Clerk's Stamp

FILED
OCT 17 2017
JUDICIAL CENTRE OF EDMONTON
Clerk of the Court of Queen's Bench

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| 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<br>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. |
| APPLICANTS | CANADA NORTH GROUP INC., CANADA NORTH CAMPS INC., D.J. CATERING LTD., and 1919209 ALBERTA LTD. |
| DOCUMENT | **APPLICATION** |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Stephanie A. Wanke<br>Spencer Norris<br>DLA Piper (Canada) LLP<br>1201 Scotia Tower 2<br>10060 Jasper Avenue<br>Edmonton AB T5J 4E5<br>T 780.429.6822<br>F 780.702.4379<br>File No. 37060-00001 |

**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:

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| Date: | October 25, 2017 |
| Time: | 8:45 a.m. |
| Where: | Edmonton Law Courts<br>1A Sir Winston Churchill Square<br>Edmonton, AB T5J 0R2 |
| Before Whom: | The Honourable Justice K.G. Nielsen |

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) Permitting the Applicants to enter into a Premium Installment Contracts (the "**PICs**") with CAFO Inc. ("**CAFO**") and Challenge Insurance Group Inc. ("**Challenge**");

   (b) Ordering that the PICs are valid and binding obligations of the Applicants enforceable against them and any trustee in bankruptcy or other successor in interest to the Applicants in accordance with the terms thereof;

   (c) Granting CAFO a first-ranking priority charge and security interest in unearned insurance premiums, dividends and loss payments that reduce the unearned insurance premiums ("**Unearned Premiums**") to the extent that there are obligations owed by the Applicants to CAFO pursuant to the PICs;

   (d) Permitting CAFO to:

      (i) Cancel the insurance policies described in the PICs and any renewal or replacement policies; and

      (ii) Apply for and receive all Unearned Premiums;

      if the Applicants default under the terms of the PICs;

   (e) In the alternative, permitting the Applicants to enter into such other brokerage and financing agreements as the Applicants may advise to renew certain insurance policies; and

   (f) Expanding the stay of proceedings provided in the Initial Order granted by the Honourable Justice K.G. Nielsen on July 5, 2017 (the "**Initial Order**") to include a stay of the claim brought by Kingdom Properties Ltd. and Kingdom Cats Ltd. against Kilometer 147 GP Ltd. through its Limited Partner Kilometer 147 LP and 726 Modular Finance Canada, Ltd. in the Alberta Court of Queen's Bench Action No. 1603 21142.

**Grounds for making this application:**

*<u>Premium Installment Contracts and CAFO Inc.'s First-Ranking Charge</u>*

2. The Applicants have insurance policies with CNA Canada (the "**Insurance Policies**") and use Challenge as their insurance broker.

3. The Insurance Policies are up for renewal October 30, 2017.

4. CNA Canada requires the entire amount of the annual premiums of the Insurance Policies (the "**Annual Premiums**") to be paid on the start date of the renewal of the Insurance Policies.

5. The Applicants enter into Premium Installment Contracts with CAFO and Challenge for the advancement of the Annual Premiums by CAFO in order to renew the Insurance Policies.

6. Because the Applicants are participants in these *CCAA* proceedings, unlike previous years, CAFO requires a first-ranking charge and security interest in the Unearned Premiums, and recognition of certain rights related thereto, before it will advance funds for the Annual Premiums required for the renewal of the Insurance Policies.

7. The Insurance Policies are imperative to the continuing operation of the Applicants and without such policies the Applicants would not be able to continue operations.

8. The Applicants require CAFO's assistance in obtaining the Insurance Policies.

9. In these circumstances, it is appropriate to grant CAFO a first-ranking charge and security interest in the Unearned Premiums and certain rights related thereto.

10. The Applicants are reviewing their options with other brokers and other financiers and will advise if a more favourable option becomes available.

*Court of Queen's Bench Action 1603 21142*

11. On November 30, 2016, Kingdom Properties Ltd. and Kingdom Cats Ltd. (collectively, "**Kingdom**") commenced an action in the Alberta Court of Queen's Bench against Kilometer 147 GP Ltd. through its Limited Partner Kilometer 147 LP, Canada North Camps Inc. and 726 Modular Finance Canada, Ltd. (the "**Defendants**") as Action No. 1603 21142 (the "**Kingdom Action**").

12. With respect to the issues and subject-matter raised in the Kingdom Action, Canada North Camps Inc. provided significant administrative support and assistance to Kilometer 147 GP Ltd.

13. Kingdom has filed an Application for Summary Judgment against 726 Modular Finance Canada, Ltd.

14. 726 Modular Finance Canada, Ltd. is unable to full answer and defendant the Application for Summary judgment without the participation and involvement of Canada North Camps Inc. and Kilometer 147 GP Ltd.

15. If Canada North Camps Inc. is required to participate in assisting 726 Modular Finance Canada, Ltd. in Application for Summary Judgment, it would expend and divert both valuable time and resources better used in these *CCAA* proceedings.

16. The stay of proceedings provided in the Initial Order has not relieved Canada North Camps Inc. from the burden and impediment of having to respond to the ongoing litigation of the Kingdom Action.

17. In these circumstances it is just and reasonable to stay the Kingdom Action.

**Material or evidence to be relied on:**

18. Sixth Affidavit of Shayne McCracken sworn October 17, 2017, filed;

19. Such further and other materials as counsel may advise and this Honourable Court permits.

**Applicable rules:**

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

**Applicable Acts and regulations:**

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

22. *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 including 9, 11, 11.02, and 11.2

**Any irregularity complained of or objection relied on:**

23. Abridgement of time for service, as required.

**How the application is proposed to be heard or considered:**

24. Before a Justice 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.