oct 01, 2017 TO Dec 31, 2017					
GVW WATER METER RENEWAL < 1 "	7.07	0.00	1.00	92	
GVW RES WATER INFRASTRUCTURE BASE	90.00	0.00	1.00	92	
RES SEWER INFRASTRUCTURE BASE	50.20	0.00	1.00	92	

GARBAGE - RESIDENTIAL	27.89	0.00	1.00	92
YARD RECYCLING - RESIDENTIAL	4.04	0.00	1.00	92

Pre-Authorized Withdrawals

Tax/Utility Account#	Reference Number	Account Holder Name	Withdrawal Amount	Scheduled Dates Start	Stop

Monthly withdrawals are made on the 15th of each month starting in August and ending in May. The balance of the taxes due are then withdrawn on the tax due date. Credit balances including interest will not be refunded and must be taken into account when preparing the Statement of Adjustments. No refunds will be given by the City of Vernon. Please have the vendor sign below to cancel his/her pre-authorized tax payment plan - otherwise it will continue beyond the date of sale.

I(we) hereby authorize the City of Vernon to cancel my(our) pre-authorized tax payment plan effective this ______ day of the

month of ___________________, in the year ______________ (Must be received no later than the 10th of the month).

___________________________ ___________________________

Authorized Signature Authorized Signature

TAX 07820.350	13257	MCCRACKEN, PAUL	662.00	Aug 01, 2017	

There are four (4) quarterly withdrawals made on the utility due date. Account balances including interest must be taken into consideration when preparing the Statement of Adjustments. Please have the vendor sign below to cancel his/her utility auto withdrawal from the payment plan - otherwise it will continue beyond the date of sale. No refunds will be given by the City of Vernon.

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the month______________________, in the year ______________ (Must be received no later than the 10th of the month).

___________________________ ___________________________

Authorized Signature Authorized Signature

UTILITY 123754	13257	MCCRACKEN, PAUL	0.00	Feb 04, 2015	

Important Property Comments

GENERAL

A) PROPERTY TAXES - DUE JULY 3

Remember to claim the Home Owner Grant, if eligible, by completing and returning the application on the bottom portion of the Property Tax Notice.

The property tax bill covers the period January 1 to December 31 of the current year.

Late payments are subject to a 10% penalty if not paid by the property tax due date, July 3

To avoid penalty, eligible owners should apply for the grant by the tax due date, July 3, even if not paying the taxes that are due at that time.

GENERAL

B) PROPERTY SALES AND THE HOME OWNER GRANT

The Home Owner Grant is a reduction of indebtness against the current year property taxes. A new owner is unable to claim the grant if the previous owner has paid the taxes in full.

Only one grant can be claimed per owner and per property each year.

The Provincial Home Owner Grant is a benefit, if the home owner(s) is/are eligible. Grant amounts are: Basic Grant $770 or Senior/Additional $1,045. Please contact our office if you require further information.

More information about the Home Owner Grant is available on the Provincial Government website at www.rev.gov.bc.ca/hog

GENERAL	C) WATER AND SEWER	

Metered water and sewer charges are based on consumption and billed four times per year, each covering a three-month period.

Late payments are subject to interest charges.

Any utility balances remaining unpaid as of December 31 will be transferred to the property tax account as arrears. New property owners should be made aware of these dates.

New constructed properties may have utility charges not currently reflected on this tax certificate.

GENERAL — D) THE CITY LEVIES CHARGES AGAINST PROPERTIES, NOT OWNERS

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GENERAL — E) CONTACT THE PROPERTY TAX & UTILITY OFFICE AT (250) 545-1361 IF YOU HAVE NOT RECEIVED A BILL TEN DAYS BEFORE THE DUE DATE

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GENERAL — F) ACCOUNTS RECEIVABLE

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Printed: Mar 14, 2018 | Number: 35138 | Reference: 30302-136407
Original search: PID 010-067-302.

Owner

MCCRACKEN, SHAYNE
MCCRACKEN, PAUL
14238 134 AVE NW
EDMONTON AB T5L 5V8

Property

Folio: 07820.400 **LTO No.:** CA1992698
Pid: 010-067-302 **MHR No.:**

Civic: 7611 OKANAGAN LANDING RD
Legal: LT 3 PL 6842 SEC 19 TWP 9 ODYD
Status: ACTIVE

2018 Assessments

Value Set	**Assessment Class**	**Value Type**	**Land**	**Improvements**	**Total**
GENERAL	Residential	GROSS	857,000	348,000	1,205,000
GENERAL	Residential	EXEMPT	0	0	0
GENERAL	Residential	NET	857,000	348,000	1,205,000

2017 Levies, Grants, Deferrals

Total Levy	**6,863.82**
Grant Available	
65 and Over	1,045.00
Under 65	770.00
Grant Claimed	**0.00**
Deferred	**0.00**

Property Taxes Owing As At Mar 14, 2018

Delinquent (2016)	0.00
Arrears (2017)	0.00
Interest to Mar 14, 2018	0.00
Current (2018)	0.00
Penalties	0.00
Total Taxes Owing	**0.00**

2018 Instalments

Payments Made	-4,992.00
Interest Earned	-3.18
Adjustments	0.00
Balance as at Mar 14, 2018	**-4,995.18**

> > > >

Quarterly Utilities Account 123756

Unpaid arrears and late payment of current charges are subject to interest charges. If applicable please contact the city for details.

Details of Last Bill

Unpaid Arrears	0.00	Charges on Last Bill				191.09
Balance of Last Bill - Due **Feb 19, 2018**	0.00	Total Discount	0.00	Claimed		0.00
		Payments Applied				-191.09
Account Balance as at Mar 14, 2018	0.00	Penalties				0.00
		Adjustments				0.00

Service Charges for Last Period:

Description	**Amount**	**Discount Avail**	**Units**	**Days**	**Consumption**
Prior Charges That Cover Past Oct 01, 2017					
GVW RESIDENTIAL WATER Tier 1 0-40 m3 @ $ 0.82	32.80	0.00	1.00	90	40.00 CU MTRS
GVW RESIDENTIAL WATER Tier 2 41-80 m3 @ $ 1.64	65.60	0.00	1.00	90	40.00 CU MTRS
GVW RESIDENTIAL WATER Tier 3 Over 80 m3 @ $2.46	565.80	0.00	1.00	90	230.00 CU MTRS
Oct 01, 2017 TO Dec 31, 2017					
GVW WATER METER RENEWAL < 1 "	7.07	0.00	1.00	92	
GVW RES WATER INFRASTRUCTURE BASE	90.00	0.00	1.00	92	
GVW RESIDENTIAL WATER Tier 1 0-40 m3 @ $ 0.82	11.89	0.00	1.00	94	14.50 CU MTRS

RES SEWER INFRASTRUCTURE BASE	50.20	0.00	1.00	92
GARBAGE - RESIDENTIAL	27.89	0.00	1.00	92
YARD RECYCLING - RESIDENTIAL	4.04	0.00	1.00	92

Pre-Authorized Withdrawals

Tax/Utility Account#		Reference Number	Account Holder Name	Withdrawal Amount	Scheduled Dates Start	Stop

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TAX	07820.400	13257	MCCRACKEN, PAUL	624.00	Aug 01, 2017	

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_____________________________ _____________________________
Authorized Signature Authorized Signature

UTILITY	123756	13257	MCCRACKEN, PAUL	0.00	Feb 06, 2012	

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