Form 49
[Rule 13.19]

Clerk's Stamp
JUDICIAL CENTRE OF EDMONTON
FAX
JUN 14 2018
FILED
Clerk of the Court

COURT FILE NUMBER	1703-12327
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
	AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF 667402 ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD., 1371047 ALBERTA LTD. and 1919209 ALBERTA LTD.
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Cassels Brock & Blackwell LLP Suite 3810, Bankers Hall West 888 3rd Street SW Calgary, Alberta T2P 5C5 Telephone 403-351-2921 Facsimile 403-648-1151 **Attention: Jeffrey Oliver**

AFFIDAVIT OF RUSSELL FRENCH

Sworn on June 12th, 2018

I, Russell French, of Toronto, Ontario, SWEAR AND SAY THAT:

1. I am Assistant Vice President, Business Restructuring at the Business Development Bank of Canada ("**BDC**") and as such have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, in which case I believe the same to be true.

2. I am authorized by BDC to swear this Affidavit on its behalf. I have been directly involved in the matters relating to Canada North Group Inc., Canada North Camps Inc., CampCorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd., 816956 Alberta Ltd. and 1919209 Alberta Ltd. (collectively, the "**Debtors**"). I have had the opportunity to review BDC's records relevant to the Debtors.

Background

3. Pursuant to an order of this Honourable Court pronounced July 5, 2017 (the "**Initial Order**"), the Debtors were granted protection from their creditors pursuant to the *Companies Creditors' Arrangement Act* (Canada). Ernst & Young Inc. was appointed as monitor of the Debtors (in such capacity, the "**Monitor**").

4. On June 29, 2017, prior to the Initial Order being granted, the Debtors and BDC entered into a letter of offer (as amended by letters dated July 12, 2017, July 21, 2017, September 28, 2017 and December 7, 2017, collectively the "**Letter of Offer**") pursuant to which BDC agreed to offer to the Debtors, on a joint and several basis, aggregate interim financing in the amount of up to $3,500,000 (the "**Interim Facility**") on the terms and conditions set forth in the Letter of Offer. Attached hereto and marked as **Exhibit "A"** is a copy of the Letter of Offer and amendments thereto.

5. Pursuant to the Initial Order, BDC was granted a priority charge against the Property (as defined in the Initial Order) in the amended amount of $3,500,000 (the "**Interim Lender's Charge**").

6. BDC advanced a total of $3,500,000 (excluding interest and fees) pursuant to the terms of the Letter of Offer and Initial Order.

The CRA Deemed Trust Claim and the Appeal

7. On July 31, 2017, Her Majesty the Queen in Right of Canada, as represented by the Minister of National Revenue (the "**CRA**") filed an application (the "**CRA Application**") seeking, *inter alia*, to vary the priority of the Priority Charges, which Priority Charges subordinate the CRA's deemed trust claims arising under the *Income Tax Act* (Canada) (the "**CRA Claim**").

8. The CRA Application was heard before the Honourable Madam Justice J.E. Topolniski on August 11, 2017. I am informed by my review of reasons for judgment issued on

September 11, 2017, and do verily believe that Topolniski, J dismissed the CRA Application and found that the CRA Claim was properly subordinated by the Priority Charges, including the Interim Lender's Charge (the "**Topolniski Decision**").

9. On September 29, 2017 CRA sought leave to appeal the Topolniski Decision. BDC and the Debtors (among others) opposed the leave application on the basis that, *inter alia*, the issue being appealed was potentially moot on the record, as it was anticipated that there would be sufficient assets in the Debtor's estate to satisfy both the Priority Charges and the CRA Claim.

10. The leave application was heard before the Honourable Justice F. Slatter on November 1, 2017. I am informed by my review of a written decision issued on November 3, 2017, a do verily believe that Slatter, JA granted the CRA leave to appeal the Topolniski Decision (the "**Appeal**") notwithstanding the fact that the priority issue was potentially moot.

11. By agreement of the parties, BDC was appointed as lead respondent in defending the Appeal.

12. I am advised by Jeffrey Oliver, partner with Cassels Brock & Blackwell LLP, and do verily believe, that BDC's factum in the Appeal is due on or about June 25, 2018.

The Cost Reserve

13. By letter dated May 17, 2018 (the "**Costs Letter**"), counsel to BDC advised counsel to the Monitor that, *inter alia*:

    (a) it is BDC's position that any costs incurred by it as part of defending the Appeal are payable by the Debtors pursuant to the terms of the Letter of Offer and are secured by the Interim Lender's Charge;

    (b) BDC requested that the Monitor set aside and pay to BDC a reserve from any distributions made in the amount of $225,000 (the "**Cost Reserve**"), which amount represents an estimate for the costs, charges and expenses (including BDC's legal fees and disbursements on a solicitor and his own client basis) incurred by BDC in connection with defending the Appeal, as well as any future appeal to the Supreme Court of Canada;

(c) any legal fees paid by BDC out of the Cost Reserve remain subject to a right of taxation; and

(d) as part of this request, BDC will endeavour to recover as many of its costs as possible directly from the CRA and any costs recovered by BDC directly from the CRA will be paid to the Monitor for redistribution to the appropriate party.

Attached hereto and marked as **Exhibit "B"** is a copy of the Costs Letter.

14. I am advised by Mr. Oliver and do verily believe that a copy of the Costs Letter was also provided to counsel to Canadian Western Bank on May 18, 2018.

Payout of Interim Facility and CRA Claim

15. I am advised by my review of a letter dated May 23, 2018, and do verily believe, that on that date counsel to the Monitor advised Mr. Oliver that the Monitor was holding sufficient funds to enable it to repay the Interim Facility in full. Attached hereto and marked as **Exhibit "C"** is a copy of the May 23, 2018 letter.

16. I am advised by my review of an email dated May 25, 2018, and do verily believe, that on that date counsel to BDC provided the Monitor with a payout statement in the total amount of $3,826,188.49. The payout statement included a reserve for future legal fees in the amount of $225,000 in accordance with the Costs Letter. Attached hereto and marked as **Exhibit "D"** is a copy of the payout statement.

17. I am advised by my review of an email dated May 25, 2018, and do verily believe, that on that date counsel to the Monitor advised Mr. Oliver that the Monitor:

(a) would be processing payment for everything under the payout statement except the Cost Reserve and that the payout would be subject to the right of taxation;

(b) had received opposition to the payment of the Cost Reserve to BDC; and

(c) would be seeking directions from this Honourable Court in respect of the Cost Reserve at the next court appearance.

Attached hereto and marked as **Exhibit "E"** is a copy of the May 25, 2018 email.

18. I am advised by my review of an email dated May 25, 2018, and do verily believe, that on that date Mr. Oliver advised counsel to the Monitor that, *inter alia*:

(a) BDC also reserves the right to request the payment of its legal fees in relation to the resolution of the Cost Reserve, on the basis that these fees would be covered by the Letter of Offer and Interim Lender's Charge;

(b) in the absence of some unforeseen event (e.g. a further late claim being asserted that is allegedly in priority to BDC's Interim Facility), BDC agrees that other than the costs in relation to the Appeal and BDC's costs in relation to the resolution of whether it is entitled to the Cost Reserve, other future costs are on the account of BDC; and

(c) by accepting what BDC believes is partial payment for its Interim Facility, BDC is not waiving its right to assert the Cost Reserve and its priority of payment.

Attached hereto and marked as **Exhibit "F"** is a copy of the May 25, 2018 email.

19. The Interim Facility (but not the Cost Reserve) was paid out in full on May 29, 2018.

20. Notwithstanding that the Interim Facility has been repaid, the Debtors remain indebted to BDC in the amount of approximately $2,750,911.29, pursuant to facilities granted to the Debtors prior to the commencement of the CCAA proceedings.

21. I am advised by my review of an email dated May 31, 2018, and do verily believe, that the CRA deemed trust claim was paid out on or about May 30, 2018. Attached hereto and marked as **Exhibit "G"** is a copy of the May 30, 2018 email.

Importance of Interim Lender's Charge and its Priority Position

22. BDC opposed the CRA Application as a result of the importance of the priority position of the Interim Lender's Charge.

23. The Letter of Offer requires the Debtors to indemnify BDC for (among other things):

(a) any costs incurred by BDC to exercise its rights under the Letter of Offer;

(b) any costs incurred in connection with (among other things) the restructuring proceedings, the Initial Order or the Interim Lender's Charge; and

(c) any liabilities by reason of or resulting from the Interim Facility or Letter of Offer,

(collectively, the "**Costs**").

24. Prior to repayment of the Interim Facility, the Debtors were paying the Costs. BDC requires the continued payment of the Costs under the terms of the Letter of Offer.

25. As set out in the Letter of Offer, the Interim Loan was offered to the Debtors at an interest rate of BDC's Floating Base Rate plus an interest rate variance of 4.20%. Furthermore BDC charged a loan processing fee in the amount of $15,000 and an administration fee in the monthly amount of $250.

26. Attached hereto and marked as **Exhibit "H"** is a chart prepared by KSV Kofman Inc. ("**KSV**") in its capacity as proposed CCAA monitor of Discovery Air Inc. and filed as part of Ontario Superior Court of Justice File No. CV-18-594380-00CL (the "**Chart**"). The Chart compares the terms of various interim facilities approved by Canadian courts in CCAA proceeding commenced in 2017 and 2018. Based on the analysis performed by KSV, the cost of the Interim Facility is lower than other recent interim financings approved by Canadian courts.

27. A challenge to the priority of the Interim Lender's Charge at any time, whether or not BDC is paid in full, is an issue of significant importance to BDC. BDC considers such a challenge as engaging its economic interests since the outcome of the priority dispute at issue in the Appeal has potential economic impacts on all interim loans secured by a priority charge.

28. BDC has not determined whether it will participate in the Appeal if its costs are not covered.

29. I swear this affidavit in support of BDC's application for an Order, *inter alia*:

(a) directing the Monitor to set aside from any further distributions the Cost Reserve in favour of BDC to secure the estimated costs, charges and expenses incurred by BDC as a result of its participation in the Appeal (the "**BDC Costs**");

(b) in the alternative, declaring that the BDC Costs shall be fully paid by the estate of the Debtors on an ongoing basis until the conclusions of the Appeal; and

(c) directing the Monitor to pay forthwith BDC's reasonable legal fees and disbursements associated with the within application on a solicitor and own client basis.

SWORN BEFORE ME at Toronto, Ontario, this 12th day of June, 2018.	)	
	)	
(Commissioner for Oaths in and for the Province Of Ontario)	)	RUSSELL FRENCH

Benjamin Goodis
LSO # 70303 H

This is Exhibit “A” referred to in the
Affidavit of Russell French
made before me on June 12, 2018

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70303H

PRIVATE & CONFIDENTIAL

June 29, 2017

Paul McCracken
Canada North Group Inc.
14238 - 134 Avenue
Edmonton, AB T5L 5V8

RE: Debtor-In-Possession Financing

Dear Paul,

Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd. and D.J. Catering Ltd. (collectively, "**Canada North**") have initiated restructuring proceedings under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**") and such proceedings are to be subsequently taken up under the *Companies' Creditor Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), which CCAA proceedings shall also include 1371047 Alberta Ltd. and 816956 Alberta Ltd. (collectively, in addition to Canada North, the "**Borrower**"). The Court of Queen's Bench of Alberta (the "**Court**") has jurisdiction over such proceedings. Further, Ernst & Young Inc. ("**EY**") has been appointed as Trustee and will become the Monitor.

Based on the information provided by The Borrower and EY, Business Development Bank of Canada ("**BDC**") is prepared to offer the Borrower, on a joint and several basis, debtor-in-possession financing in the amount of up to $1,000,000 (the "**DIP Loan**") according to the terms and conditions set forth in this letter of offer (the "**Letter of Offer**").

LOAN PURPOSE		**FUNDING**	
Financing only of the day-to-day expenses of the Borrower in accordance with the cash flow projection approved and recommended by EY and filed with the Court in support of the request for DIP financing (the "**Cash Flow Projection**"), attached hereto as Schedule "A" (the "**Project**"), subject to the terms and conditions of this Letter of Offer.	$ 1,000,000	DIP Loan	$ 1,000,000
	$ 1,000,000		$ 1,000,000

Neither the Project nor the terms and conditions of the DIP Loan may be changed without the prior written consent of BDC. The amount of the DIP Loan may only be applied to this Project.

Amount of Loan	$1,000,000
Authorization Date	June 29, 2017

Term

The term of the DIP Loan shall be that period commencing on the date of issuance of the DIP Order (as hereinafter defined) and ending on the earliest of (such ending date, the "**Maturity Date**"):

(a) December 31, 2017;

(b) the effective date of a plan of arrangement for the Borrower under the CCAA and the expiry of all relevant appeal periods in relation thereto (a "**Plan of Arrangement**");

(c) the closing of a sale of assets or equity interests that results in a change in control of the business conducted by the Borrower (a "**Sale Transaction**"); or

(d) the occurrence of an Event of Default (as hereinafter defined).

Disbursement Procedure

The DIP Loan shall be disbursed in weekly instalments based on the Cash Flow Projection. The Borrower may request disbursements in increments of $50,000.

In addition to the conditions precedent and underlying conditions set forth in this Letter of Offer, the Borrower agrees that each disbursement shall be conditional upon the fulfilment of each of the following conditions to the satisfaction of BDC:

(a) the Borrower shall have given BDC, in the form set out in Schedule "B" attached hereto, a draw notice signed by an officer of the Borrower confirming that the said disbursement falls within the Cash Flow Projection; and

(b) EY shall confirm that the disbursement requested in the draw notice is compliant with the terms and conditions of this Letter of Offer.

Repayment

On the Maturity Date, the Borrower shall repay the entire outstanding principal amount of the DIP Loan in full, together with any accrued interest, fees and expenses without deduction or set-off.

During the Term, the Borrower may repay any principal amount of the DIP Loan without penalty provided the minimum amount of any such repayment is no less than $50,000. The amount of the DIP Loan shall automatically be reduced by the amount of such repayment and any repaid amount may not subsequently be reborrowed.

Interest

Interest is payable monthly, and is comprised of the BDC's Floating Base Rate plus an interest rate variance of 4.20%.

"BDC's Floating Base Rate" means the annual interest rate announced from time to time by BDC in its branches as being its floating prime rate applicable to each of the floating interest rate plans of BDC in effect at the time for the purpose of determining the floating interest rates on loans in Canadian dollars. As of the date hereof, that rate is set at 4.80% per annum so the interest rate applicable to the DIP Loan as of the date hereof would be 9.00%.

Payment of Interest

The Borrower shall pay the interest calculated monthly at the rate and in the manner set out in this Letter of Offer on the first Business Day of each month.

Security

As a specific and continuous guarantee of the performance by the Borrower of all its obligations toward BDC under the Loan Documents (including the payment of principal, interest, fees and any other sums), the Borrower agrees to grant the following security:

(a) a Court authorized first-ranking, valid, enforceable financing charge with priority over all creditors of the Borrower, in the amount of $1,000,000 (the "**DIP Charge**") charging all the property, assets and undertakings of the Borrower granted pursuant to the DIP Order (as hereinafter defined) that includes standard debtor-in-possession terms and conditions satisfactory to BDC acting reasonably, pursuant to section 50.6 of the BIA or section 11.2 of the CCAA, as the case may be, subject only to an administration charge not to exceed $500,000 (the "**Administration Charge**"); and

(b) all existing security held by BDC shall also stand as security for the DIP Loan.

(collectively, the "**DIP Lender Security**")

DIP Documentation

All documentation with respect to the DIP Loan, including the DIP Lender Security and DIP Order (as defined hereafter) (collectively, the "**DIP Loan Documentation**") shall be in form and substance acceptable to BDC as confirmed by BDC's legal counsel. All costs, charges, and expenses (including, without limitation, lawyers' fees as between solicitor and his own client on a full indemnity basis) incurred by BDC in connection with the DIP Loan Documentation are for the account of the Borrower, and are payable by the Borrower to BDC.

Representations and

The Borrower represents and warrants that it does not owe an amount in

Warranties	excess of $1,140,000 on account of any payables (including but not limited to amounts payable to Canada Revenue Agency and other taxation authorities) that would be in priority to the claims of secured creditors (the "**Admitted Priority Payables**").
Conditions Precedent	Prior to any disbursement, the following conditions precedent will have been met in a manner satisfactory to BDC at its sole discretion:

(a) the Borrower is subject to restructuring proceedings under the BIA or the CCAA, as the case may be;

(b) the Borrower has obtained an order made by the Court (the "**DIP Order**") in form and content satisfactory to BDC, which DIP Order shall include, among other things: (a) the approval of the DIP Loan and all the terms and conditions hereof; (b) authorizing the Borrower to borrow on the terms and conditions outlined in this Letter of Offer and approving same; (c) creating various court-ordered priority charges including (i) the granting of the DIP Charge in favour of BDC as security over all present and future assets, property and undertaking of the Borrower notwithstanding the terms and conditions of any other agreement to which the Borrower is a party; (ii) the granting of the Administration Charge not to exceed $500,000 without the approval of the Court; (d) prohibiting the granting of any additional liens, charges, security interests or any other encumbrances upon any of the assets, property or undertaking of the Borrower, without the prior written consent of BDC; (e) granting BDC the right, upon the Maturity Date, to enforce the rights and remedies available to it, upon three (3) business days written notice to the Borrower and to EY and their respective legal counsel, pursuant to the DIP Order, this Letter of Offer, the DIP Lender Security, and any additional rights and remedies available to it, at law or in equity; (f) prohibiting any further borrowing by the Borrower, without the prior written consent of BDC; (g) authorizing (but not obligating) BDC to effect such registrations, filings and recordings wherever BDC in its discretion deems appropriate regarding the DIP Loan Documentation including the DIP Lender Security and the DIP Charge; (h) declaring that the granting of the security by the Borrower provided for in the DIP Loan Documentation including the DIP Lender Security and the DIP Charge and the execution and delivery of all other documents and instruments contemplated herein, the payment of all amounts by the Borrower to BDC, including any and all fees and interest, and the actions taken to perfect and record the DIP Lender Security do not constitute fraudulent preferences, fraudulent conveyances, transfers at undervalue, conduct meriting an oppression remedy, or other transactions which might be challenged or reviewed under applicable federal or provincial legislation; (i) declaring the DIP

Order, and the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrower, a proposal trustee, a monitor, a receiver, an interim-receiver, a receiver-manager or any other officer of the Court each a "**Receiver**"); (j) staying any other secured or unsecured creditor from exercising any rights against the Borrower and its property, without further order of the Court; (k) declaring BDC to be an "unaffected creditor" under any proposal under the BIA or plan of arrangement or compromise under the CCAA made by the Borrower and that the indebtedness owed to BDC shall not be compromised or arranged under such proposal or plan of arrangement or compromise; and (m) such other terms and conditions as BDC may reasonably deem necessary or appropriate;

(c) the DIP Order shall be in full force and effect; final and non-appealable; and shall not have been reversed, stayed, modified, amended or varied, without the express written consent of BDC; and no application or motion shall have been made to the Court for any stay, modification or amendment of the DIP Order;

(d) no Event of Default (as hereinafter defined) shall have occurred;

(e) the Borrower has engaged a Chief Restructuring Officer, acceptable to BDC;

(f) BDC has received EY's report pursuant to subsection 50.4(2) of the BIA or subsection 23(1) of the CCAA, as the case may be, with respect to the Cash Flow Projection. The conclusions of EY's report shall be satisfactory to BDC;

(g) the Borrower has paid when due all fees and expenses set out in this Letter of Offer. To this effect, the Borrower expressly and irrevocably authorize BDC to deduct from the DIP Loan all payments which are owed or which will be owed with respect to the fees any fees payable to BDC and any expenses incurred by or on behalf of BDC whether in respect of the DIP Loan or any other financing provided by BDC to the Borrower. Each of the said payments shall constitute an advance under the DIP Loan and shall be considered a payment made by the Borrower;

(h) the Borrower shall have granted the DIP Lender Security;

(i) BDC is satisfied that the Borrower has complied, in all material respects, with the laws and regulations applicable to its business, that no security ranks in priority to the security described above, other than as indicated herein or by operation of the law in the normal course of business of the Borrower without the Borrower having granted such security by agreement, and that the Borrower is not in default with respect to any of the terms and conditions of the loan documents; and

(j) the Borrower shall have caused its legal counsel to issue a favourable opinion addressed to BDC and its legal counsel in form and substance satisfactory to them regarding the the corporate status, power and capacity of the Borrower and all matters relating to the DIP Loan as are usual and customary for a financing of this nature.

Underlying Conditions

During the Term of the DIP Loan, the following underlying conditions shall be met in a manner satisfactory to BDC at its sole discretion:

(a) the Borrower shall only use the DIP Loan for the purposes set out in this Letter of Offer, unless otherwise agreed to in writing by BDC;

(b) the Borrower shall comply with any order made by the Court;

(c) the Borrower shall obtain, at the request of BDC, an order made by an appropriate court in the United States, pursuant to Chapter 15 of the *United States Bankruptcy Code* (the "**Recognition Order**") and in form and content satisfactory to BDC, which Recognition Order shall recognize the Canadian restructuring proceedings of the Borrower as foreign main proceedings and recognize the DIP Order in respect to the assets and operations of the Borrower located within the United States;

(d) the Borrower shall diligently continue its restructuring proceedings under the CCAA;

(e) the Borrower shall deliver a comprehensive restructuring plan (including detailed financial projections), acceptable to BDC, to BDC by August 15, 2017 or such later date as BDC may agree to;

(f) the Borrower shall not pay any interest, dividends, salaries, remuneration, management fees or any other form of payments or distributions to the shareholders of the Borrower without the prior written consent of BDC;

(g) the Borrower shall provide annual consolidated financial statements, audited by an accredited professional accountant acceptable to BDC, within 90 days of its fiscal year end;

(h) the Borrower shall provide monthly internal financial statements (including balance sheet, income statement and cash flow statement) showing actual results achieved compared to projected and prior year results along with notes and management comments on variances within 20 days of its fiscal month end;

(i) the Borrower shall comply with the financial projections set forth in the Cash Flow Projection;

(j) the Borrower shall provide a weekly cash flow statement, aged accounts receivable trial balance, aged accounts payable trial balance on the second Business Day of each week. The weekly cash flow statement shall show actual results achieved compared to the Cash Flow Projection along with notes and management comments on variances, together with an updated forecast for the forthcoming 13 weeks;

(k) the Borrower shall adhere to the following financial covenants, tested weekly:

(i) cumulative actual of total receipts for any given rolling four week period shall not vary negatively from the amount forecasted in the Cash Flow Projection for the same period by more than 15%; and

(ii) cumulative actual of total disbursements for any given rolling four week period shall not vary negatively from the amount forecasted in the Cash Flow Projection for the same period by more than 15%.

Notwithstanding the foregoing, BDC is entitled, in its sole and absolute discretion, to authorize in writing deviations by the Borrower from the financial convenants contained in subparagraph (k), provided that any request from the Borrower for such approval is made prior to such deviation occurring and provides BDC with reasonable time to consider such request.

(l) the Borrower shall authorize EY to disclose to BDC any financial or other information of which it is aware;

(m) the Borrower shall provide written notice of an occurrence (an "**Occurrence**") of a default under a material contract to which the Borrower is a party which is likely to have a material adverse effect or of an Event of Default (as defined below) together with any notice, letter or other document (a "**Default Notice**") received by the Borrower from a third party advising of an Occurrence, within three days of the date of the Occurrence or of receipt of the Default Notice;

(n) the Borrower shall provide all other documents or information reasonably required by BDC, which shall be provided within a reasonable time according to the circumstances;

(o) the Borrower shall maintain the current insurance coverage over its assets and property and designate BDC as loss payee as its interest may appear; and

(p) the Borrower shall not sell, transfer, assign or deal in any way with any of its property, assets or undertaking out of the ordinary course of business, without the prior written consent of BDC or an order of the Court.

Events of Default

In addition to the events of default set out in the DIP Lender Security, the following events shall constitute events of default (each, an "**Event of Default**"):

(a) if the Borrower fails to pay to BDC when due any amount of principal, interest, fees or other amounts under the DIP Loan or otherwise, whether by acceleration or otherwise;

(b) if the Borrower defaults in the observance or performance of any underlying condition or covenant contained in this Letter of Offer, the DIP Lender Security or any other agreement between BDC and the Borrower;

(c) if the Borrower deviates materially from the Cash Flow Projection; For certainty, any failure to comply with sub-paragraphs (j) and (k) of the Underlying Conditions section of this Letter of Offer shall constitute an Event of Default;

(d) if BDC determines, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the any of the Borrower;

(e) if DIP Order is varied without the written consent of BDC or any other order is made which is or may be prejudicial to BDC's interests;

(f) except for the Admitted Priority Payables, if the Borrower fails to pay, when due, any statutory liens, trusts and other Crown claims including employee source deductions, GST and any payments required by any work place safety legislation, wages, vacation pay and insurance premiums;

(g) if the stay of proceedings granted to the Borrower pursuant to the restructuring proceedings under the BIA or CCAA, as the case may be, is terminated or lifted; or

(h) if any person challenges the enforceability of any of the rights of BDC hereunder or pursuant to any of the DIP Lender Security and any such challenge has not been dismissed or determined by the Court within the BIA or CCAA proceedings, as the case may be, within 15 days.

bdc

Remedies

Upon the Maturity Date, BDC may immediately terminate the DIP Loan and enforce, upon three (3) Business Days written notice to the Borrower and EY, all of its rights and remedies against the Borrower and its property, assets and undertaking including, without limitation, the enforcement of the DIP Lender Security and the ability to apply to the Court for the appointment of a Receiver; and all amounts outstanding under the DIP Loan shall immediately become due and payable without further notice, demand or delay.

Other Conditions

This Letter of Offer does not affect novation of the terms, conditions and obligations of the Borrower with respect to the rights, security and recourses of BDC with respect to any other financing previously granted to the Borrower. The Borrower hereby acknowledges that all the rights, security and recourses given previously to BDC are not modified and remain in full force and effect with respect to the advances previously granted and that BDC retains all its rights.

The standard credit terms which are set out in Schedule "C" attached hereto form an integral part hereof and if there is any inconsistency between the terms set out in Schedule "C" and this Letter of Offer, this Letter of Offer shall govern.

Indemnification

The DIP Loan Documentation shall include an agreement by the Borrower, on a joint and several basis, to indemnify and hold BDC harmless from and against any and all claims, losses, obligations, liabilities, claims, actions or causes of action, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by BDC by reason of or resulting from the DIP Loan, this Letter of Offer, and the transactions and documents contemplated by this Letter of Offer, except to the extent resulting from the gross negligence or willful misconduct of the BDC as determined by a court.

Loan Processing Fee

The Borrower agrees to pay a non-refundable Loan Processing Fee in the amount of $15,000 which Loan Processing Fee is fully earned as of the date of acceptance of this Letter of Offer and payable in full as of the date of the first disbursement of the DIP Loan.

Administration Fee

The Borrower agrees to pay a non-refundable monthly Administration Fee in the amount of $250 payable on the first disbursement of the DIP Loan and monthly thereafter on the first Business Day of each month.

Other Costs

In addition, any and all costs, charges, and expenses (including, without limitation, lawyers' fees as between solicitor and his own client, on a full indemnity basis, as well as accounting, appraisal, environmental and consulting fees) incurred by BDC in connection with the restructuring proceedings, the DIP Loan, the DIP Loan Documentation, the DIP Lender Security, the DIP Order, the DIP Charge, the Proposal, the enforcement of any rights and remedies regarding the aforementioned and the

	restructuring of the Borrower including, are for the account of the Borrower. Such costs shall be paid out of the disbursements of the DIP Loan as and when they become due and shall be secured by the DIP Lender Security.
Governing Law	This Letter of Offer as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.
Solidary Liability	When there is more than one borrower, their obligations shall be solidary and each of them shall constitute a principal debtor.
Information	The Borrower authorizes BDC to obtain credit and other information about it from any financial institution, credit agency or credit bureau.
Further Assurances	Upon notice from BDC, the Borrower shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as BDC may reasonably require to give effect to this Letter of Offer and the financing contemplated hereunder.
Amendments	This Letter of Offer may only be amended by a written agreement signed by BDC and the Borrower.
Counterparts	This Letter of Offer may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.
Expiry Date	This Letter of Offer shall become null and void if it is not accepted by 2 p.m. (Toronto time) on July 5, 2017.

Thank you for giving us the opportunity to discuss our ability to meet your financing requirements. We look forward to continuing to work with you.

Yours truly,

Adam Laiken
Director, Business Restructuring

Russell W. French
Assistant Vice President, Business Restructuring

ACCEPTANCE

To: Business Development Bank of Canada
Business Restructuring
121 King Street West, Suite 1200
Toronto, ON M5H 3T9

Attention: Adam Laiken

We certify that all the information provided to BDC is true, we accept the terms set forth herein and we acknowledge receipt of a copy of this Letter of Offer and the schedules forming part thereof.

We further acknowledge that today we paid BDC a sum of $15,000 for the non-refundable loan processing fee related to the DIP Loan. The said non-refundable loan processing fee does not create any right in favour of the Borrower and does not require BDC to make any disbursement of the DIP Loan, as such rights and obligations can only be generated to the extent that the terms and conditions set out herein are met to the complete satisfaction of BDC.

Accepted in the City of Edmonton on June 30, 2017.

CANADA NORTH GROUP INC.

Per: ______________________
Name:
Title:

CANADA NORTH CAMPS INC.

Per: ______________________
Name:
Title:

CAMPCORP STRUCTURES LTD.

Per: ______________________
Name:
Title:

D.J. CATERING LTD.

Per: ______________________
Name:
Title:

1371047 ALBERTA LTD.

Per: ______________________
Name:
Title:

816956 ALBERTA LTD.

Per: ______________________
Name:
Title:

Schedule "A"

CASH FLOW PROJECTION

Schedule "B"

DRAW NOTICE

To: Business Development Bank of Canada
Business Restructuring
121 King Street West, Suite 1200
Toronto, ON M5H 3T9

Attention: Adam Laiken

RE: Debtor-in-Possession Financing

Dear Sir,

We refer you to the Letter of Offer of debtor-in-possession financing entered into on June 29, 2017 between Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd. and 816956 Alberta Ltd., as Borrower, and BDC, as DIP Lender. Capitalized terms which are used but not defined in this draw notice have the meaning given to them in the Letter of Offer.

We confirm our draw notice concerning a disbursement as follows:

Amount of disbursement: $

Disbursement date:

As of the date hereof, we confirm that the representations made or given in the DIP Loan are still true and accurate in all material respects, that the said disbursement falls within the Cash Flow Projection and that no Event of Default has occurred.

We also confirm the execution of the previous draw by each of the parties.

CANADA NORTH GROUP INC.

Per: ______________________
Name:
Title:

CANADA NORTH CAMPS INC.

Per: ______________________
Name:
Title:

CAMPCORP STRUCTURES LTD.

Per: ______________________
Name:
Title:

816956 ALBERTA LTD.

Per: ______________________
Name:
Title:

D.J. CATERING LTD.

Per: ______________________
Name:
Title:

1371047 ALBERTA LTD.

Per: ______________________
Name:
Title:

Schedule "C"

Standard Credit Terms

1. INTERPRETATION

1.1 Definitions.
Unless indicated otherwise or unless context requires otherwise, the terms and expressions used as definitions in the Agreement, its schedules and any related documents which are incidental thereto shall have the meaning indicated below:

1.1.1 "**Agreement**" means this offer of interim restructuring financing and its schedules, where applicable, as amended from time to time;

1.1.1(A) "**Borrower**" means the Borrowers identified in the Letter of Offer to which this Schedule "C" is attached and forms an integral part hereof;

1.1.2 "**Business Day**" means any day, other than a Saturday or Sunday, on which BDC is open for business in the Province of Nova Scotia;

1.1.3 "**Change of Control**" means the sale, assignment or transfer of Control of a corporation or any written or verbal agreement resulting in the control of a corporation or entity being transferred to another;

1.1.4 "**Control**" means the direct or indirect holding of more than fifty percent (50%) of the Voting Shares of a corporation;

1.1.5 "**Default**" means an event of default pursuant to sections 9 and 10 below;

1.1.6 "**Dollars**" or "**$**" means the lawful money of Canada;

1.1.7 "**Environmental Laws**" means all applicable federal, provincial, state, municipal, local and foreign laws and regulations respecting pollution or the environment (including, without limiting the generality of the foregoing, laws and regulations relating to the emission, discharge, spill or risk of spill of chemicals, pollutants, contaminants, waste, toxic substances, oil, oil products and other substances affecting the environment, or relating to the manufacturing, transformation, distribution, use, treatment, storage, removal, transportation or handling of chemicals, pollutants, contaminants, waste, dust, toxic substances, oil, oil products and other substances affecting the environment);

1.1.8 "**Environmental Permits**" means all permits, licences, certificates, certificates of authorization, approvals, authorizations, consents, written agreements and registrations issued, granted or signed by any Government Authority having jurisdiction under any Environmental Law;

1.1.9 "**GAAP**" means generally accepted accounting principles in Canada as recognized or established by the Canadian Institute of Chartered Accountants, as they may be amended from time to time, applied consistently;

1.1.10 "**Government Authority**" means Canada, the Province of Nova Scotia and any other country, state or province, and any other regional, municipal or local subdivision or other country, state or province and any government body of such jurisdiction and includes any agency, department, commission, bureau, ministry, organization, etc.;

1.1.10(A) "**Guarantor**" means the Guarantors identified in the Letter of Offer to which this Schedule "C" is attached and forms an integral part hereof;

1.1.11 "**Loan**" means all amounts of principal, interest, costs, incidentals and all other sums owed to BDC under the Loan Documents;

1.1.12 "**Loan Documents**" means the letter offering interim restructuring financing (the Agreement), the Security and all other documents related to the Loan, as such documents may be amended from time to time;

1.1.13 "**Material Adverse Effect**" refers to the occurrence or non-occurrence of any event or series of events which has or could have a material adverse effect on the activities, assets, liabilities, financial situation, operating results or business prospects of the Borrower [or the Guarantor] or on the ability of the Borrower [or the Guarantor] to perform its obligations pursuant to the Loan Documents;

1.1.14 "**Security**" means, individually or collectively, all acts, documents and agreements (including any amendment, substitution or replacement thereof, as well as any act, document or agreement necessary to complete and confirm the security in accordance with the *Civil Code of Québec* or, as the case may be, under any law of another Government Authority having jurisdiction) entered into or to be entered into between the Borrower (and the Guarantor) and BDC to guarantee the repayment of the Loan and the obligations of the Borrower relating thereto (including, without limitation, those set forth in the Loan Documents);

1.1.15 "**Subsidiary**" means a legal person of which more than fifty percent (50%) of the Voting Shares are held beneficially, directly or indirectly, by or on behalf of another legal person;

1.1.16 "**Voting Shares**" means the shares of any class in the capital stock of a corporation conferring in all circumstances the right to elect the majority of the directors thereof.

1.2 **Headings.** The headings are for ease of reference only and shall not affect the interpretation of this Agreement.

1.3. **Recitals and schedules.** The recitals and schedules form an integral part hereof.

1.4 **Accounting terms.** Every accounting term used in this Agreement has the meaning generally ascribed to it according to GAAP unless another definition is given herein and any reference to an item on a balance sheet or statement shall be construed according to its presentation in the appropriate statements prepared according to GAAP as amended from time to time by any accounting standard adopted by the Canadian Institute of Chartered Accountants.

1.5 **Singular and plural.** In this Agreement, the singular includes the plural and vice versa, and "person" or "persons" includes an individual, firm, corporation, government, government organization or agency, unincorporated group of persons or association. The information to be provided in the schedules hereof shall be provided according to the definitions, terms and conditions of this Agreement.

2. LOAN

2.1 The obligation of the Borrower to pay the Loan may, at the option of BDC, be witnessed by one or more notes, which shall be given to BDC in recognition of receipt of the funds, not as payment of this Loan.

2.2 BDC shall not be required to disburse the Loan if the pre-disbursement conditions are not met or if the Borrower is in Default under the Loan Documents or if a circumstance arises which could lead to a Material Adverse Effect.

2.3. BDC may cancel any portion of the Loan which is undisbursed on the Maturity Date (as defined in the Letter of Offer).

3. USE OF PROCEEDS OF LOAN

3.1 No change shall be made in the use of the Loan or the proposed financing without the prior written consent of BDC.

3.2 The Borrower shall bear all risks of superior force, so that the obligations of the Borrower under the Loan Documents may not be reduced or cancelled, even in the case of superior force.

4. INTEREST

4.1 **Interest rate.** The Loan or any unpaid balance thereof shall bear interest, before and after maturity and before and after default and judgement, until it is repaid in full.

4.2 **Calculation of interest.** The interest payable on the Loan shall be calculated and compounded monthly and not in advance on the unpaid principal as of the date of the first disbursement of the Loan before and after maturity and before and after default and judgement.

4.3 **Interest on amounts not repaid when due.** Any amount of principal, costs or interest payable hereunder which is not repaid when due shall bear interest during the period in which such amount remains unpaid at the annual interest rate indicated for the Loan calculated daily and compounded monthly, the whole until payment in full and payable on demand (the "Interest Arrears").

4.4 **Late payment interest.** The Interest Arrears shall bear interest and the additional interest thereon which is not paid when due shall bear interest at the annual interest rate indicated for the Loan calculated delay and compounded monthly, the whole until payment in full and payable on demand. Any other amount which is not paid when due shall bear interest at the same rate and the interest shall be calculated and paid in the same manner as interest on the principal which is not outstanding.

4.5 **Reduction of interest.** If the aggregate amount of costs payable as interest, Interest Arrears and additional interest and all other costs paid or payable in connection with the loan (collectively, the "Costs") constitutes at any time whatsoever the application of an actual annual interest rate which exceeds the limit permitted under an applicable law, the Costs shall be reduced so that the costs paid or payable do not exceed the ceiling allowed under such law. BDC shall reimburse any surplus which was paid thirty (30) days after setting the amount of the repayment.

5. REPAYMENT

5.1 **Loan not renewable.** No amount repaid on the Loan may be borrowed again.

5.2 **Advance repayment.** The Borrower may repay the Loan in advance at any time without notice and without indemnity.

6. DEBITS AND AUTOMATIC WITHDRAWAL

6.1 The Borrower hereby authorizes BDC to manually or electronically withdraw from its bank account any payment which the Borrower must make to BDC hereunder.

6.2 Any payment to be made by the Borrower hereunder will be made by way of pre-authorized withdrawal from its bank account. The Borrower shall sign all the documents necessary for such purposes and shall provide BDC with a sample cheque from its financial institution marked "void".

6.3 The Borrower agrees that the repayment of any amount owed hereunder may be made by cheque if BDC considers this means of payment preferable under the circumstances.

7. UNDERTAKINGS

7.1 **Undertakings to be complied with by the Borrower (and the Guarantor, where applicable).** As of the date hereof, the Borrower (and the Guarantor) agrees that the following undertakings shall be complied with as long as the Borrower owes any amount whatsoever to BDC hereunder or otherwise, and the Borrower (and the Guarantor) acknowledges that BDC is relying on such undertakings for the purposes hereof:

7.1.1 The Borrower (and the Guarantor) shall, at its own expense, insure all its assets including the property charged with the Security, and keep it insured at all times against the risk of loss or damage caused by theft, fire and any other risk which is normally insured or for which a prudent administrator would insure, or for which BDC requires insurance, the whole up to its full insurable value, on the terms and with insurers acceptable to BDC. Each insurance policy shall provide that it may not be terminated for any reason whatsoever or become void before thirty (30) days' prior written notice is given to BDC. BDC is hereby designated as beneficiary of the indemnities payable under each insurance policy (except with respect to civil liability), and the Borrower (and the Guarantor) shall have such designation indicated on the policies. If BDC so requests, the Borrower (and the Guarantor) shall assign to BDC the policies or indemnities payable thereunder or ensure that each policy contains a hypothecary clause acceptable to BDC. The Borrower (and the Guarantor) shall provide to BDC, at its request, proof of payment of the premiums and a copy of each policy. The Borrower (and the Guarantor) further agrees to renew or replace any policy before it expires and to provide written confirmation from the insurer within twenty-four (24) hours of such renewal or replacement. The Borrower (and the Guarantor) shall give BDC a copy of such renewal or replacement as soon as possible. If the Borrower (and the Guarantor) fails to set up such insurance or keep it in effect, BDC may, but shall not be required to, take out such insurance in its name or in the name of the Borrower (and the Guarantor), and the premiums or Costs paid or incurred by BDC in this regard shall become due and payable by the Borrower (and the Guarantor) to BDC forthwith, with interest as set out herein. The Borrower (and the Guarantor) shall notify BDC forthwith of any damage or loss suffered by the property. If the Borrower (and the Guarantor) does not maintain insurance in accordance with the above requirements, BDC may take out insurance to protect its interests and the Borrower (and the Guarantor) shall pay the premiums therefor.

7.1.2 The Borrower (and the Guarantor) shall keep its accounting books and records up to date according to GAAP;

7.1.3 The Borrower (and the Guarantor) agrees to make its remittances to the Government Authorities as required by law. The Borrower shall confirm that the amounts were paid to each Government Authority by means of documents prepared by its external accountant which shall be sent to BDC along with the annual financial statements. In addition, the Borrower agrees to sign a standard consent form allowing BDC to obtain information about the said remittances;

7.1.4 The Borrower (and the Guarantor) shall ensure that any Subsidiary or other person, partnership or affiliate complies with and agrees to comply with the undertakings set out herein;

7.1.5 The Borrower shall deal on a business basis and "at arm's length" with any person;

7.1.6 The Borrower shall notify BDC forthwith of any Default or event which, following a notice or the expiry of a time limit, could constitute a Default and send BDC a copy of any Default or Default notice received from any other authority having jurisdiction;

7.1.7 The Borrower shall disclose to BDC forthwith any lawsuit or proceeding before a court of law or tribunal, commission or Government Agency to which it is a party;

7.1.8 The Borrower (and the Guarantor) shall comply at all times with the laws governing it;

7.1.9 The Borrower shall conduct itself in a socially and politically responsible manner at all times;

7.1.10 The Borrower shall maintain its operations;

7.1.11 The Borrower shall use the Loan made available hereunder for the purposes hereof;

7.1.12 The Borrower shall pay all costs incurred by BDC to exercise its rights hereunder, including those allowing the enforcement of all the obligations of the Borrower to protect, execute or preserve any Security granted to guarantee the Loan or have the assets of the Borrower (and the Guarantor) appraised at the request of BDC, including all legal costs, charges or other legal expenses, and the costs and fees of an agent, trustee or otherwise;

7.1.13 The Borrower (and the Guarantor) shall allow any representative of the BDC, upon prior notice to the Borrower (and the Guarantor), to enter the premises of the Borrower during normal business hours and examine therein, at the expense of BDC, the books, physical facilities and stock of the business and obtain a copy of any document.

7.2 **Decisions requiring the prior consent of BDC.** No decision, resolution, action or settlement affecting the following matters relating to the Borrower (and the Guarantor, where applicable) as well as any Subsidiary or affiliate may be taken or made without having first obtained the consent of BDC, which may not refuse to give its consent without valid reason:

7.2.1 any amendment of the articles of the Borrower (and the Guarantor);

7.2.2 the winding up or voluntary liquidation of the Borrower (and the Guarantor), as well as its consolidation or amalgamation with any other person, business or corporation;

7.2.3 any payment of dividends by the Borrower (or the Guarantor), the redemption of shares in its capital stock or any other form of distribution of its assets;

7.2.4 any change in the nature of the business activities of the Borrower (or the Guarantor);

7.2.5 a change of the fiscal year-end of the Borrower (or the Guarantor);

7.2.6 the creation of a hypothec or security of any nature whatsoever charging the property of the Borrower (or the Guarantor) covered by the Security;

7.2.7 any direct or indirect change of Control of the Borrower (or the Guarantor);

7.2.8 any loans or advances to employees or shareholders of the Borrower (or the Guarantor) outside the normal course of business and any loan or advance to any person outside the normal course of business;

7.2.9 the acquisition of any business (through a purchase of shares or assets) by the Borrower (or the Guarantor);

7.2.10 the signing by the Borrower (or the Guarantor) of any contract outside the normal course of business;

7.2.11 any capital expenditures, including lease-to-buy contracts outside the normal course of business;

7.2.12 the moving of a substantial part of its activities;

7.2.13 the creation of a Subsidiary;

7.2.14 take out any form of borrowing other than to the extent allowed herein;

7.2.15 make repayments of capital in favour of its shareholders or make any other form of repayment of debts with respect to its secured creditors not provided for in the cash flow statement;

7.2.16 assign or otherwise dispose of all or part of its assets without the prior written consent of BDC.

7.3. **Environment**. The Borrower (and the Guarantor) agrees and undertakes: to comply with all applicable Environmental Laws; to operate in conformity with all Environmental Laws and regulations; to make certain that its assets are and shall remain free of environmental damage; to inform BDC immediately upon becoming aware of any environmental issue and promptly provide BDC with copies of all communications with environmental authorities and all environmental assessments; to pay the cost of any external environmental consultant engaged by BDC to effect an environmental audit and the cost of any environmental rehabilitation or removal necessary to protect, preserve or remediate the assets, including any fine or penalty BDC is obligated to incur by reason of any statute, order or directive by a competent authority;

7.4 **Prohibited activities.** The Borrower (and the Guarantor) agrees and undertakes not engage in, or permit its premises to be used by a tenant or other person, for any activity which BDC, from time to time, deems ineligible, including without limitation any of the following ineligible activities:

a) businesses that are sexually exploitive or that are inconsistent with generally accepted community standards of conduct and propriety, including those that feature sexually explicit entertainment, products or services; businesses that are engaged in or associated with illegal activities; businesses trading in countries that are proscribed by the Federal Government;

b) businesses that operate as stand-alone nightclubs, bars, lounges cabarets, casinos, discotheques, video arcades pool and billiard halls, and similar operations; or

c) businesses that promote nudism and naturism.

BDC's finding that there is an ineligible activity shall be final and binding between the parties and will not be subject to review. The prohibitions set out in this paragraph 7.4 shall also apply to any entity that controls, is controlled by, or that is under the common control with, any Loan Party.

8. REPRESENTATIONS AND WARRANTIES

As of the date hereof, the Borrower (and the Guarantor) represents and warrants to BDC as follows and acknowledges that BDC is relying on such representations and warranties for the purposes hereof:

8.1 **With respect to corporate status**:

8.1.1 The Borrower (and the Guarantor) is a validly constituted and organized corporation, in good standing with the laws governing it, and holds all the powers necessary to carry on its business and to hold, manage and administer its property, and have full ability to bind itself toward BDC hereunder and under the Loan Documents signed by it;

8.1.2 all necessary authorizations and approvals have been given by the Borrower (and the Guarantor), their shareholders, administrators, business partners, creditors or other persons whose authorization is required for the signing of the Loan Documents, the whole in accordance with the articles, by-laws and resolutions of the Borrower (and the Guarantor) and in accordance with the constituting act and other applicable laws;

8.1.3 the articles and by-laws of the Borrower (and the Guarantor) given to BDC this day are those in effect as of the date hereof and there is no undertaking providing for their amendment.

8.2 **Loan Documents.** The representations and warranties set forth in the Loan Documents are complete and accurate.

8.3 **Effects of representations and warranties.** The representations and warranties set out herein shall remain in effect until repayment in full of the Loan and any other amount owed to BDC under the Loan Documents.

9. DEFAULT AND RECOURSE PRIOR TO DISBURSEMENT OF THE LOAN

9.1 **Default.** The Borrower (and the Guarantor) shall be in default if:

9.1.1 any of the representations and warranties herein or in the schedules hereto and in the Loan Documents is found to be erroneous, inaccurate or false;

9.1.2 any of the pre-disbursement conditions is not met;

9.1.3 a Material Adverse Change with respect to the Borrower (or the Guarantor) has occurred, in the opinion of BDC;

9.1.4 The projections set forth in the cash flow statement are not met or complied with;

9.1.5 The audited annual financial statements or the internal monthly financial statements of the Borrower reflect a deterioration of the financial situation of the Borrower [or of the Guarantor] in comparison with the financial situation when the loan was authorized;

9.1.6 the due diligence is not to the complete satisfaction of BDC, including the statement of prior claims, such as deductions at source and constructive trusts;

9.1.7 the Borrower (or the Guarantor) does not take any action or do not sign any document considered necessary or useful by BDC to give full effect hereto and to the Loan Documents;

9.1.8 the Borrower (or the Guarantor) fails to comply with the terms and conditions set out herein and in the Loan Documents.

9.2 **Recourse**. In the event of any Default prior to the disbursement of all or part of the Loan, BDC reserves the right not to disburse the Loan in accordance with the terms hereof.

10. DEFAULT AND RECOURSE

Notwithstanding any provision to the contrary contained herein and even if the terms have been complied with, BDC reserves the right, at its discretion, to terminate the Loan or any undisbursed portion thereof or to postpone the disbursement and terminate any moratorium on the repayment of principal, and the Borrower (and the Guarantor) agrees to repay, upon request, all or part of the amounts disbursed on the Loan, with interest, Costs and accessories, in the following cases:

10.1. any Court order lifting or modifying the protection or suspension of the recourses against the Borrower or any of its assets;

10.2 any other Court order granting a recourse or a right to a creditor to any security ranking before or *pari passu* with BDC;

10.3 any Court order amending the Loan or the restructuring process undertaken by the Borrower under the CCAA or BIA, as applicable, without the prior consent of BDC;

10.4 the failure by the Borrower (or the Guarantor) to pay interest or Costs which are owed hereunder or to repay the principal when due;

10.5 if any representation or warranty found herein, in the Security documents or in any other document or certificate provided to BDC by the Borrower (or the Guarantor) is incorrect, erroneous or inaccurate;

10.6 The Borrower (or the Guarantor) is in breach or terminate any material undertaking or obligation in the opinion of BDC;

10.7 If the Borrower (or the Guarantor) makes an assignment of its property, is placed under receivership pursuant to BIA, or if it is under a liquidation order under BIA or any other statute to the same effect;

10.8 if the Borrower (or the Guarantor) does not maintain its legal existence;

10.9 if there is a Change in Control of the Borrower or in the ultimate Control of the Borrower which has not received the prior written consent of BDC;

10.10 if the Borrower (or the Guarantor) fails to fulfil any of its undertakings stipulated herein;

10.11 if, at any time, any Security ceases for any reason whatsoever to be in effect, have full effect and keep the ranking it should have in accordance herewith and the Loan Documents, whether or not BDC has been informed;

10.12 If any of the events of Default provided for hereunder occurs with respect to the loan(s) granted to the Borrower by BDC which is not covered by the restructuring process, and the Borrower further acknowledges that a Default hereunder or under the Loan Documents shall also constitute a Default within the meaning of its other loans;

10.13 In all cases of Default, there will be loss of the benefit of the term and BDC may move up the date the Loan is due or terminate the Loan and declare the amount owed to it in principal on the Loan and any accrued interest, Costs and accessories thereon, as well as any indebtedness of the Borrower toward BDC hereunder and under the Loan Documents, to be due and payable immediately, in which case the Borrower shall pay BDC forthwith all amounts owed or payable under the Loan, failing which BDC may exercise all its recourses hereunder or under any guarantee held by BDC, as it sees fit without further notice to the Borrower with the exception of the notices required by law; in addition, BDC or its assigns shall have the right to exercise all its recourses and the rights available to it, without any control on the part of the Borrower, but BDC shall not be required to realize such guarantee or exercise any such right or recourse and shall not be responsible for any loss which may be caused by such decision not to exercise such recourse. The Borrower shall indemnify BDC for any loss or expense which BDC may suffer or incur due to any delay in the payment of the Loan or any portion thereof or any accrued interest thereon or any other amount owed hereunder or resulting from a Default including, without limiting the generality of the foregoing, any cost, loss or expense incurred by BDC due to the Default of the Borrower.

10.14 In all cases of Default, BDC may also refuse to advance the Borrower any portion of the Loan which has not been advanced to the Borrower.

10.15 No notice or formal demand shall be required (unless provided for herein or under the Security) nor shall have to be given to the Borrower or, as the case may be, to the Guarantor, by BDC for the purpose of putting the Borrower and, as the case may be, the Guarantor in default, and the Borrower and, as the case may be, the Guarantor shall be in Default by the mere passage of the time given for the performance of an obligation constituting a Default under the Loan Documents or by the occurrence of an event constituting a Default under the Loan Documents, to the extent allowed by law.

10.16 If a Default occurs, BDC may incur and pay any reasonable sum for services rendered (including professional fees and the fees of agents) with respect to the realization, payment, sale, transfer, delivery or payment to be made with respect to any guarantee referred to herein and may deduct such sums as fees and disbursements from the proceeds of realization of the securities. The balance of any proceeds may be withheld by BDC and may, at the option of BDC, be applied to any indebtedness of the Borrower toward BDC, without prejudice to any other right or recourse of BDC. Any expense incurred or sum paid by BDC in order to realize, maintain or preserve any security referred to herein given by the Borrower to BDC hereunder or by law shall bear interest at the interest rate provided in the Loan until the date the said sum is paid.

10.17 BDC may grant extensions, take and give releases of any security and deal in any manner with the Borrower or any other party with respect to the guarantees given to BDC as BDC wishes and without prejudice to any rights of BDC with respect to the securities given and without reducing the responsibility of the Borrower toward BDC.

10.18 The rights and recourses of BDC hereunder are cumulative and are in addition to, and not a substitute for, those granted to it by Law. The partial exercise or the exercise of only one of such rights and recourses by BDC for a Default or breach of any term, undertaking, condition or agreement found herein shall not modify, affect or impair any other right or recourse to which BDC may be entitled under the Law for the same Default or breach; no waiver by BDC of the strict observance, performance or compliance with a term, undertaking, condition or agreement found herein or any accommodation granted by BDC shall be deemed to be a waiver with respect to any subsequent Default or breach.

11. GENERAL

11.1 The Borrower shall not have the right to assign or transfer the rights granted to it hereunder. Any assignment in breach of this paragraph shall, in addition to constituting a Default hereunder, cancel any undertaking of BDC to disburse any portion of the Loan which has not been advanced.

11.2 BDC shall keep records of the transactions made under the Loan. Such registers shall be deemed to reflect such transactions and the amount of the Loan used by the Borrower and shall constitute, in the absence of manifest errors, *prima facie* evidence of the date and amount of any disbursement to the Borrower and the total amounts paid by the Borrower in principal and interest on the disbursements, costs and other amounts payable hereunder.

11.3 The Borrower shall take any action and sign any document necessary to give full effect to the terms hereof.

11.4 The Borrower agrees to a public announcement being made in the form of a press release by BDC.

11.5 The Borrower (and the Guarantor) authorize BDC to communicate with their accountants and auditors and to ask them, on their behalf, to give BDC financial information and to give BDC the financial statements of the Borrower (and the Guarantor) as soon as they are prepared. In addition to the documents and information indicated above, BDC may require the opinion of an independent and competent auditor.

PRIVATE & CONFIDENTIAL

July 12, 2017

Paul McCracken
Canada North Group Inc.
14238 – 134 Avenue
Calgary, AB T5L 5V8

RE: Debtor-in-Possession Financing – Amendment No. 1

Dear Paul,

Reference is made to that certain offer letter dated June 29, 2017 (the "**Original Offer Letter**") issued by Business Development Bank of Canada ("**BDC**") and accepted by Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd. and 816956 Alberta Ltd. (collectively, "**Canada North**" or the "**Borrower**"). Capitalized terms used herein but not defined shall have the meaning given to such terms in the Original Offer Letter.

As an accommodation to the Borrower, BDC hereby agrees to amend the Original Offer Letter as follows (the Original Offer Letter as amended by this letter being collectively the "**Offer Letter**").

Disbursement Procedure

The section in the Original Offer Letter entitled "Disbursement Procedure" is hereby deleted in its entirety and replaced with the following:

The DIP Loan shall be disbursed in weekly instalments based on the Cash Flow Projection. The Borrower may request disbursements in increments of $50,000.

In addition to the conditions precedent and underlying conditions set forth in this Letter of Offer, the Borrower agrees that each disbursement shall be conditional upon the fulfilment of each of the following conditions to the satisfaction of BDC:

(a) the Borrower shall have given BDC and EY, in the form set out in Schedule "B" attached hereto, a draw notice signed by an officer of the Borrower confirming that the said disbursement falls within the Cash Flow Projection; and

(b) EY shall confirm via email that the disbursement requested in the draw notice is compliant with the terms and conditions of this Letter of Offer and otherwise approve such disbursement.

Underlying Conditions

Paragraph (j) of the section in the Original Offer Letter entitled "Underlying Conditions" is hereby deleted in its entirety and replaced with the following:

Business Development Bank of Canada
Business Restructuring
70 York Street, Suite 1202
Toronto, ON M5J 1S9

bdc

(j) the Borrower shall provide a weekly cash flow statement, aged accounts receivable trial balance, aged accounts payable trial balance by no later than Thursday of each week (it being agreed that the Borrower shall use its best efforts to provide such information by Wednesday of each week).. The weekly cash flow statement shall show actual results achieved compared to the Cash Flow Projection along with notes and management comments on variances, together with an updated forecast for the forthcoming 13 weeks;

Paragraph (k) of the section in the Original Offer Letter entitled "Underlying Conditions" is hereby deleted in its entirety and replaced with the following:

(k) the Borrower shall adhere to the following financial covenants, tested weekly (with the first such tests on July 29 being the end of the initial rolling four week period):

(i) cumulative actual of total receipts for any given rolling four week period shall not vary negatively from the amount forecasted in the Cash Flow Projection for the same period by more than 15%; and

(ii) cumulative actual of total disbursements for any given rolling four week period shall not vary negatively from the amount forecasted in the Cash Flow Projection for the same period by more than 15%.

Notwithstanding the foregoing, BDC is entitled, in its sole and absolute discretion, to authorize in writing deviations by the Borrower from the financial covenants contained in subparagraph (k), provided that any request from the Borrower for such approval is made prior to such deviation occurring and provides BDC with reasonable time to consider such request.

Confirmations

Except as provided for in this letter, the parties ratify and confirm all of the terms and conditions of the Original Offer Letter and each of the other the Loan Documents and acknowledge and agree that they are and shall remain in full force and effect, unamended.

Without limiting the generality of the foregoing, the Borrower hereby confirms that notwithstanding the terms and conditions of this letter, any security executed and delivered by the Borrower to BDC continues to be legal, valid, binding and enforceable in accordance with the terms thereof and stands as valid and enforceable security for the for all present and future liabilities, obligations and indebtedness owing by the Borrower to BDC.

bdc

Governing Law	This letter as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.
Expiry Date	This letter shall become null and void if it is not accepted by 2 p.m. (Calgary time) on July 14, 2017.
Further Assurances	Upon notice from BDC, the Borrower shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as BDC may reasonably require to give effect to this letter and the amendments contemplated hereunder.
Counterparts	This letter may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.

We trust that the foregoing is acceptable but please contact the undersigned if you have any questions at this time. Otherwise, we look forward to continuing to work with you.

Yours truly,

Adam Laiken
Director, Business Restructuring

Russell W. French
Assistant Vice President, Business Restructuring

ACCEPTANCE

To: Business Development Bank of Canada
Business Restructuring
70 York Street, Suite 1202
Toronto, Ontario
M5J 1S9

Attention: Adam Laiken

We certify that all the information provided to BDC is true. We accept the terms set forth in this letter and, without limiting the generality of the foregoing, we specifically acknowledge the events of default described therein.

Accepted in the City of Calgary on July 14, 2017.

CANADA NORTH GROUP INC.

Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

816956 ALBERTA LTD.

Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

CANADA NORTH CAMPS INC.

Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

D.J. CATERING LTD.

Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

CAMPCORP STRUCTURES LTD.

Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

1371047 ALBERTA LTD.

Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR.

bdc*

PRIVATE & CONFIDENTIAL

July 21, 2017

Paul McCracken
Canada North Group Inc.
14238 – 134 Avenue
Calgary, AB T5L 5V8

RE: Debtor-in-Possession Financing – Amendment No. 2

Dear Paul,

Reference is made to that certain offer letter dated June 29, 2017 (the "**June Offer Letter**") issued by Business Development Bank of Canada ("**BDC**") and accepted by Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd. and 816956 Alberta Ltd. (collectively, "**Canada North**" or the "**Borrower**"), as amended by that certain first amendment letter dated July 12, 2017 (such amendment, collectively with the June Offer letter, is referred to as the "**Original Offer Letter**"). Capitalized terms used herein but not defined shall have the meaning given to such terms in the Original Offer Letter.

As an accommodation to the Borrower, BDC hereby agrees to amend the Original Offer Letter as follows (the Original Offer Letter as amended by this letter being collectively the "**Offer Letter**").

Description of Loan & Loan Purpose

The second paragraph in the Original Offer letter and the chart immediately below such paragraph is hereby deleted in its entirety and replaced with the following:

Based on the information provided by The Borrower and EY, Business Development Bank of Canada ("**BDC**") is prepared to offer the Borrower, on a joint and several basis, debtor-in-possession financing in the amount of up to $2,500,000 (the "**DIP Loan**") according to the terms and conditions set forth in this letter of offer (the "**Letter of Offer**").

Loan Purpose		**Funding**	
Financing only of the day-to-day expenses of the Borrower in accordance with the cash flow projection approved and recommended by EY and filed with the Court in support of the request for DIP financing (the "**Cash Flow Projection**"), attached	$2,500,000	DIP Loan	$2,500,000

Business Development Bank of Canada
Business Restructuring
70 York Street, Suite 1202
Toronto, ON M5J 1S9

hereto as Schedule "A" (the "**Project**"), subject to the terms and conditions of this Letter of Offer.

	$2,500,000	$2,500,000

Amount of Loan

The section in the Original Offer Letter entitled "Amount of Loan" is hereby deleted in its entirety and replaced with the following:

$2,500,000

Disbursement Procedure

The section in the Original Offer Letter entitled "Disbursement Procedure" is hereby deleted in its entirety and replaced with the following:

The DIP Loan shall be disbursed in weekly instalments based on the Cash Flow Projection. The Borrower may request disbursements in increments of $50,000.

In addition to the conditions precedent and underlying conditions set forth in this Letter of Offer, the Borrower agrees that each disbursement shall be conditional upon the fulfilment of each of the following conditions to the satisfaction of BDC:

(a) the Borrower shall have given BDC and EY, in the form set out in Schedule "B" attached hereto, a draw notice signed by an officer of the Borrower confirming that (X) the requested disbursement is necessary, reasonable and appropriate in the circumstances and is required to maintain and support the ordinary course of the Borrower's business and its restructuring proceedings under the CCAA and falls within the Cash Flow Projection and (Y) there have been no expenditures (capital in nature or otherwise) by the Borrower in relation to the requested disbursement or to date that have not been made in order to maintain and support the ordinary course of the Borrower's business or its restructuring proceedings under the CCAA; and

(b) The Borrower will provide any disbursement request from BDC to EY for review, prior to, or in conjunction with, its submission to BDC. EY will review such disbursement request and will advise BDC by email whether or not anything has come to the attention of EY that leads it to believe that the disbursement request, and the related expenditures of the Borrower have not been made in order to carry out the ordinary course of the Borrower's business or its restructuring proceedings under the CCAA. Based on the foregoing review (including the representations and confirmations provided by

the Borrower in the disbursement request), EY will provide BDC with their opinion as to whether or not the requested disbursement is reasonable and appropriate in the circumstances.

Interest

The section in the Original Offer Letter entitled "Interest" is hereby deleted in its entirety and replaced with the following:

Interest is payable monthly, and is comprised of the BDC Floating Base Rate plus an interest rate variance of 4.20%. "BDC Floating Base Rate" means the annual interest rate announced from time to time by BDC in its branches as being its floating prime rate applicable to each of the floating interest rate plans of BDC in effect at the time for the purpose of determining the floating interest rates on loans in Canadian dollars. As of the date hereof, that rate is set at 5.05% per annum so the interest rate applicable to the DIP Loan as of the date hereof would be 9.25%.

For certainty, the interest rate provided for in this letter shall apply retroactively from July 13, 2017.

Security

Paragraph (a) of the section in the Original Offer Letter entitled "Security" is hereby deleted in its entirety and replaced with the following:

*(a) a Court authorized first-ranking, valid, enforceable financing charge with priority over all creditors of the Borrower, in the amount of $2,500,000 (the "**DIP Charge**") charging all the property, assets and undertakings of the Borrower granted pursuant to the DIP Order (as hereinafter defined) that includes standard debtor-in-possession terms and conditions satisfactory to BDC acting reasonably, pursuant to section 50.6 of the BIA or section 11.2 of the CCAA, as the case may be, subject only to an administration charge not to exceed $500,000 (the "**Administration Charge**"); and*

Underlying Conditions

Paragraph (e) of the section in the Original Offer Letter entitled "Underlying Conditions" is hereby deleted in its entirety and replaced with the following:

(e) the Borrower shall deliver to BDC:

(i) a discussion paper outlining the material components of the Borrower's restructuring plan (the "Discussion Paper"), acceptable to BDC in its sole discretion, on or before September 8, 2017 or such later date as BDC may determine in its sole discretion; and

(ii) a comprehensive restructuring plan, reflecting the terms set out in the Discussion Paper and including detailed financial projections, acceptable to BDC in its sole discretion, on or before September 29, 2017 or such later date as BDC may determine in its sole discretion,

Schedule A – Cash Flow

The Schedule A – Cash Flow Projection attached to the Original Offer

Projection	Letter is hereby deleted in its entirety and replaced with the Schedule A – Cash Flow Projection attached to this letter.
Schedule B – Draw Notice	The Schedule B – Draw Notice attached to the Original Offer Letter is hereby deleted in its entirety and replaced with the Schedule B – Draw Notice attached to this letter.
Offer Letter Amendment Fee	The Borrower agrees to pay a non-refundable Offer Letter Amendment Fee in the amount of $22,500 which Offer Letter Amendment Fee is fully earned and payable in full as of the date of acceptance of this letter.
Confirmations	Except as provided for in this letter, the parties ratify and confirm all of the terms and conditions of the Original Offer Letter and each of the other the Loan Documents and acknowledge and agree that they are and shall remain in full force and effect, unamended. Without limiting the generality of the foregoing, the Borrower hereby confirms that notwithstanding the terms and conditions of this letter, any security executed and delivered by the Borrower to BDC continues to be legal, valid, binding and enforceable in accordance with the terms thereof and stands as valid and enforceable security for the for all present and future liabilities, obligations and indebtedness owing by the Borrower to BDC.
Governing Law	This letter as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.
Expiry Date	This letter shall become null and void if it is not accepted by 2 p.m. (Calgary time) on July 25, 2017 and if it is not approved by Order of the Court of Queen's Bench of Alberta by no later than July 27, 2017.
Further Assurances	Upon notice from BDC, the Borrower shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as BDC may reasonably require to give effect to this letter and the amendments contemplated hereunder.
Counterparts	This letter may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.

We trust that the foregoing is acceptable but please contact the undersigned if you have any questions at this time. Otherwise, we look forward to continuing to work with you.

Yours truly,

Adam Laiken
Director, Business Restructuring

Russell W. French
Assistant Vice President, Business Restructuring

ACCEPTANCE

To: Business Development Bank of Canada
Business Restructuring
70 York Street, Suite 1202
Toronto, Ontario
M5J 1S9

Attention: Adam Laiken

We certify that all the information provided to BDC is true. We accept the terms set forth in this letter and, without limiting the generality of the foregoing, we specifically acknowledge the events of default described therein.

We further acknowledge that today we paid BDC a sum of $22,500 representing the non-refundable offer letter amendment fee related to the DIP Loan. The said non-refundable offer letter amendment fee does not create any right in favour of the Borrower and does not require BDC to make any further disbursement of the DIP Loan, as such rights and obligations can only be generated to the extent that the terms and conditions set out in the Offer Letter are met to the complete satisfaction of BDC.

Accepted in the City of Edmonton on JULY 25, 2017.

CANADA NORTH GROUP INC.

Per:
Name: SHAYNE LD MCCRACKEN
Title: DIRECTOR

816956 ALBERTA LTD.

Per:
Name: SHAYNE LD MCCRACKEN
Title: DIRECTOR

CANADA NORTH CAMPS INC.

Per:
Name: SHAYNE LD MCCRACKEN
Title: DIRECTOR

D.J. CATERING LTD.

Per:
Name: SHAYNE LD MCCRACKEN
Title: DIRECTOR

CAMPCORP STRUCTURES LTD.

Per:
Name: SHAYNE LD MCCRACKEN
Title: DIRECTOR

1371047 ALBERTA LTD.

Per:
Name: SHAYNE LD MCCRACKEN
Title: DIRECTOR

Schedule "A"

CASH FLOW PROJECTION

(SEE ATTACHED)

Schedule "B"

DRAW NOTICE

To: Business Development Bank of Canada
Business Restructuring
121 King Street West, Suite 1200
Toronto, ON M5H 3T9

Attention: Adam Laiken

RE: Debtor-in-Possession Financing

Dear Sir,

We refer you to the Letter of Offer of debtor-in-possession financing entered into on June 29, 2017 (as amended, restated or supplemented to date, the "**Letter of Offer**") between Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd. and 816956 Alberta Ltd., as Borrower, and BDC, as DIP Lender. Capitalized terms which are used but not defined in this draw notice have the meaning given to them in the Letter of Offer.

We confirm our draw notice concerning a disbursement as follows:

Amount of disbursement: $

Disbursement date:

As of the date hereof, we confirm that (i) the representations made or given in the DIP Loan are still true and accurate in all material respects, (ii) the said disbursement is necessary, reasonable and appropriate in the circumstances and is required to maintain and support the ordinary course of the Borrower's business or its restructuring proceedings under the CCAA, (iii) the said disbursement falls within the Cash Flow Projection and (iv) no Event of Default has occurred.

We also confirm (i) the execution of the previous draw by each of the parties and (ii) there have been no expenditures (capital in nature or otherwise) by the Borrower in relation to the said disbursement or to date that have not been made in order to maintain or support the ordinary course of the Borrower's business or its restructuring proceedings under the CCAA.

CANADA NORTH GROUP INC.

Per: ______________________________
Name:
Title:

816956 ALBERTA LTD.

Per: ______________________________
Name:
Title:

CANADA NORTH CAMPS INC.

Per: ______________________________
Name:
Title:

D.J. CATERING LTD.

Per: ______________________________
Name:
Title:

CAMPCORP STRUCTURES LTD.	**1371047 ALBERTA LTD.**
Per: ______________________	Per: ______________________
Name:	Name:
Title:	Title:

Underlying Conditions

Paragraph (e) of the section in the Original Offer Letter entitled "Underlying Conditions" is hereby deleted in its entirety and replaced with the following:

(e) the Borrower, with the assistance of the Chief Restructuring Officer, shall:

*(i) deliver to BDC a discussion paper outlining the material components of the Borrower's restructuring plan (the "**Discussion Paper**"), acceptable to BDC in its sole discretion, on or before September 8, 2017;*

(ii) develop an Investment and Sale Solicitation Process ("ISSP"), satisfactory to BDC in its sole discretion, and apply to the Court for an order authorizing the Borrower to pursue the ISSP, as described in the Report of the Chief Restructuring Officer dated September 18, 2017, and the engagement of a solicitation firm and obtain such order on or before September 26, 2017;

*(iii) following Court authorization to pursue the ISSP, deliver to BDC detailed ISSP process procedures (the "**Procedures**") on or before October 25, 2017, which Procedures must be approved by BDC in its sole discretion prior to the implementation of the ISSP;*

*(iv) deliver to BDC a summary of the offers or investment proposals received by the Borrower through the ISSP or otherwise and an analysis of the Borrower's preferred transaction(s) that will form the basis of a CCAA plan of arrangement (the "**Plan**") on or before December 13, 2017;*

(v) file the Plan with the Court on or before January 17, 2018; and

(vi) provide to BDC updates on all activity undertaken and progress made with respect to the ISSP, as requested by BDC.

For each of the milestone dates set out in this paragraph (e), BDC may agree to such later date as BDC, in its sole discretion, deems appropriate.

Offer Letter Amendment Fee

The Borrower agrees to pay a non-refundable Offer Letter Amendment Fee in the amount of $2,000 which Offer Letter Amendment Fee is fully earned and payable in full as of the date of acceptance of this letter.

Confirmations

Except as provided for in this letter, the parties ratify and confirm all of the terms and conditions of the Original Offer Letter and each of the other the Loan Documents and acknowledge and agree that they are and shall remain in full force and effect, unamended.

Without limiting the generality of the foregoing, the Borrower hereby

bdc

confirms that notwithstanding the terms and conditions of this letter, any security executed and delivered by the Borrower to BDC continues to be legal, valid, binding and enforceable in accordance with the terms thereof and stands as valid and enforceable security for the for all present and future liabilities, obligations and indebtedness owing by the Borrower to BDC.

Governing Law This letter as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.

Expiry Date This letter shall become null and void if it is not accepted by 2 p.m. (Calgary time) on September 21, 2017 and if the Order of the Court of Queen's Bench of Alberta referenced in (e) above has not been obtained by September 26, 2017.

Further Assurances Upon notice from BDC, the Borrower shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as BDC may reasonably require to give effect to this letter and the amendments contemplated hereunder.

Counterparts This letter may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.

We trust that the foregoing is acceptable but please contact the undersigned if you have any questions at this time. Otherwise, we look forward to continuing to work with you.

Yours truly,

Adam Laiken
Director, Business Restructuring

Russell W. French
Assistant Vice President, Business Restructuring

ACCEPTANCE

To: Business Development Bank of Canada
Business Restructuring
121 King Street West, Suite 1200
Toronto, Ontario
M5H 3T9

Attention: Adam Laiken

We certify that all the information provided to BDC is true. We accept the terms set forth in this letter and, without limiting the generality of the foregoing, we specifically acknowledge the events of default described therein.

We further acknowledge that today we paid BDC a sum of $2,000 representing the non-refundable offer letter amendment fee related to the DIP Loan. The said non-refundable offer letter amendment fee does not create any right in favour of the Borrower and does not require BDC to make any further disbursement of the DIP Loan, as such rights and obligations can only be generated to the extent that the terms and conditions set out in the Offer Letter are met to the complete satisfaction of BDC.

Accepted in the City of Edmonton on SEPT 28, 2017.

CANADA NORTH GROUP INC.
Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

816956 ALBERTA LTD.
Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

CANADA NORTH CAMPS INC.
Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

D.J. CATERING LTD.
Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

CAMPCORP STRUCTURES LTD.
Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

1371047 ALBERTA LTD.
Per: [signature]
Name: SHAYNE MCCRACKEN
Title: DIRECTOR

PRIVATE & CONFIDENTIAL

December 7, 2017

Paul McCracken
Canada North Group Inc.
14238 – 134 Avenue
Calgary, AB T5L 5V8

RE: Debtor-in-Possession Financing – Amendment No. 4

Dear Paul,

Reference is made to that certain offer letter dated June 29, 2017 (the "**June Offer Letter**") issued by Business Development Bank of Canada ("**BDC**") and accepted by Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd., D.J. Catering Ltd., 1371047 Alberta Ltd. and 816956 Alberta Ltd. (collectively, "**Canada North**" or the "**Borrower**"), as amended by that certain first amendment letter dated July 12, 2017, that certain second amendment letter dated July 21, 2017 and that certain third amendment letter dated September 28, 2017 (such amendments, collectively with the June Offer letter, are referred to as the "**Original Offer Letter**"). Capitalized terms used herein but not defined shall have the meaning given to such terms in the Original Offer Letter.

As an accommodation to the Borrower, BDC hereby agrees to amend the Original Offer Letter as follows (the Original Offer Letter as amended by this letter being collectively the "**Offer Letter**"):

Description of Loan & Loan Purpose

The second paragraph in the Original Offer letter and the chart immediately below such paragraph is hereby deleted in its entirety and replaced with the following:

*Based on the information provided by The Borrower and EY, Business Development Bank of Canada ("**BDC**") is prepared to offer the Borrower, on a joint and several basis, debtor-in-possession financing in the aggregate amount of up to $3,500,000 consisting of two tranches: (i) a non-revolving loan in an amount of up to $3,000,000 ("**Tranche 1**"); and (ii) a non-revolving loan in an amount of up to $500,000 ("**Tranche 2**" and collectively with Tranche 1 the "**DIP Loan**") according to the terms and conditions set forth in this letter of offer (the "**Letter of Offer**").*

Loan Purpose		Funding	
Financing only of the day-to-day expenses of the Borrower in accordance with the cash flow projection approved and	*$3,000,000*	*Tranche 1*	*$3,000,000*

recommended by EY and filed with the Court in support of the request for DIP financing (the "Cash Flow Projection"), attached hereto as Schedule "A" (the "Project"), subject to the terms and conditions of the Letter of Offer			
Same purpose as Tranche 1	*$ 500,000*	*Tranche 2*	*$ 500,000*
Total	*$3,500,000*	*Total*	*$3,500,000*

Amount of the Loan:

The section in the Original Offer Letter entitled "Amount of Loan" is hereby deleted in its entirety and replaced with the following:

Tranche 1 - $3,000,000

Tranche 2 - $500,000

Term

The section in the Original Offer Letter entitled "Term" is hereby deleted in its entirety and replaced with the following:

*The term of the DIP Loan shall be that period commencing on the date of issuance of the DIP Order (as hereinafter defined) and ending on the earliest of (such ending date, the "**Maturity Date**"):*

(a) May 31, 2018 or such later date as may be agreed to in writing by BDC and the Borrower;

*(b) the effective date of a plan of arrangement for the Borrower under the CCAA and the expiry of all relevant appeal periods in relation thereto (a "**Plan of Arrangement**");*

*(c) the closing of a sale of assets or equity interests that results in a change in control of the business conducted by the Borrower (a "**Sale Transaction**"); or*

(d) the occurrence of an Event of Default (as hereinafter defined).

Interest

The section in the Original Offer Letter entitled "Interest" is hereby deleted in its entirety and replaced with the following:

Interest is payable monthly, and is comprised of the BDC Floating Base Rate plus an interest rate variance of 5.70%. "BDC Floating Base Rate" *means the annual interest rate announced from time to time by BDC in its branches as being its floating prime rate applicable to each of the floating interest rate plans of BDC in effect at the time for the purpose of determining the floating interest rates on loans in Canadian dollars. As of the date hereof, that rate is set at 5.30% per annum so the interest rate applicable to the DIP Loan as of the date hereof would be 11.00%.*

For certainty, the interest rate provided for in this letter shall apply from December 12, 2017.

Security

Paragraph (a) of the section in the Original Offer Letter entitled "Security" is hereby deleted in its entirety and replaced with the following:

*(a) a Court authorized first-ranking, valid, enforceable financing charge with priority over all creditors of the Borrower, in the amount of $3,500,000 (the "**DIP Charge**") charging all the property, assets and undertakings of the Borrower granted pursuant to the DIP Order (as hereinafter defined) that includes standard debtor-in-possession terms and conditions satisfactory to BDC acting reasonably, pursuant to section 50.6 of the BIA or section 11.2 of the CCAA, as the case may be, subject only to an administration charge not to exceed $500,000 (the "**Administration Charge**"); and*

(b) all existing security held by BDC shal also stand as security for the DIP Loan.

*(collectively the "**DIP Lender Security**")*

Conditions Precedent

The following is added at the end of the section in the Original Offer Letter entitled "Conditions Precedent":

In addition to the satisfaction of the conditions precedent set out above and prior to any advance of Tranche 2 of the DIP Loan, the following conditions precedent will have been met in a manner satisfactory to BDC in its sole discretion:

(a) the Borrower shall have provided BDC with an updated comprehensive work plan (which work plan shall include, without limitation, an outline of all necessary steps and milestones and identify the responsible parties for each step) to successfully complete the restructuring of the Borrower, such work plan to be in form and substance satisfactory to BDC in its sole discretion;

*(b) the Borrower shall have received a binding commitment letter from the investor identified in paragraph 23 of the Fifth Report of the Monitor ("the **Paragraph 23 Investor**") regarding its proposed investment in the Borrower, or such other investor(s) as may be*

acceptable to BDC in its sole discretion, and shall have entered into definitive documentation regarding all the terms and conditions of such investment, such commitment letter and definitive documentation to be in form and substance satisfactory to BDC in its sole discretion; and

(c) the Borrower shall have obtained a Court Order authorizing the advance of Tranche 2 by BDC to the Borrower.

Underlying Conditions

The following is added as paragraph (q) to the section in the Original Offer Letter entitled "Underlying Conditions":

(q) the Borrower shall comply in all respects with the recommendations of the Monitor regarding any actions or steps to be taken as part of the restructuring of the Borrower unless the Borrower has otherwise consulted with BDC and obtained BDC's prior written consent to any alternative action or step proposed by the Borrower.

Paragraph (e) of the section in the Original Offer Letter entitled "Underlying Conditions" is hereby deleted in its entirety and replaced with the following:

(e) the Borrower, with the assistance of the Monitor, shall:

*(i) deliver to BDC a discussion paper outlining the material components of the Borrower's restructuring plan (the "**Discussion Paper**"), acceptable to BDC in its sole discretion, on or before September 8, 2017;*

*(ii) develop an Investment and Sale Solicitation Process ("**ISSP**"), satisfactory to BDC in its sole discretion, and apply to the Court for an order approving the ISSP, as described in the Report of the Chief Restructuring Officer dated September 18, 2017, and the engagement of a solicitation firm and obtain such order on or before September 26, 2017;*

*(iii) deliver to BDC a summary of the offers or investment proposals received by the Borrower through the ISSP or otherwise (including an offer letter from the Paragraph 23 Investor) and an analysis of the Borrower's preferred transaction(s) that will form the basis of a CCAA plan of arrangement (the "**Plan**") on or before December 13, 2017;*

(iv) deliver to BDC all binding commitment letter(s) for the transactions that shall form the basis of the Plan and the corresponding definitive documentation, such commitment letter(s) and definitive documentation to be in form and substance satisfactory to BDC in its sole discretion , on or before January 19, 2018;

(v) the Borrower shall have provided BDC with an updated

comprehensive work plan (which plan shall include, without limitation, an outline of all necessary steps and milestones and identify the responsible parties for each) to successfully complete the restructuring of the Borrower, such plan to be in form and substance satisfactory to BDC in its sole discretion and provided to BDC on or before January 19, 2018;

(vi) file the Plan with the Court on or before February 28, 2018; and

(vii) provide to BDC updates on all activity undertaken and progress made with respect to the ISSP, as requested by BDC.

For each of the milestone dates set out in this paragraph (e), BDC may agree to such later date as BDC, in its sole discretion, deems appropriate.

Waiver of Existing Defaults

The Borrower acknowledges that during the month of November 2017, the Borrower failed to comply with the financial covenant in the Original Offer Letter whereby it is required to ensure that the cumulative actual total of receipts for any given rolling four week period shall not vary negatively from the amount forecasted in the Cash Flow Projection for the same period by more than 15% (such failure by the Borrower to comply with the financial covenant being, the "**Breach**"). The Borrower further acknowledges that such Breach constitutes an Event of Default. Notwithstanding the foregoing, BDC hereby waives the Breach on condition that the Borrower acknowledges and agrees that this waiver by BDC shall not constitute or be deemed to constitute any agreement by BDC to forbear from enforcing its rights under the Offer Letter, any of the Loan Documents or at law should one or more other or subsequent breaches occur.

Schedule A – Cash Flow Projection

The Schedule A – Cash Flow Projection attached to the Original Offer Letter is hereby deleted in its entirety and replaced with the Schedule A – Cash Flow Projection attached to this letter.

Offer Letter Amendment Fee

The Borrower agrees to pay a non-refundable Offer Letter Amendment Fee in the amount of $15,000 which Offer Letter Amendment Fee is fully earned as of the date of acceptance of this letter and payable on the date of the first draw of the DIP Loan by the Borrower made after the date hereof.

Confirmations

Except as provided for in this letter, the parties ratify and confirm all of the terms and conditions of the Original Offer Letter and each of the other the Loan Documents and acknowledge and agree that they are and shall remain in full force and effect, unamended.

Without limiting the generality of the foregoing, the Borrower hereby confirms that (i) notwithstanding the terms and conditions of this letter,

bdc

	any security executed and delivered by the Borrower to BDC continues to be legal, valid, binding and enforceable in accordance with the terms thereof and stands as valid and enforceable security for the for all present and future liabilities, obligations and indebtedness owing by the Borrower to BDC and (ii) all representations and warranties given by the Borrower in the Original Offer Letter remain true and correct in all respects as of the date hereof.
Governing Law	This letter as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.
Expiry Date	This letter shall become null and void if it is not accepted by 2 p.m. (Calgary time) on December 11, 2017 and if the Order of the Court of Queen's Bench of Alberta referenced in (e) above has not been obtained by December 12, 2017.
Further Assurances	Upon notice from BDC, the Borrower shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as BDC may reasonably require to give effect to this letter and the amendments contemplated hereunder.
Counterparts	This letter may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.

We trust that the foregoing is acceptable but please contact the undersigned if you have any questions at this time. Otherwise, we look forward to continuing to work with you.

Yours truly,

Robert Prince
Director, Business Restructuring

Russell W. French
Assistant Vice President, Business Restructuring

ACCEPTANCE

To: Business Development Bank of Canada
Business Restructuring
70 York Street, Suite 1202
Toronto, Ontario
M5J 1S9

Attention: Adam Laiken

We certify that all the information provided to BDC is true. We accept the terms set forth in this letter and, without limiting the generality of the foregoing, we specifically acknowledge the events of default described therein.

We further acknowledge that as of today BDC has fully earned the $15,000 non-refundable offer letter amendment fee related to the DIP Loan. The said non-refundable offer letter amendment fee does not create any right in favour of the Borrower and does not require BDC to make any further disbursement of the DIP Loan, as such rights and obligations can only be generated to the extent that the terms and conditions set out in the Offer Letter are met to the complete satisfaction of BDC. Furthermore, by accepting the terms of this letter we acknowledge and agree that the waiver by BDC of the Breach shall not constitute or be deemed to constitute any agreement by BDC to forbear from enforcing its rights under the Offer Letter, any of the Loan Documents or at law should one or more other or subsequent breaches occur.

Accepted in the City of Edmonton on Dec. 11, 2017.

CANADA NORTH GROUP INC.

Per: ______________________
Name: S MCCRACKEN
Title: DIRECTOR

816956 ALBERTA LTD.

Per: ______________________
Name: S MCCRACKEN
Title: DIRECTOR

CANADA NORTH CAMPS INC.

Per: ______________________
Name: S MCCRACKEN
Title: DIRECTOR

D.J. CATERING LTD.

Per: ______________________
Name: S MCCRACKEN
Title: DIRECTOR

CAMPCORP STRUCTURES LTD.

Per: ______________________
Name: S MCCRACKEN
Title: DIRECTOR

1371047 ALBERTA LTD.

Per: ______________________
Name: S MCCRACKEN
Title: DIRECTOR

This is Exhibit "B" referred to in the
Affidavit of Russell French
made before me on June 12, 2018

____
A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70303 H

CASSELS BROCK
LAWYERS

May 17, 2018

BY EMAIL: DBieganek@dcllp.com

joliver@casselsbrock.com

Duncan Craig LLP
2800 Scotia Place, 10060 Jasper Avenue
Edmonton, AB T5J 3V9

tel: 403.351.2921
fax: 403.648.1151

Attention: Darren Bieganek, Q.C.

file # 33845-213

Dear Sir:

Re: Canada North Group Inc. et al | Trial Court File No. 1703-12327
Court of Appeal File No. 1703-0237AC (the "Appeal")

We are writing in relation to the above noted Appeal and, more particularly, the Business Development Bank of Canada's ("**BDC**") costs in defending the Appeal.

A. Nature of the Appeal

As you are aware, the Minister of National Revenue (the "**CRA**") was successful in obtaining leave to appeal on the following issue:

> Did the case management judge err in law in determining that the "super-priority" charges made in favour of the interim financier, the directors of the debtor companies, and the Monitor and its counsel (collectively, the "**Priority Charges**") have priority over the claim of the CRA for unremitted source deductions (the "**CRA Claim**")?

The CRA was granted leave notwithstanding the fact that this issue is potentially moot on the record, as it is anticipated that there will be sufficient assets in the estate to satisfy both the Priority Charges and the CRA Claim (although we note that until BDC is paid in full, all issues remain undeniably live). In his reasons allowing the application for leave to Appeal, Slatter, JA. noted that this issue is typically resistant to review and went on to state that "[t]his may present the occasion where the Court should adjudicate even if the issue is potentially moot"[1] [emphasis added]. In other words, the CRA has effectively been granted leave for the purpose of allowing it to resolve a greater policy issue than what may be at issue in the present case. We note that the CRA has acknowledged that its success on this motion would cause a "chill on commercial restructuring".[2] As a result of the precedent setting nature of this matter, BDC has been placed in a position where it is required to defend against the Appeal notwithstanding that the outcome of the Appeal may have no direct impact on whether or not the Priority Charges and CRA Claim are satisfied.

---

[1] *Canada v Canada North Group Inc*, 2017 ABCA 363 at para 3.
[2] *Canada North Group Inc (Companies' Creditors Arrangement Act)*, 2017 ABQB 550 at para 2.

As you are also aware, in order to circumscribe the costs of the Appeal, Slatter, JA. appointed a lead respondent who is entitled to file a full factum, whereas all other interested parties are restricted to filing limited factums. By agreement of the parties, BDC was appointed as lead respondent. The fact that BDC is taking on this lead role benefits other parties (including but not limited to the Borrower and the Monitor) and ultimately reduces the costs, charges and expenses incurred by those parties. While BDC currently also has a very considerable economic interest in defending the Appeal, even if it is repaid in full, any challenge to the priority of BDC's loan(s) at any time is an issue of significant importance to BDC. BDC is not only entitled to defend against such challenges but is also entitled to have the costs of safeguarding this priority indemnified by the debtor companies (collectively, the "**Borrower**") under, *inter alia*, the terms of the Commitment Letter (as defined below). It is for these reasons (among others) that BDC agreed to take on the role of lead respondent. BDC should not be penalized for taking on this additional role when it provides a benefit for all parties who are respondents in the Appeal. Stated differently, if it was not BDC undertaking this role, it would likely be the Borrower or the Monitor, all on account of the Borrower.

B. BDC's Position on Costs of the Appeal

It is BDC's position that any costs incurred by it as part of defending the Appeal are:

(a) payable by the Borrower pursuant to the terms of the interim financing commitment letter dated June 29, 2017 (as amended, the "**Commitment Letter**"); and

(b) secured by the Interim Lender's Charge (as that term is defined in the initial order granted in this matter by the Honourable Justice K.G. Nielsen on July 5, 2017 (the "**Initial Order**")).

As such, we are writing to request that the Monitor set aside and pay to BDC a reserve from any distributions made in the amount of $225,000 (the "**Cost Reserve**"), which amount represents an estimate for the costs, charges and expenses (including BDC's legal fees and disbursements on a solicitor and his own client basis) incurred by BDC in connection with defending the Appeal, as well as any future appeal to the Supreme Court of Canada (the "**SCC**"). For greater clarity, the funds in the Cost Reserve shall be available to indemnify BDC for its legal costs, charges and expenses for the Appeal and any appeal to the SCC (collectively, the "Appeals") regardless of whether BDC is the party bringing the appeal to the SCC or defending against an appeal or an application for leave. The Cost Reserve shall be in addition to all other amounts payable under the Commitment Letter.

The wording of the Commitment Letter and the Initial Order support BDC's request for payment of their costs, charges and expenses of the Appeals for the reasons set out below.

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Costs of Appeals are Included in the Commitment Letter and are Covered by Interim Lender's Charge

The combination of the 'Other Costs' and 'Security' provisions in the Commitment Letter and paragraph 34 of the Initial Order are sufficient to ensure that BDC's costs, charges and expenses for the Appeals are payable by the Borrower on a solicitor and his own client basis and are secured by the Interim Lender's Charge for, *inter alia*, the reasons set out below.

Pursuant to the terms of the Commitment Letter:

> ... any and all costs, charges, and expenses (including, without limitation, lawyers' fees as between solicitor and his own client, on a full indemnity basis ... incurred by BDC in connection with the restructuring proceedings, the DIP Loan, the DIP Loan Documentation, the DIP Lender Security, the DIP Order, the DIP Charge, the Proposal, the enforcement of any rights and remedies regarding the aforementioned and the restructuring of the Borrower including, are for the account of the Borrower. Such costs shall be paid out of the disbursements of the DIP Loan as and when they become due and shall be secured by the DIP Lender Security." [emphasis added]

DIP Lender Security is defined in the Commitment Letter as including the Interim Lender's Charge.

The relevant portion of paragraph 34 of the Initial Order reads as follows:

> "The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "Interim Lender's Charge") on the Property to secure all obligations under the Definitive Documents incurred on or after the date of this Order ..."

BDC's costs of defending the Appeals (i.e. defending the priority ranking of the Interim Lender's Charge) clearly constitute 'costs, charges and expenses' incurred by BDC in connection with (*inter alia*) the restructuring proceedings, the DIP Charge and/or the DIP Lender's Security and the enforcement of any rights and remedies regarding that aforementioned. According to the terms of the Commitment Letter, such costs, charges and expenses are expressly secured by the Interim Lender's Charge. Furthermore, the Interim Lender's Charge clearly states that it is intended to secure all obligations relating to the interim financing.

In addition to the provisions outlined above, the Commitment Letter also includes an indemnity whereby the Borrower agrees to indemnify BDC from and against any and all claims, losses, obligations, liabilities, actions or causes of action and the reasonable cost and expenses incurred by BDC by reason of or resulting from the DIP Loan, the Commitment Letter and the transactions and documents contemplated in the Commitment Letter. This clearly extends to the Appeals. As this indemnity would also constitute an obligation relating to the interim financing, it provides another mechanism by which BDC's costs, charges and expenses for the Appeals are secured by the Interim Lender's Charge.

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BDC appreciates that the Borrower has not initiated the Appeal and that both BDC and the Borrower are being required to defend against a potentially moot issue that is part of a larger point being pursued by the CRA. However, the above noted provisions of the Commitment Letter (among others) are specifically included to protect BDC against these types of situations. The inclusion of these types of indemnity provisions are standard in lending documents and are part of the bargain agreed to by borrowers in exchange for the extension of credit.

Claiming Costs Against the CRA

BDC is requesting that the Cost Reserve be paid over to BDC in advance of the Appeal. BDC will be entitled to drawdown on the Cost Reserve so as to pay its legal costs, charges and expenses as and when they become due. Any legal fees paid by BDC out of the Cost Reserve remain subject to a right of taxation. As part of this request, BDC will endeavour to recover as many of its costs as possible directly from the CRA. Any cost amounts recovered by BDC directly from the CRA will be paid to the Monitor for redistribution to the appropriate party.

Furthermore, it would appear that the fact that the Borrower is required to pay the costs of, *inter alia*, BDC and the Monitor will strengthen a claim by the Borrower for special costs as against the CRA. As it is possible for special costs to be awarded on a full indemnity basis, the Borrower may be in a position to recoup the cost, charges and expenses of the Borrower, the Monitor and BDC on a full indemnity basis in any event, thereby providing a solution to the matter of costs that would presumably be acceptable to all of the respondents.

Thank you for your consideration of this matter.

Yours truly,
Cassels Brock & Blackwell LLP

Jeffrey Oliver

JO/dm
cc: client

This is Exhibit “C” referred to in the
Affidavit of Russell French
made before me on June 12, 2018

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70303 H

DUNCANCRAIG LLP
LAWYERS MEDIATORS

Our File: 204-196164

Your File:

Lawyer: **Darren R. Bieganek, QC**
Telephone: 780.441.4386
Email: dbieganek@dcllp.com
Fax: 780.969.6381

May 23, 2018

Via E-Mail

Cassels Brock & Blackwell LLP
1250, Millennium Tower
440 - 2nd Avenue SW
Calgary, AB T2P 5E9

Attention: Jeffrey Oliver

Dear Sir:

Re: Canada North Group Inc. et al - Court of Queen's Bench Action Number 1703 12327 ("CCAA Proceedings") - Interim Lending Facility Provided by Business Development Bank Canada ("BDC")

With reference to the above captioned matter, as you are aware our office acts on behalf of Ernst & Young Inc. (the "Monitor") in its capacity as Monitor of the remaining entities in the Canada North Group.

The Monitor now has sufficient funds on hand to enable it to repay in full the interim lending facility provided by BDC.

Could you please provide us with BDC's unqualified payout as of tomorrow, with per diem interest, so that retirement of the interim lending indebtedness can be effected.

Please also provide us with information that we can provide to our client respecting the method of payment (i.e. I presume the Monitor can effect payment directly to BDC).

We look forward to hearing from you as soon as possible and until then remain,

Yours truly,

DUNCAN CRAIG LLP
Per:

DARREN R. BIEGANEK, QC
DRB/kjs

cc: Ernst & Young Inc.
Attention: Matt McCulloch

cc: Duncan Craig LLP
Attention: Ryan Quinlan

This is Exhibit "D" referred to in the
Affidavit of Russell French
made before me on June 12, 2018

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Gurdis
LSO # 70303 H

Comstock, Richard

From:	Oliver, Jeffrey
Sent:	Friday, May 25, 2018 6:59 AM
To:	'Darren Bieganek'
Cc:	matt.mcculloch@ca.ey.com; Ryan Quinlan; 'LAIKEN, Adam (TORONTO)'; 'FRENCH, Russell W. (TORONTO)'
Subject:	Canada North Group Inc. et al - Interim Lending Facility Provided by BDC [IWOV-LEGAL.FID2560870]
Attachments:	2018_05_25 07-23-00.pdf; Outstanding Invoices (redacted).pdf

Darren,

Further to your letter received on May 23, 2018, attached is a payout statement along with a copy of outstanding legal accounts to date (redacted for privilege).

Please let us know if you have any questions. I am out of the office this morning but am back this afternoon.

Thanks

Jeffrey Oliver
Direct: +1 403 351 2921 • Fax: +1 403 648 1151 • joliver@casselsbrock.com
Suite 3810, Bankers Hall West, 888 3rd Street SW, Calgary, Alberta, T2P 5C5
www.casselsbrock.com

Please note that our address has recently changed, effective May 7.

bdc

May 24, 2018

Mr. Darren Bieganek
Duncan Craig LLP
Suite 2800, 10060 Jasper Avenue
Edmonton, Alberta T5J 3V9

Subject: **Confirmation of Prepayment Amounts – Loan No. 128644-03**
***Canada North Group Inc. et al* (the "debtor")**

Mr. Bieganek:

As requested, Business Development Bank of Canada ("BDC") has calculated the prepayment figures for the above mentioned loan, as at May 24, 2018, to be[1]:

	Loan 128644-03
Principal	$3,500,000.00
Interest up to and including May 23, 2018	$25,890.41
Outstanding Legal Fees[2]	$75,048.08
Reserve for Future Legal Fees[3]	$225,000.00
Monthly Administration Fees	$250.00
Total	$3,826,188.49
Current Per Diem (subject to change)	$1,078.76
Current Interest rate – floating base + 5.70 %	11.25%

Since this loan is on a floating interest rate, please contact this office one day prior to the date of payout and request the exact amount of accrued interest required to retire the loan. The amounts will be confirmed to you by email. Funds and Per Diem Interest calculated up to and including the date prior to the payout must be received by BDC no later than 12:00 p.m. on the payout date. If the Funds and Per Diem Interest are not received by 12:00 p.m. of the fifth business day from the date of the letter, this payout letter is no longer valid and may not be relied upon. If you are not able to deliver the payout prior to 12:00 p.m. of the fifth business day, please contact this office one day prior to the new date of payout to reconfirm the exact amount of accrued interest.

Any subsequently produced prepayment figures will render the contents herein null and void.

Provided the payment is honoured including the Per Diem Interest, BDC hereby undertakes to execute and return discharges of all security taken with respect to the above loan, upon request. Please forward any draft discharges, where applicable, to this office for execution.

The executed discharges will be delivered to you in due course.

---

[1] The above calculations are based on the assumption that all regularly scheduled payments due prior to the payout date are paid in full. It is your responsibility to ensure that this is the case.
[2] Copies of the outstanding invoices are attached for reference.
[3] As per letter from Jeffrey Oliver to Darren Bieganek dated May 17, 2018.

bdc*

See below for payment instructions.

Yours truly,

Adam Laiken
Director, Business Restructuring
T (416) 954-2617
E adam.laiken@bdc.ca

Russell W. French
Assistant Vice President, Business Restructuring

Payment Instructions

Transfer to:	Bank of Montreal Main Branch 119 St-Jacques Street Montreal, Quebec
PAYEE:	Business Development Bank of Canada (514-283-4386) 5 Place Ville-Marie Montreal, QC H3B 5E7
SWIFT CODE:	BOFMCAM2
Bank ID: 001	
Transit:	00011
Account:	1142-012 (CDN)
REFERENCE:	Customer Name: Canada North Group Inc. et al BDC customer account no.: 128644-03

This is Exhibit "E" referred to in the
Affidavit of Russell French
made before me on June 12, 2018

Benjamin Goodis

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70303 H

RE Canada North Group Inc. et al - Interim Lending Facility Provided by BDC IWOV-LEGAL.FID2560870

From: Darren Bieganek [dbieganek@dcllp.com]
Sent: Friday, May 25, 2018 11:04 AM
To: Oliver, Jeffrey
Cc: matt.mcculloch@ca.ey.com; Ryan Quinlan
Subject: RE: Canada North Group Inc. et al - Interim Lending Facility Provided by BDC [IWOV-LEGAL.FID2560870]

Jeff,

Thank you for your note.

The Monitor will be processing payment for everything except the legal fee reserve for defending the CRA appeal. We have creditor opposition to the payment of that reserve. We will therefore be seeking directions from the court in respect of same at our next court appearance which we are in the process of scheduling.

Please note:

1. The Monitor must, and therefore does, reserve all rights to have your legal accounts assessed (which may require full disclosure of time entries). Accordingly the payment being made is without prejudice to that. To be clear we do not have instructions to take that step but must reserve the right as the monies are otherwise coming out of the estate; and
2. Your letter of May 17, 2018 addressed only a reserve for defence of the appeal. Aside from that issue, which will need to be addressed by the Court, all other costs incurred by BDC on and after payment in full of the interim lending and the present outstanding invoices will be to the account of BDC.

The Monitor has advised that payment will be processed first thing next week.

If you have any questions or concerns please do not hesitate to call me. I am going to be out of the office after 1:30 today but will be in on Monday.

Regards,

Darren Bieganek

Darren Bieganek, LLB, QC
Partner, Insolvency, Restructuring and Commercial Litigation
Duncan Craig LLP
2800 Scotia Place, 10060 Jasper Ave
Edmonton, Alberta, T5J 3V9

Tel: 780.441.4386
Toll-free: 1.800.782.9409
Fax: 780.969.6381
Email: dbieganek@dcllp.com
Web: dcllp.com

This is Exhibit “F” referred to in the
Affidavit of Russell French
made before me on June 12, 2018

Benjamin Goodis

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70303 H

RE Canada North Group Inc. et al - Interim Lending Facility Provided by BDC IWOV-LEGAL.FID2560870

From: Oliver, Jeffrey [joliver@casselsbrock.com]
Sent: Friday, May 25, 2018 2:51 PM
To: Darren Bieganek
Cc: matt.mcculloch@ca.ey.com; Ryan Quinlan; FRENCH, Russell W. (TORONTO); LAIKEN, Adam (TORONTO)
Subject: RE: Canada North Group Inc. et al - Interim Lending Facility Provided by BDC [IWOV-LEGAL.FID2560870]

Darren,

Thank you for your email.

We have a few questions/comments:

1. Do you have an anticipated timeline for this matter returning to court? As per the below, I take it the Monitor will be applying for advice and directions? Do you know yet what position the Monitor will be taking on the application (if any)?

2. We understand the position on the reservation of rights in relation to taxation.

3. In terms of all future costs being on account of BDC, we did not know prior to your email this morning that there was going to be creditor opposition to our request and that advice of the Court was going to be required. We had not received any reply to our May 17 letter by any party (I also provided a copy to CWB's counsel). In the circumstances, BDC also reserves the right to request the payment of its legal fees in relation to the resolution of this particular issue from the estate as well, on the basis that these fees would be covered by the interim financing agreement and interim lenders charge. In the absence of something unforeseen occurring (eg. a further late claim being asserted that is allegedly in priority to BDC's interim financing), we agree that other than the costs in relation to the appeal and our costs in relation to the resolution of whether we are entitled to the legal fee reserve, other costs are on account of BDC.

4. Are funds being segregated to satisfy, at a minimum, BDC's legal fee reserve if the Court orders the payment thereof? If we are successful in requiring the payment of our legal fees in relation to the legal fee reserve, we anticipate that such an amount will be sufficiently modest so as to not require security.

5. Please identify the particular secured creditor(s) who have indicated opposition to our position on the legal fee reserve. Further, can you clarify if the opposition is limited to the notion of a reserve itself (being that they don't dispute we are entitled to the payment of fees to deal with the appeal on a go forward basis, but dispute the concept of a reserve), or whether the opposition extends to the payment of future legal costs generally?

6. By accepting what BDC believes is partial payment for its interim financing facility, BDC is not waiving its right to assert the above-referenced issues and their priority of payment. Based on your email, I assume we are not in disagreement on that, but if I am wrong please let me know.

Thank you

Jeffrey Oliver
Direct: +1 403 351 2921 • Fax: +1 403 648 1151 • joliver@casselsbrock.com
Suite 3810, Bankers Hall West, 888 3rd Street SW, Calgary, Alberta, T2P 5C5
www.casselsbrock.com

This is Exhibit "G" referred to in the
Affidavit of Russell French
made before me on June 12, 2018

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70303H

RE Canada North IWOV-LEGAL.FID2560870

From: Darren Bieganek [dbieganek@dcllp.com]
Sent: Thursday, May 31, 2018 2:43 PM
To: Marechal, Danielle
Subject: RE: Canada North [IWOV-LEGAL.FID2560870]

Danielle,

I believe the cheque was issued to CRA yesterday.

Darren

Darren Bieganek, LLB, QC
Partner, Insolvency, Restructuring and
Commercial Litigation
Duncan Craig LLP
2800 Scotia Place, 10060 Jasper Ave
Edmonton, Alberta, T5J 3V9

Tel: 780.441.4386
Toll-free: 1.800.782.9409
Fax: 780.969.6381
Email: dbieganek@dcllp.com
Web: dcllp.com

From: Marechal, Danielle <dmarechal@casselsbrock.com>
Sent: May-31-18 12:56 PM
To: Darren Bieganek <dbieganek@dcllp.com>
Subject: Canada North [IWOV-LEGAL.FID2560870]

Hi Darren.

Can you let us know whether the CRA deemed trust claim has also been paid out?

Kind regards,

We’ve moved!

Danielle Marechal
Direct: +1 403 351 2922 • Fax: +1 403 648 1151 • dmarechal@casselsbrock.com
Our New Address: Suite 3810, Bankers Hall West, 888 3rd Street SW, Calgary, Alberta, T2P 5C5
www.casselsbrock.com

This is Exhibit “H” referred to in the
Affidavit of Russell French
made before me on June 12, 2018

A Commissioner for Oaths in and for the
Province of Ontario

Benjamin Goodis
LSO # 70353H

Debtor-in-Possession Facilities Approved in 2017 and 2018 CCAA Proceedings
As at March 21, 2018

Debtor	Jurisdiction	Monitor/Information Officer	Filing Date	Industry	Lender	Commitment (Notes 1 and 2)	Fees	Interest Rate
Discovery Air Inc.	**Ontario**	**KSV Kofman Inc. (Proposed)**	**21-Mar-18**	**Aviation**	**Clairvest Group Inc.**	**$12,600,000 (Note 3)**	**The DIP Lender's reasonable out of pocket expenses including legal expenses incurred in connection with these CCAA proceedings.**	**10%**
Société en commandite Tilly de Laval et Promotions Anne Delisle Inc.	Quebec	Lemieux Nolet Inc.	14-Feb-18	Excavation	La Financiere Transcapitale Inc.	$750,000	(Note 4)	(Note 4)
Banro Corporation, Banro Group (Barbados) Limited, Banro Congo (Barbados) Limited, Namoya (Barbados) Limited, Lugushwa (Barbados) Limited, Twangiza (Barbados) Limited, Kamituga (Barbados) Limited	Ontario	FTI Consulting Canada Inc.	22-Dec-17	Mining	Gramercy Funds Management LLC, Baiyin International Investment Limited	US$20,000,000	All DIP lender's costs and expenses (Note 5)	12%
Copper Sands Land Corp.	Saskatchewan	Deloitte Restructuring Inc.	20-Dec-17	Mining	Staheli Construction Co. Ltd.	$1,250,000	$30,000 Facility Fee $15,000 fee if the DIP Facility is repaid prior to January 31, 2018	15%
Azzimov Inc., Azzimov Mobile Inc.	Quebec	PricewaterhouseCoopers Inc.	18-Dec-17	Technology	ACG S.E. LP	$1,000,000	Facility Fee: 4% applicable to each tranche	15%
669699 N.B. Ltd., MP Atlantic Wood Ltd. and New Future Lumber Ltd.	New Brunswick	Powell Associates Ltd.	29-Nov-17	Lumber Manufacturing	Kindred Financial Inc.	$500,000	Commitment fee: $25,000	12%
RCR International Inc. and WJ Dennis & Company	Quebec	Ernst & Young Inc.	21-Nov-17	Manufacturing	Bank of Montreal	$3,000,000	All legal expenses incurred by the DIP Lender for the preparation, negotiation and performance of the DIP Financing.	11%
BuildDirect.com Technologies Inc.	British Columbia	PricewaterhouseCoopers Inc.	31-Oct-17	Technology	Pelecanus Investments Ltd., Lyra Growth Partners Inc., Beedie Capital Partners Fund 1 Limited Partnership	US$15,000,000	Costs of the DIP Lenders including the costs of a financial advisor Administration Charge: to the maximum amount of $500,000	12%
Java-U Group Inc., Java-U Food Services Inc., Café Java-U Inc. and Java-U RTA INc.	Quebec	Raymond Chabot Inc.	06-Oct-17	Retail	3070352 Canada Inc.	$400,000	(Note 4)	(Note 4)
Toys "R" Us (Canada) Ltd. Toys "R" Us (Canada) Ltee ("Toys Canada")	Ontario	Grant Thornton Limited	19-Sep-17	Retail	JPMorgan Chase Bank. N.A.	Canadian DIP Term Loan: US$200 million Canadian DIP Revolving Loan: US$300 million (Note 6)	US$20.7 million (estimated fees as per the CCAA cash flow projection)	(Note 7)
WD Navarre Canada, ULC	Ontario	KSV Kofman Inc.	18-Sep-17	Distribution	Wells Fargo Bank, N.A. JPMorgan Chase Bank, N.A., SunTrust Robinson Humphrey Inc., and Sun Trust Bank	US$15,000,000	Closing Fee: $150,000 Unused Line Fee: monthly fee of 0.25%/annum LC Facility Fees: monthly fee of 7%/annum and all customary charges in respect of the letters of credit Field Exam Fees: as detailed in the Report	10.25% - US Revolving Loan (6% plus Agent's prime rate of 4.25%) 9.2% - Canadian Revolving Loan (6% plus prime rate of 3.2%) Default Interest: 2% plus applicable Interest Rate
Index Energy Mills Corporation	Ontario	Grant Thornton Limited	16-Aug-17	Energy	Index Equity US LLC	$5,000,000	All DIP lender's costs and expenses (Note 5)	6%
Canada North Group Inc., Canada North Camps., Campcorp Structures Ltd., D.J. Catering Ltd., 816956 Alberta Ltd., 1371047 Alberta Ltd.	Alberta	Ernst & Young Inc.	06-Jul-17	Oil and Gas	Business Development Bank of Canada	$2,500,000	Administration fee of $250 per month Loan Processing Fee of $15,000	9% (Floating Base Rate per BDC (4.8%) plus 4.2%)
Sears Canada Inc.	Ontario	FTI Consulting Canada Inc.	22-Jun-17	Retail	Wells Fargo	DIP ABL: $300,000,000 DIP Term Loan: US$150,000,000 (Note 8)	Structuring Fee: DIP ABL Facility: 1.25% Unused Line Fee: DIP ABL Facility: 0.375% Commitment Fee: DIP Term Loan Facility: 3.5% Exit Fee: DIP Term Loan Facility: 1.5%	LIBOR floor) or USPR+10% (4% USPR Floor) DIP ABL Facility: BA/LIBOR+4.5% or PR/BR+3.5% DIP ABL L/C Fees: (a) 4.5% per annum for Standby L/C and (b) 4% per annum for Commercial L/C.
Gestion Eric Savard Inc., et al.	Quebec	Raymond Chabot Inc.	18-May-17	Medical	Flera Capital Corporation	$5,400,000	(Note 4)	(Note 4)
Express Fashion Apparel Canada Inc. and Express Canada GC GP Inc.	Ontario	Alvarez & Marsal Canada Inc.	04-May-17	Retail	N/A	N/A	N/A	N/A
Walton International Group Inc. et al.	Alberta	Ernst & Young Inc.	28-Apr-17	Real Estate	Century Services Corp.	$7,000,000	Facility Fee: up front fee of 2% of the available advances Break Fee: $250,000	12.75%
Orbite Technologies Inc. ("Orbite")	Quebec	PricewaterhouseCoopers Inc.	28-Apr-17	Industrial Technology	Orbite's debenture holders	$6,800,000	Engagement fee: 1% of the DIP	9.25%
Alliance Hanger Inc.	Quebec	KPMG Inc.	16-Feb-17	Manufacturing and Distribution	9170-9402 Quebec Inc.	$5,000,000	N/A	Interest free
Grafton-Fraser Inc.	Ontario	Richter Advisory Group Inc.	25-Jan-17	Retail	GSO Capital Partners	$5,500,000	Facility Fee: $55,000 Annual Administration Fee: US$15,000	Approximately 15% (CDOR+14%)
Developpement Lachine Est Inc.	Quebec	Raymond Chabot Inc.	13-Jan-17	Real Estate	(Note 4)	(Note 4)	(Note 4)	(Note 4)

General Notes:

1. This analysis is based on information available on the applicable Monitor's website. All currency references are in Canadian dollars, unless otherwise noted.
2. All or substantially all of the DIP facilities detailed above were granted a DIP Lender's Charge on a super priority status.

Specific Notes:

3. The Initial Order contemplates that the DIP Facility will take priority over the security held by Clairvest only and would not prime any secured creditor which ranks in priority to Clairvest.
4. The terms of the DIP facilities, if any, were not available on the applicable Monitor's website.
5. The public information did not specify the fees associated with this DIP facility other than the DIP lender's costs.
6. The DIP lender has provided funding of up to US $2.3 billion to the direct parent of Toys Canada as the principal borrower and to Toys Canada as the Canadian borrower which includes a Canadian DIP Term Loan of US$200 million and a Canadian DIP Revolving Loan of US $300 million. Given the magnitude of these DIP facilities relative to the DIP Facility, KSV, as proposed Monitor, did not consider them relevant in its assessment of the DIP Facility in the context of these proceedings.
7. The public information did not specify the interest rate associated with this DIP facility other than that it will bear interest at a slightly higher marginal interest rate than the existing ABL Credit Facility.
8. Given the magnitude of the DIP facilities relative to the DIP Facility, the Proposed Monitor did not consider them relevant in its assessment of the DIP Facility in the context of these proceedings.