

This is the 1st affidavit of
P. King in this case and was
made on September 29 2016

S-169079

No. _____
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

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

AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS WITH RESPECT TO THE COMPANIES LISTED ON SCHEDULE "A" HERETO

APPLICATION OF CHC GROUP LTD
UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AFFIDAVIT

I, Paul King, businessman, of 4740 Agar Drive, Richmond, British Columbia, SWEAR THAT:

1. I am the Senior Vice President and Chief Information Officer of CHC Helicopter and as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify, in which case, I believe that both the information from the informant and the resulting statement are true.

2. This Affidavit is sworn in support of an order recognizing the Debtors' Chapter 11 Proceedings (as defined in the Petition filed concurrently with this Affidavit) as a "foreign main proceeding" pursuant to Part IV of the *Companies' Creditors Arrangement Act*, 1985, C-36, as amended, and granting the supplemental relief described in the Petition.

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CHC's Canadian Roots

3. The petitioner in this proceeding, CHC Group Ltd. ("**CHC Group**" and, together with its subsidiaries, "**CHC**" or the "**Company**"), is the parent company of, among others, each of CHC Global Operations Canada (2008) ULC, CHC Global Operations International ULC, CHC Global Operations (2008) ULC, Heli-One Leasing ULC, and Heli-One Canada ULC (together, the "**Canadian Debtors**").

4. CHC can trace its corporate roots to Okanagan Air Services, a crop spraying company formed in 1947.

5. Renamed Okanagan Helicopters, in 1987 the Company merged with two other operators, Toronto Helicopters and Sealand Helicopters, leading to the creation of Canadian Holding Company, or CHC. In the same year, CHC became a public company listed on the Toronto Stock Exchange and later the New York Stock Exchange. In 1994, CHC merged with British International Helicopters and in 1999 acquired Norway's Helicopter Services Group. CHC also acquired Lloyd Helicopters, one of Australia's largest operators in 1999.

6. After continuous expansion through a combination of organic growth and strategic acquisition, the Company has become a truly global business with assets and operations in numerous countries, including Australia, Brazil, Canada, East Timor, Equatorial Guinea, Ireland, Malaysia, Netherlands, Nigeria, Norway, Poland, Kazakhstan, the United Kingdom, and the United States.

Operational Control of the CHC Group

7. CHC remained a Canadian-owned company, headquartered in Richmond, British Columbia, until about 2008, when it was sold to First Reserve Corporation (a US private equity firm).

8. Beginning in about 2010, commencing with the hiring of Bill Amelio as the Company's Chief Executive Officer, CHC underwent an internal corporate reorganization which resulted in the replacement of its executive team (including its Chief Financial Officer, Chief Legal Officer, Chief Operating Officer, and Senior Vice President – Human Resources). The new executive team was United States based, but located in different cities. Richmond, British

Columbia continued, at this time, to be referred to as CHC's corporate headquarters, although the full executive team was not physically located in Richmond.

9. During Mr. Amelio's tenure as CEO, CHC set up an "operations centre" in Dallas, Texas to serve as a centralized office for the scheduling of crew work and training for CHC's global operations. At about this time, Heli-One Canada ULC's President (who had been located at Heli-One's Boundary Bay premises in Delta, British Columbia) was replaced with two Heli-One Vice Presidents, both of whom were located in the United States.

10. In 2014 the Company made several changes to its operational control structure that led to more of its personnel being located in the United States, as described below:

(a) In April 2014, CHC's Senior Vice President – Human Resources began reducing the Company's HR footprint in Canada with the intention of eventually transferring the Company's human resources team to Texas.

(b) The Company's recruitment team, which had been headquartered in Richmond, was outsourced.

(c) The Company's HR Business Partner responsible for Corporate and certain pilots and engineers resigned and was replaced with two individuals, one of whom was relocated to Texas.

(d) The Company's Director, Total Rewards, who is responsible for compensation and benefits, resigned and was replaced by an individual in Texas.

11. In late 2014, Clayton, Dubilier & Rice ("**CD&R**") effectively replaced First Reserve as CHC's largest shareholder. In February 2015, CD&R brought in CHC's current CEO, Karl Fessenden, to replace Bill Amelio. Within a few months further changes followed, including the retention of a new executive team. This included a Chief Legal Officer, Chief Operating Officer, Chief Financial Officer, and Senior Vice President – Human Resources.

12. As part of the ongoing changes to CHC's executive team, decision-making functions that had been undertaken from various locations were centralized at CHC's Dallas office. All of the newly hired executives were located in Dallas, Texas (other than the COO, who remained in Houston, Texas) and the principal corporate decision-making functions were

centralized in Texas. To accommodate these changes, in 2015 the Company leased office space in Dallas, Texas and Houston, Texas to serve as its corporate and commercial office headquarters, respectively.

13. Since the CD&R acquisition, CHC has continued to centralize its decision-making functions in Texas, including by making the following changes to its executive team:

(a) The Vice President – Legal, who was also Deputy General Counsel and Chief Compliance Officer (based in Richmond), was replaced with a Vice President – Legal and a Director, Chief Compliance Officer and Chief Litigation Counsel and Compliance, based in Dallas, Texas.

(b) The Vice President – Treasury (based in Richmond) was replaced with an individual based in Dallas, Texas, with the aircraft leasing portion (including the staff) reassigned to the Texas based Vice President – Legal.

(c) The Vice President – Fleet (based in Richmond) was replaced by a Director, Fleet Management based in Dallas, Texas.

(d) The Vice President – Commercial (based in Richmond) was replaced by a Senior Vice President – Global Sales based in Houston, Texas.

14. Currently, the only Canadian-based member of CHC's Senior Leadership Team is the Company's Senior Vice President and Chief Information Officer.

15. Other senior management personnel who remain based in British Columbia are not members of the Company's Senior Leadership Team. These individuals report to superiors based at the Company's head office in Texas. These positons include:

(a) Vice President – Tax.

(b) Vice-President Accounting and Chief Accounting Officer.

(c) Vice President, Heli-One Operations North America (which includes responsibility for the Company's Boundary Bay and Colorado repair shops).

The Boundary Bay Lease

16. CHC continues to maintain an office at the Boundary Bay airport located in Delta, British Columbia.

17. In addition to being a business base for CHC's Canadian-based Heli-One personnel, the Boundary Bay location includes a 200,000 square foot maintenance facility performing repair services, engine overhaul, and base maintenance activities.

18. The Boundary Bay facility employs approximately 250 employees working in the main office, technical records and library, and repair facility.

19. The status of the lease for the Company's Boundary Bay facility (the "**Boundary Bay Lease**") has been an ongoing challenge for CHC's restructuring efforts. The Company's view is that the current base rate payable under the Boundary Bay Lease is well above market for similar premises. The premises is also much larger than is required by the current work performed by Heli-One.

20. After the Company commenced its Chapter 11 Proceedings in the United States on May 5, 2016, it contacted its landlord, 0921528 B.C. Ltd. (the "**Landlord**"), to discuss the possibility of renegotiating the terms of the Boundary Bay Lease as part of its restructuring efforts.

21. The Landlord initially agreed to meet with representatives of CHC on June 17th, 2016 to discuss the possibility of renegotiating the terms of the Boundary Bay Lease. For the meeting, the Landlord requested certain financial information relating to Heli-One Canada ULC (the tenant under the Boundary Bay Lease). On June 16, 2016, the day before the scheduled meeting, the Landlord advised the Company that it was not prepared to discuss the terms of the Boundary Bay Lease with the Company until such time as the Company's Chapter 11 Proceedings were concluded. Subsequent to the cancellation of the June 17th meeting, the Company reached out through its representatives to representatives of the Landlord to attempt to reschedule a meeting and, on July 11, 2016, provided the Landlord with additional financial information. A meeting was never confirmed and, after some initial follow up, representatives of the Landlord advised the Company that the Landlord was not interested in meeting to discuss the status of the Boundary Bay Lease.

22. In the absence of a negotiated restructuring of the terms of the Boundary Bay Lease, CHC anticipates that the Boundary Bay Lease will have to be dealt with in some fashion, likely through a rejection motion before the United States Bankruptcy Court or a rejection pursuant to the chapter 11 plan. Absent a very quick resolution with the landlord, it is expected that the Company will be taking steps to vacate the premises subject to the Boundary Bay Lease over the course of the next several weeks in order to allow for an orderly transition.

SWORN BEFORE ME at the City of DALLAS, in the State of TEXAS, United States of America on September 29, 2016

Michele Bolton
Notary Public, State of Texas, United States of America

MICHELE BOLTON
Notary Public, State of Texas
My Commission Expires
December 22, 2018

Paul King