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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 CANADA NORTH GROUP INC., CANADA NORTH CAMPS INC., CAMPCORP STRUCTURES LTD., D.J. CATERING LTD., 816956 ALBERTA LTD.,1371047 ALBERTA LTD. and 1919209 ALBERTA LTD.
DOCUMENT	**FIRST REPORT OF THE CHIEF RESTRUCTURING OFFICER, SEPTEMBER 18, 2017**
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Clerk's Stamp

JUDICIAL DISTRICT OF EDMONTON

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SEP 18 2017

Clerk of the Court

Introduction

Canada North Group Inc., Canada North Camps Inc., Campcorp Structures Ltd., D.J. Catering Ltd., 816956 Alberta Ltd.,1371047 Alberta Ltd. and 1919209 Alberta Ltd. (collectively referred as the "**Applicants**" or the "**Company**") are the debtor companies in proceedings initiated before this Honourable Court pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**"). An Initial Order was granted by this Court on July 5, 2017 (as subsequently amended and extended, the "**Initial Order**"). In accordance with the terms of the Initial Order, R.e.l. group inc. was engaged as the Chief Restructuring Officer ("**CRO**") of the Applicants, with the duties and responsibilities as set out in paragraph 38 of the Initial Order. Pursuant to paragraph 52 of the Initial Order, the CRO is authorized to report to this Honourable Court from time to time.

The activities of the CRO in the period from the date of the Initial Order through July 24, 2017 were summarized in the First Report of Ernst & Young Inc. as Monitor (the "**Monitor**"). This report summarizes the activities of the CRO since the date of the First Report, provides an overview of the Applicants' business and an outline of the Applicants' intended direction and process to be followed leading to the development and implementation of a comprehensive restructuring through a CCAA Plan of Arrangement.

Activities of the CRO

The activities highlighted below cover the seven week period from the date of the Monitor's First Report through the week ending September 15, 2017:

- Continued working with the Applicants to improve certain accounting functions including:

    a. System changes to negate the need for "dating" of accounts receivable, as previously discussed in the Monitor's First Report to the Court at par. 45 & 46;
    b. Eliminating the use of the financial reporting system to track customer "room guarantees", also discussed in the Monitor's First Report at par. 40-44;
    c. Implemented an accounts receivable roll forward to validate the changes to the system;
    d. Development of new cash disbursement control processes, with disbursements now approved and paid once per week;

e. Working with the Company's IT department to develop an automated work in process and short term revenue forecasting tool to improve visibility in sales and cash receipts;
f. Initiated the development of tools for ongoing analysis of sales budget to actual data;
g. Implemented treasury management tools including the co-ordination and management of the treasury function with the 13-week cash flow;
h. Introduction of various account classification changes for internal income and balance sheet reporting; and
i. Assisting with the reorganization of the accounting department to update roles and responsibilities.

- Assisted the Company in the recruitment and hiring of an additional experienced Chartered Accountant; for the first few months, he will assist the CRO team and help reduce professional fees. Thereafter, as he gains comfort with the Company's financial systems, the plan is to have him take over the role of running the accounting department including its treasury function;

- Performed financial analysis to support the restructuring of the Applicants' businesses, including:

    a. Developing normalized 5 year EBITDA statements segmented by line of business with analysis to assess viability by line of business;
    b. Review of the various secured claims to be dealt with in the CCAA process;
    c. Review of realty and other fixed assets and related liabilities;
    d. Analysis of various going concern restructuring scenarios; and
    e. Analysis of comparable public market data to gain insight into potential valuations in a going concern sale or investment scenario.

- Worked with the Company's management team and the shareholders to develop potential options to support a comprehensive restructuring designed to maximize value to all stakeholders and inform the future development of a CCAA Plan of Arrangement;

- Engaged in discussions with select third parties who had been identified as having an interest in investing or partnering with the Company as part of an overall restructuring;

- Developed information to be used in support of a comprehensive investment and sale solicitation process ("**ISSP**"), including:

    a. Inventorying and refreshing information in the Company's data room (hosted and maintained by Dentons, the Company's corporate counsel);
    b. Preliminary development of various financial analyses to be used in support of a solicitation process; and
    c. Preparation of an outline and suggested timeframe for implementation of the ISSP and development of a CCAA Plan of Arrangement.

- Supporting the Company in its weekly reporting to the Monitor and DIP Lender;

- Solicited proposals, developed the required information and engaged an experienced and qualified asset appraiser (Ron Victor of Mirterra Corp.) to provide an updated valuation of the Company's fixed assets. This comprehensive appraisal, along with the real estate appraisals referenced below, will be used by the Company in support of the ISSP and development of a CCAA Plan of Arrangement;

- Solicited proposals and engaged a qualified realty appraiser (CBRE Limited) to appraise various real property owned by the Company;

- Assisting the Company and providing the necessary support to manage ongoing suppliers in the CCAA process and communications with various stakeholders;

- Canvassing the market, reviewing proposals and assisting the Company in selecting a corporate finance firm to assist the CRO in implementing the ISSP. The CRO solicited proposals from seven Alberta based corporate finance firms with experience in the oil and gas field support service sector. Five proposals were received from reputable firms (two of the seven firms were conflicted and unable to submit proposals). The Applicants reviewed these proposals and selected Peters & Co., a Calgary based firm with significant expertise and established credentials, who submitted a competitive proposal which was determined to meet the needs and proposed timeline for the ISSP. The CRO is working with the Applicants and Peters & Co. to settle the terms of an engagement letter.

Overview of Current Business and Short Term Direction

Having reviewed the historical results of the Company and having had preliminary discussions with various market players, it is the considered view of the CRO that the proposed ISSP, managed by the CRO with support from Peters & Co. and oversight by the Monitor, will be the best process to optimize results and maximize returns for all stakeholders. It has been widely reported that the oil field service market has been destabilized by the material decline in the price of oil. The camp business is not immune to this; however, based on the Company's financial reporting and its work to date, the CRO remains of the view that the Applicants' camp business is viable. Moreover, the results suggest that it has future growth potential and can be profitable if the balance sheet restructuring which the Company seeks to implement through these proceedings is achieved. As with all businesses, there is and will continue to be commercial risk, especially in a recovering market; however, the current debt levels on the balance sheet can't be supported.

The Company's modular construction business has many interesting opportunities but its performance over the past two years has depleted Company resources at a time when camp revenue has been depressed. If one or two of the opportunities it is currently pursuing come to fruition in the near term, the modular construction business should have value. This line of business is largely based in the United States and is not being funded by the Applicants. Accordingly, its short-term viability does not have a direct impact on the Applicants' cash flow. If the pending opportunities come to fruition, it would add value and have a positive impact on the Applicants' restructuring efforts due to additional business opportunities through this U.S. based subsidiary.

ISSP and Steps Leading to the Development of a CCAA Plan of Arrangement

Set out below is an overview of the Applicants' intended direction and the proposed ISSP as well as a summary of the critical steps in that process. In summary, the Company proposes the following, subject to Court approval:

1. Listing real estate for sale: the sale of the Applicants' real estate assets will enable the Company to satisfy its direct first mortgage creditors, generate an estimated surplus for the benefit of those creditors holding collateral mortgage security and support a CCAA Plan of Arrangement. The Company will engage a realty firm to dispose of most, if not all, of its real estate that is surplus to the operations of the core business. This would be undertaken in a controlled and orderly manner over a period of time to maximize value;

2. Continuing to work with a previously identified, bona fide potential equity investor on structuring a transaction for the investment of new equity in the Company and new financing through a debt instrument. Discussions with this potential investor are ongoing. In addition, the Company will continue discussions with an independent potential sub-debt investor who has shown interest in supporting this type of transaction. In both cases, these discussions will continue in parallel with the ISSP as outlined below;

3. While continuing to work on step 2, initiate the formal ISSP to ensure a broad market canvass and identification of all potential options which may be available to the stakeholders in the event a transaction with the investor noted above does not come to fruition. The ISSP would be run concurrently and on an accelerated basis and will include:
    a. an open-ended call for investors or purchasers for its two operating divisions (the camp and construction businesses), designed to maximize the enterprise value for all stakeholders;
    b. market acceptable terms which will also allow for a degree of flexibility and stipulate that:
        i. the highest or any proposal need not be accepted;
        ii. the Company reserves the right to accept a viable proposal at any time and amend the terms of the process; and
        iii. any accepted proposal will be conditional on Court approval and is expected to be tied into the consummation of a CCAA Plan of Arrangement.

4. The Company, with the CRO's assistance will,
    a. complete the update and population of the data room;

b. work with Peters & Co. to support the development of teaser and pitch materials; and

c. work with the Peters & Co. to develop a list of parties who they will be approaching, supplemented by a list of twelve prospects previously identified by the Company and the CRO.

5. The CRO will take the lead on structuring and negotiating the final transaction with support from the solicitation firm and the Company's professional advisors.

6. Attached as Exhibit 'A' is a draft indicative timeline outlining the major steps and proposed milestones for the ISSP as well as other ongoing work which will be used for that purpose as well as in the development of a draft CCAA Plan of Arrangement.

Other Matters

7. Working in tandem with the ISSP process, the Company will continue to:
   a. work on maximizing value and accelerating collection of disputed accounts receivable;
   b. identify surplus assets to be sold; and
   c. develop the terms of a CCAA Plan of Arrangement intended to address both secured and unsecured creditors.

Dated this 18th day of September, 2017.

R.e.l. group inc., in its capacity as
Chief Restructuring Officer

Jonathan Solursh
Managing Principal

Jeff Gollob
Principal

TAB A

Exhibit A

Canada North Group
Indicative Timeline
September 2017

Project	Description	Target Completion Date	Status	Process Time	Comments
Solicitation Process					
	Engage Solicitation Firm	2017-09-15			
	Pitch Materials & Preliminary List of Prospects	2017-10-06		2 weeks	
	Company Approval	2017-10-17			
	Go to Market	2017-10-18			
	Receive Offers	2017-12-06		7 weeks	
	Analyze and Clarify Offers (Finish by date)	2017-12-13		1 week	
	Choose Partner and Negotiate Definitive Agreement	2018-01-17		5 weeks	
Appraisals - Assets					
	Select/Engage Appraiser	2017-08-23			
	Draft Report(s)	2017-09-25			
	Final Report(s)	2017-10-02			
Appraisals - Realty					
	Select/Engage Appraiser (All except Morningstar)	2017-08-24			
	Draft Report(s)	2017-09-25			
	Final Report(s)	2017-10-02			
	Engage Appraiser (Morningstar)	2017-09-01			
	Draft Report(s)	2017-10-10			
	Final Report(s)	2017-10-17			
Data Room					
	Substantial Completion of Documents	2017-10-03			
SER					
	Substantial Completion	2017-10-23			
	Completion	2017-10-30			
CCAA Claims Process		[2017-11-29]			
CCAA Plan		[2018-01-17]			Corresponds to "Definitive Agreement" date in Solicitation Process section above
Court Approval and Creditors Meeting		[2018-02-23]		4-6 weeks	
Sanction Order		[2018-03-02]		1 week	
Closing of Transaction		[2018-03-09]		1 week	