Clerk's Stamp

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 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	**APPLICATION BY MONITOR**
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. Bieganek, QC/Ryan F.T. Quinlan Phone: 780-441-4386/780-441-4336 Fax: 780-428-9683 Email: dbieganek@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:	June 21, 2018
Time:	10:00 a.m.
Where:	Edmonton Law Courts 1A Sir Winston Churchill Square Edmonton, AB T5J 0R2
Before Whom:	The Honourable Mr. 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 if necessary, abridging time for notice of this Application to the time actually given;

    b. Extending the stay of proceedings provided in the Initial Order granted July 5, 2017 up to and including December 31, 2018;

    c. Adding Canada North Group LP Holdings Ltd. ("Holdings") as an Applicant in the Companies' Creditors Arrangement Act, RSC 1985, c. C-36 ("CCAA") proceedings and having the same terms of the Initial Order apply to Holdings as if Holdings was included in the definition of Applicants in the Initial Order from and after the date Holdings is added to the CCAA proceedings;

d. Amending the title of these CCAA proceedings to include Holdings as an Applicant;

e. Waiving the requirement of the Monitor to publish a notice with respect to Holdings pursuant to section 23(a)(i) of the CCAA;

f. Granting a vesting order in favour of the purchaser of the "Aurora Dorms" (as defined below);

g. Providing the Monitor with advice and direction in respect of the legal fee cost reserve requested by BDC (as discussed below); and

h. Such other relief as this Honourable Court deems just.

Grounds for making this application:

2. An Initial Order was granted pursuant to the *Companies' Creditors Arrangement Act* ("***CCAA***") on July 5, 2017 (the "**Initial Order**") by the Honourable Mr. Justice K.G. Nielsen, and as a part of that Initial Order.

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as the Monitor (the "Monitor') in these *CCAA* proceedings.

Extending the Stay

4. The Monitor, on behalf of the Remaining Applicants, is seeking an extension of that stay of proceedings up to and including December 31, 2018.

5. The Remaining Applicants and the Monitor, on behalf of the Remaining Applicants, have acted, and are acting, in good faith and with due diligence in respect of these proceedings.

6. Based on information discovered and the work done by the Monitor since the expansion of its powers, and the anticipated work and matters yet to be discovered, completed or resolved, the current stay extension to July 31, 2018 does not provide for sufficient time to address the matters identified to date, realize on the balance of the Remaining Applicants' assets, resolve and determine the allocation of the costs of the CCAA proceedings, distribute funds to creditors, and bring these CCAA proceedings to an end.

7. It is the opinion of the Monitor that it will take until at least December 31, 2018, before most of the substantive matters in these CCAA proceedings can be resolved, and these proceedings can be brought to an end.

Adding Holdings as an Applicant to these Proceedings

8. Holdings is an affiliated debtor company of one or more of the Remaining Applicants.

9. To the best of the Monitor's knowledge, Paul and Shayne McCracken have resigned as the directors of Holdings.

10. Holdings is effectively the entity within the Canada North family of companies that is party to the applicable limited partnership agreements that legally operate the various camps. Further,

Holdings is the entity within the limited partnerships that has caused 185 and other Remaining Applicants to enter into equipment leases with the limited partnerships and/or to otherwise place dorms and other assets of the Remaining Applicants on these lands operating these camps.

11. Upon adding Holdings as an applicant in the CCAA proceedings, the Monitor will assume de facto control of Holdings, and thereafter, it would then be the intention of the Monitor to attempt to negotiate releases and/or sales of the Remaining Applicants assets located on the camps, as well as favourable wind-down scenarios, with the partnerships (and their general partners and limited partners). If necessary, the Monitor may issue notices of dissolution under and pursuant to the limited partnership agreements. This, in turn, will generally cause the following in respect of each of the limited partnerships:

    a. the partnership will return any assets leased or contributed by Holdings, 185, and 137, as applicable;

    b. any operating or services agreements entered into by 185 with the partnership will cease; and

    c. the general partner, or other appointed Receiver, will wind up the affairs of the partnership and distribute the net proceeds in accordance with the provisions of each agreement.

12. The dissolution of the limited partnerships is necessary or beneficial for a number of reasons which would include, but not limited to, the following;

    a. the dissolution would provide for an orderly, transparent and efficient process to deal with the various camp and partnerships' affairs and remaining assets;

    b. it may generate value for Holdings' and/or 667's creditors from the realization of the partnership assets/recovery of property from the partnerships that was leased or contributed by Holdings or 667; and

    c. it will allow the Monitor to complete its mandate as it proceeds to finalize matters and bring these CCAA proceedings to an end.

13. The Monitor being able to affect its enhanced powers over Holdings is only manner in which it can seek to ensure the orderly wind-down of the above described camps, ensure if has the right to remove or sell assets from the camp lands, and effect the liquidation of any assets thereon, as is discussed further below.

14. It is necessary and equitable for the restructuring liquidation process as a whole to add Holdings as an Applicant.

<u>The Aurora Dorms</u>

15. The Monitor was contacted by a representative from a prospective purchaser, and was advised that the prospective purchaser was just finalizing a transaction to acquire three 30-bed dormitories manufactured by Alta-Fab Structures Ltd. (the "Aurora Dorms") from Aurora Lodging Inc. ("Aurora") that were located at the Bonnyville camp site.

16. The prospective purchaser provided the Monitor with a copy of the Sales Agreement dated April 13, 2018 ("Sales Agreement"), with Aurora in relation to the Aurora Dorms, which outlined the description of the Aurora Dorms being sold (on an "as is", "where is" basis) and indicated the total sale price of the Dorms was $1,141,875.00 (including GST).

17. The Aurora Dorms were originally leased by Aurora to 18512398 Alberta Ltd. ("185"), formerly Canada North Camps Inc. ("CNC"), on a 12-month term and thereafter month to month.

18. Aurora is claiming to be the owner of the Aurora Dorms, and has further claimed Paul McCracken of 18512398 Alberta Ltd. ("185"); gave verbal permission to Aurora after the termination of the lease, to store the Aurora Dorms at the Bonnyville camp site while Aurora attempted to sell or re-lease the Aurora Dorms elsewhere.

19. The Aurora Dorms were actually tied into the utilities at the Bonnyville camp and were incorporated into that camp.

20. The Monitor is of the opinion that the sale price of $1,141,875.00 for the Aurora Dorms is reasonable in the circumstances. Further, the removal of the Aurora Dorms should not be an onerous task, and they are not essential to ensure the sale of the Bonnyville camp or the assets that will remain.

21. The Monitor advised Aurora that there are a number of potential claimants against the Bonnyville camp and the related assets, and as such, has concerns about other potential claims that could arise as against the Aurora Dorms.

22. The Monitor, Aurora and the potential purchaser have agreed to complete the sale and release the Aurora Dorms, and an agreement was reached between them on the following terms, which the purchaser has requested be addressed in a form of Vesting Order to ensure the assets are free of claims:

    a. 100% of the sale proceeds will be held in trust with counsel for the Monitor pending either an agreement among any potential claimants and the Monitor, or further order of the Court;

    b. The purchase price shall stand in the place and stead of any and all claims against the Aurora Dorms;

    c. All arrangements for removal will be made and coordinated with the Monitor and its representatives;

    d. The Purchaser will be responsible for the cost of the removal of the Aurora Dorms; and

    e. Aurora and the potential purchaser agree to hold the Monitor and Bonnyville harmless in respect of any and all damage and repair work to remove the Aurora Dorms from the Bonnyville camp, including capping off any utilities or otherwise.

<u>The Cost Reserve</u>

23. On May 24, 2018, in response to a request of the Monitor for payout information in relation to the DIP provided by the Interim Lender, BDC requested the Monitor to set aside "Reserve for Future Legal Fees" (the "Reserve") in the amount of $225,000.00, which BDC was requesting to be paid by the Monitor from funds on deposit in the Monitor's trust accounts. The purpose of the Reserve is for the continued defence response of CRA's appeal to the Court of Appeal, and a potential further appeal to the Supreme Court of Canada in relation to the priority of its claim for unremitted source deductions over the Administration Charge and the Interim Lender's Charge granted in the Initial Order.

24. CWB is opposed to any payment to BDC on account of the Reserve.

25. On May 28, 2018, the Monitor proceeded to pay out the balance of the amount sought by BDC in relation to the payout of the DIP (with interest calculated to May 29, 2018 to allow for delivery of

the payment issued by the Monitor on May 28, 2018) along with any outstanding legal fees incurred as per the details provided, excluding the Reserve.

26. Given the nature of the Reserve, and the opposition of the payment of the Reserve by CWB, the Monitor requires the Court provide direction in relation to the payment of the Reserve.

27. Such further and other reasons as the Monitor may advise and this Honourable Court may accept.

Material or evidence to be relied on:

28. Fifteenth Report of the Monitor, to be filed.

29. The pleadings and proceedings taken in this Action to date.

30. Such further and other materials as previously filed in this matter as counsel may advise and this Honourable Court permits.

Applicable rules:

31. *Alberta Rules of Court* AR 124/2010, including Rules 1.2, 1.4, 6.1, 6.2 and 11.27.

Applicable Acts and regulations:

32. *Judicature Act*, RSA 2000 c. J-2, as amended;

33. *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 including ss. 3, 9, 11, 11.02 and 23.

34. Such further other provisions and statutes as counsel may advise.

Any irregularity complained of or objection relied on:

35. Abridgement of time for service to the time actually given.

How the application is proposed to be heard or considered:

36. Before the Honourable Mr. 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.

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