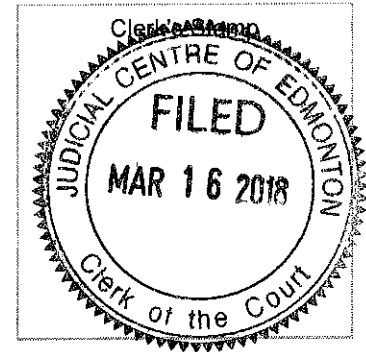


COURT FILE NUMBER 1703 12327

COURT COURT OF QUEEN'S BENCH OF
ALBERTA

JUDICIAL CENTRE EDMONTON

IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C36, AS AMENDED



AND IN THE MATTER OF A PLAN OF
ARRANGEMENT OF CANADA NORTH
GROUP INC., CANADA NORTH
CAMPS INC., CAMPCORP
STRUCTURES LTD., D.J. CATERING
LTD., 816956 ALBERTA LTD. and
1371047 ALBERTA LTD.

DOCUMENT **APPLICATION TO LIFT STAY
ORDER AGAINST FARM AND
VERNON PROPERTIES**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

LAWSON LUNDELL LLP
Barristers and Solicitors
3700, 205 – 5th Avenue SW
Calgary, AB T2P 2V7

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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 master/judge.

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

Date: March 20, 2018

Time: 8:30am

Where: Edmonton Law Courts
1A Sir Winston Churchill Square , Edmonton, AB T5J 0R2

Before Whom: Before Justice S.D. Hillier 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 lifting the stay of proceedings to allow First Island Financial Services Ltd. to:
 - a. issue demand for payment against 816956 Alberta Ltd.; and
 - b. commence and prosecute a foreclosure proceeding against the Farm.
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, a stay of proceedings was granted.
3. The Applicant, First Island Financial Services Ltd. ("**First Island**") holds a first mortgage against the property known as the "Farm" and a second mortgage against three recreational properties located in Vernon, British Columbia. The Farm property is owned by 816956 Alberta Ltd. which is one of the Petitioners. Paul McCracken and Shayne McCracken have executed guarantees of the indebtedness of 816956 Alberta Ltd. to First Island and have granted mortgages in support of those guarantees over the Vernon properties.
4. In order for First Island to commence foreclosure proceedings against the Vernon properties, First Island first needs to issue demand as against 816956 Alberta Ltd. which will then allow it to issue demand for payment on the guarantees of Shayne and Paul McCracken.
5. With respect to the Farm property, First Island's position is that there is no equity in that property for any of the other creditors and specifically, they will have a shortfall on the sale of that property.
6. In determining whether a stay order should be lifted, the Court must balance the interest of all affected parties. When there is evidence that there will be no Plan of Arrangement filed and that continuing the existing stay of proceedings was affecting the secured creditor, the Court should move to lift the stay of proceedings.
7. The Court should set aside a stay order if at any time it concludes that the circumstances do not exist or no longer exists to make such an order appropriate. First Island submits that the inability of the Petitioners to find any financing, its inability to arrange a sale of all its assets, the slow real estate market and other issues which have affected the debtor, have made it impossible for the CCAA to proceed in the normal course. First Island submits that there is no reason to continue the stay order as there is no Plan of Arrangement being sought.
8. As set out in the Affidavit of Darrell Morgan filed in these proceedings, despite being on the market for almost one year, there has been no written offers received for the Farm property and the only oral offer received would result in a shortfall to the Applicant, after deduction for real estate commissions and allocation of the various CCAA charges of between \$600,000.00 and \$800,000.00.

9. First Island does not see any benefit in allowing the Monitor to conduct a liquidation of the assets which it has security on.

10. It is the submission of First Island that the stay of proceedings is put into place in the Initial Order to assist the Petitioner's with respect to negotiating and filing a Plan of Arrangement. As no Plan is possible in these circumstances, First Island submits that there is no equitable reason to continue to impose the stay of proceedings as against it.

11. First Island's position is that no other creditors have any interest in the Farm as there is no equity available in that property for either the second or the third mortgagees. In addition, it is unlikely there is equity in the Vernon properties.

12. It is the submission of First Island that it would be in equitable to continue to impose the stay of proceedings as against it as a secured creditor while its interest continues to accrue and the various CCAA charges continue to accrue as against its secured asset, causing its security position to continue to erode.

13. It is just and appropriate in these circumstances to lift the stay of proceedings as requested in this application.

Material or evidence to be relied on:

14. Confidential Affidavit of Darrell Morgan.

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

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

Applicable rules:

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

Applicable Acts, regulations and cases:

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

19. *Companies' Creditors Arrangement Act* RSC 1985, c C-36 including ss. 9, 11, and 11.52

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

21. *Re: Canadian Airlines* (200) 19 CBR (4th) 1 (Alta. Q.B.)

22. *Re Marine Drive Properties* (2009) 52 CBR (5th) 47

Any irregularity complained of or objection relied on:

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

How the application is proposed to be heard or considered:

24. Before Justice S.D. Hillier 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.