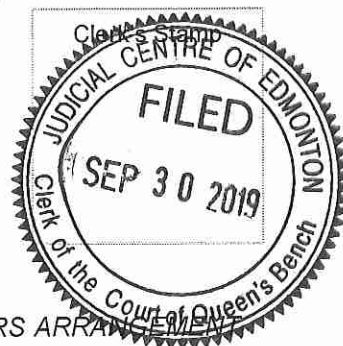


COURT FILE NUMBER 1703 12327
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENTS
ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF 667402
ALBERTA LTD., 18512398 ALBERTA LTD., 816956 ALBERTA LTD.,
1371047 ALBERTA LTD., 1919209 ALBERTA LTD. AND CANADA
NORTH GROUP LP HOLDINGS LTD.

DOCUMENT APPLICATION BY MONITOR FOR APPROVAL OF 726 SETTLEMENT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Duncan Craig LLP
Suite 2800, 10060 Jasper Avenue
Edmonton, Alberta T5J 3V9
Attention: Darren R. Bieganeck, QC/Ryan F.T. Quinlan
Phone: 780-441-4386/780-441-4336
Fax: 780-428-9683
Email: dbieganeck@dcllp.com/rquinlan@dcllp.com
File No: 204-196164

NOTICE TO RESPONDENTS

This application is made against you. You are a respondent. You have the right to state your side of this matter before the judge.

To do so, you must be in Court when the application is heard as shown below:

Date: October 1, 2019
Time: 10:30 a.m.
Where: Edmonton Law Courts
1A Sir Winston Churchill Square
Edmonton, AB T5J 0R2

Before Whom: The Honourable Associate Chief Justice Nielsen sitting on the Commercial List

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

- 1) An Order:
 - a) declaring Service of this Application and its supporting materials good and sufficient, and abridging time for notice of this Application to the time actually given;
 - b) approving the settlement agreement between the Monitor, Canadian Western Bank ("CWB") and 726 Remote Accommodations Ltd., 726 Modular Finance Ltd. and Reliant Asset Management, LLC (collectively "726"), described in the Monitor's 25th Report, in respect of the Bonnyville Equipment, Leased Camp Assets, certain Small Wares, certain

Ancillary Equipment (all as previously discussed in these proceedings and collectively defined herein as the "Contested Camp Assets") and a release of a potential claim of the Monitor in respect of the manufacture of certain dorms in Arizona for 726 (the "726 Settlement"), and vesting title to the Contested Camp Assets in 726 free and clear of all encumbrances;

- c) permitting the Monitor to finalize the terms of the written 726 Settlement;
- d) approving the activities of the Monitor as set out in its 25th Report; and
- e) providing for such other relief as this Honourable Court deems just.

Grounds for making this application:

- 2) On July 5, 2017, Canada North Group Inc., Canada North Camps Inc. ("CNC"), Campcorp Structures Ltd. ("Campcorp"), D.J. Catering Ltd. ("DJ"), 816956 Alberta Ltd., and 137 (hereinafter made an application before this Honourable Court requesting certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") and obtained an initial order (the "Initial Order"), a stay of proceedings ("Stay") against the Applicants for a period of 30 days up to and including August 3, 2017, and the appointment of Ernst & Young Inc. (the "Monitor") as monitor of the Applicants.
- 3) Since that time, 1919209 Alberta Ltd. ("1919") and Canada North Group LP Holdings Ltd. ("Holdings") have been added as "Applicants" to these proceedings, while Campcorp and DJ have been removed from the proceedings.
- 4) Shortly after the Reasons for Judgment of Justice Hillier dated May 14, 2019 were released, and the resulting formal Order was filed (collectively the "Hillier Decision"), the Monitor, its counsel, CWB and its counsel met to discuss the impact of the Hillier Decision. It was agreed at the meeting that the most prudent course of action would be to approach 726 in an attempt to reach a settlement of the matter, as opposed to having the Monitor take possession of a number of additional assets (where required), secure such assets and proceed to liquidate same.
- 5) Between July 12, 2019 and September 25, 2019 counsel for the Monitor and 726 exchanged without prejudice settlement offers and counter offers in an attempt to negotiate a settlement. CWB and its counsel were involved throughout this process and were fully apprised of all discussions in this regard.
- 6) Subject to the approval of this Honourable Court, the Monitor and 726 have come to an agreement whereby 726 will pay \$3.25 million to the estate as follows:
 - a) \$159,123.46, for and on behalf of Wandering River Lodge LP, as repayment of the indebtedness owing from Wandering River Lodge LP to CNC;
 - b) \$1,116,897.75, for and on behalf of Peace River Lodge LP, as repayment of the indebtedness owing from Peace River Lodge LP to CNC;
 - c) \$1,236,788.24 (including the sum of \$367,290.00 representing proceeds of sale of certain rig mats), for and on behalf of Kilometer 147 LP, as repayment of the indebtedness owing from Kilometer 147 LP to CNC;
 - d) \$737,187.55 in consideration of CWB releasing its priority security interest in the Bonnyville Equipment;
 - e) \$1.00 in consideration of CNC releasing its priority security interest in the Ancillary Equipment;

- f) \$1.00 in consideration of CNC releasing its priority security interest in the Small Wares; and
- g) \$1.00 for the release of any potential debt claim that one or more of the Applicants may have in respect of the Arizona Dorms (as defined below) and potential claim in relation thereto.
- 7) In exchange for the payment of settlement amount by the 726, the Monitor and CWB have agreed to seek and support an Order of this Honourable Court approving the 726 Settlement Agreement and confirming title in and to the applicable assets, including the Removed Unit and Delivered Kitchen Units, in 726 free and clear of any right, title and interest of the Applicants and any creditors and other persons claiming through the Applicants, including without limitation the Monitor and CWB.
- 8) This settlement specifically excludes from its scope any costs award that may be payable by 726 to the Monitor and/or CWB as a result of the Hillier Decision (the "Costs Dispute"). The Costs Dispute is scheduled to be heard before the Honourable Mr. Justice Hillier on November 6, 2019 (the "Costs Hearing"), and is still proceeding as at the date of this Application. 726 will be responsible for the payment of any costs award issued against it notwithstanding this settlement.
- 9) The Monitor and CWB support the 726 Settlement Agreement.
- 10) It is just and appropriate to approve the 726 Agreement.
- 11) Such further and other reasons as the Monitor may advise and this Honourable Court may accept.

Material or evidence to be relied on:

- 12) Twenty-Fifth Report of the Monitor, filed.
- 13) The pleadings and proceedings taken in this Action to date.
- 14) Such further and other materials as previously filed in this matter as counsel may advise and this Honourable Court permits.

Applicable rules:

- 15) *Alberta Rules of Court* AR 124/2010, including Rules 1.2, 1.4, 6.1, 6.2, 6.3 and 9.12.

Applicable Acts and regulations:

- 16) *Judicature Act*, RSA 2000 c. J-2, as amended;
- 17) *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 including ss. 9, 11, 23, and 36.
- 18) Such further other provisions and statutes as counsel may advise.

Any irregularity complained of or objection relied on:

- 19) Abridgement of time for service to the time actually given, if necessary.

How the application is proposed to be heard or considered:

- 20) Before the Honourable Mr. Associate Chief Justice Nielsen sitting on the Commercial List.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.