VANCOUVER
NOV 24 2016
SUPREME COURT SCHEDULING

This is the 2nd affidavit of
Robert A. Del Genio in this case
and was made on November 7,
2016

No. S-169079
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, Robert A. Del Genio, restructuring advisor, of 20 - 650 Fifth Avenue, New York, New York, SWEAR THAT:

1. I am the Chief Restructuring Officer ("**CRO**") of the petitioner, CHC Group Ltd. ("**CHC Group**" or the "**Petitioner**"), and each of the debtors listed on **Schedule "A"** to my Affidavit (collectively, the "**Debtors**" and, together with their non-Debtor affiliates, "**CHC**" or the "**Company**"), 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 provides an update with respect to the Debtors' Chapter 11 Proceedings and the status of the Company's restructuring efforts in accordance with this Court's Supplemental Recognition Order (Foreign Main Proceeding) made on October 13, 2016.

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3. Capitalized terms not otherwise defined in this Affidavit have the meaning ascribed to them in my Affidavit #1 sworn in this proceeding on September 29, 2016.

The Plan Support Agreements

4. From the commencement of the Chapter 11 Proceedings, the Company has worked closely with its financial, fleet, and legal advisors to engage with multiple aircraft lessors, potential third-party financial investors, as well as with members of the Company's existing capital structure to discuss a comprehensive restructuring of the Debtors.

5. The Company's restructuring efforts have culminated in the signing on October 11, 2016 of an omnibus restructuring deal, including a Plan Support Agreement, Backstop Agreement, and related term sheets (together, the "**Support Agreements**").

6. The restructuring contemplated by the Support Agreements is a holistic financial and fleet restructuring of the Debtors' business. It represents the framework for a plan of reorganization that has the support of the Official Committee of Unsecured Creditors, as well as key creditors throughout the Debtors' capital structure, including from holders representing or holding over 67% of the Secured Notes, holders representing or holding over 73% of the Unsecured Notes, and Milestone (the Debtors' largest lessor).

7. Particulars of the restructuring contemplated by the Support Agreements are set out in the following documents filed with the U.S. Bankruptcy Court and attached as **Exhibits "A" – "E"** to Affidavit #4 of Hoa Ung sworn in this proceeding on November 7, 2016:

(a) Debtors' Motion for an Order Pursuant to Section 105(a) and 363(b) of the Bankruptcy Code and Bankruptcy Rules 6004 and 9019 Authorizing the Debtors to Enter Into and Approving Plan Support Agreement, Backstop Agreement and Milestone Term Sheet (the "**Support Agreements Motion**");

(b) Declaration of Robert A. Del Genio in support of the Support Agreements Motion made on October 24, 2016;

(c) Declaration of Michael J. Genereux in support of the Support Agreements Motion made on October 24, 2016;

(d) Declaration of Michael B. Cox in support of the Support Agreements Motion made on October 24, 2016; and

(e) Notice of Filing (i) Amendment to Plan Support Agreement, (ii) Amendment to Backstop Agreement, and (iii) Amendment to Milestone Term Sheet.

8. The Support Agreements Motion was scheduled to be heard before the U.S. Bankruptcy Court on November 2, 2016. One of the Debtors' creditors, Waypoint Leasing (Ireland) Limited ("**Waypoint**"), moved to continue the hearing on the Support Agreements Motion to a later date. The Debtors reached a consensual agreement with Waypoint to have the Support Agreements Motion heard beginning on November 17, 2016, and continuing to November 22, 2016, if necessary.

9. Pursuant to the Plan Support Agreement, the Debtors are obligated to file a plan of reorganization incorporating the terms of the restructuring contemplated by the Support Agreements along with a disclosure statement by no later than November 11, 2016, and to obtain entry of an order confirming the plan of reorganization by no later than March 17, 2017. The Debtors expect to emerge from the Chapter 11 Proceedings in early 2017.

10. CHC Group, in its capacity as the Debtors' Foreign Representative, intends to apply to this Court for an order recognizing and giving full force and effect in Canada to the U.S. Bankruptcy Court's order granting the relief sought by the Debtors in the Support Agreements Motion once it is entered in the Chapter 11 Proceedings.

Expenditure Reductions Associated with the Support Agreements

11. The restructuring contemplated by the Support Agreements is based upon, among other things, certain financial commitments made in the Debtors' business plan which was developed in consultation with certain of the consenting creditors who are parties to the Support Agreements. The Debtors' business plan can only be changed pursuant to the approval of a certain threshold of consenting creditors that are party to the Support Agreements.

12. A significant focus of the Debtors' business plan is the reduction of costs across the Company's various business operations. The amount of costs reductions required by the Company's business plan to rationalize its operations is approximately US $40 million.

13. As noted in my Affidavit #1, the Company is of the view that the Boundary Bay lease is a cost challenge for the Company's ongoing operations. Specifically, the Company believes that the current base rate payable under the Boundary Bay lease is substantially above market for similar premises and provides for more space than is currently needed by the Company. The rationalization of the Boundary Base Lease has accordingly been a significant and material source of potential cost savings for the Company's business plan.

14. Certain of the Company's stakeholders have also raised the need to rationalize the Boundary Bay lease in the context of the cost reduction commitments contemplated by the Company's business plan. The potential for cost savings associated with rationalizing the Boundary Bay Lease was specifically raised by certain of these creditors in the context of discussing support for the Company's business plan.

15. The Company's discussions with Heli-One Canada ULC's Landlord regarding a potential restructuring of the Boundary Bay lease terms undertaken since I swore my Affidavit #1 have not been successful. The Company has concluded that it needs to relocate to new premises that are both more suitable for Heli-One Canada ULC's operations and provide for more financially sustainable rent given the Company's present financial circumstances.

16. As noted in my Affidavit #1, absent a negotiated restructuring of the Boundary Bay lease terms, the Company anticipated that the Boundary Bay lease would have to be dealt with in some fashion, including by a potential rejection motion before the U.S. Bankruptcy Court. The Company anticipates that it will file a motion with the U.S. Bankruptcy Court seeking to reject the Boundary Bay Lease this month. If its motion is granted by the U.S. Bankruptcy Court, CHC Group intends to bring an application to this Court for an order recognizing and giving full force and effect in Canada to the U.S. Bankruptcy Court's rejection order.

17. CHC Group's notice of application filed concurrently with this affidavit for a declaration that the proper jurisdiction and legal process for adjudicating the rejection of the Boundary Bay Lease is the U.S. Bankruptcy Court is intended to establish a certain and efficient process for adjudicating any issues that may arise with respect to the proposed lease rejection.

18. If approved by the U.S. Bankruptcy Court and this Court, the rejection of the Boundary Bay Lease would provide for costs savings of approximately $3 million annually and materially enhance the cost reduction commitment contemplated by the business plan. The

inability to reject the Boundary Bay Lease as contemplated above would be a material setback to the Company's ability to meet the cost cutting commitments made to the sponsors of the Support Agreements and may threaten the viability of a plan of reorganization for the Company.

19. The cost savings discussed above with respect to the Boundary Bay Lease are part of broader cost cutting efforts pursued by the Company as part of its reorganization efforts. Over the duration of the Chapter 11 Proceedings, the Debtors have, among other things, filed eight motions to reject or abandon certain of their unused aircraft. The U.S. Bankruptcy Court has approved the rejection of 74 aircraft. Through these motions and ancillary discussions, the Debtors have decreased their fleet size from approximately 230 helicopters to approximately 170 helicopters, and remain engaged with key creditors to rationalize their fleet further. The Debtors have also negotiated term sheets with six lessors for helicopter leases at favorable rates, and are in the process of finalizing a term sheet with one of their primary lessors on improved terms.

Recognition of Additional Orders Entered by the U.S. Bankruptcy Court

20. In furtherance of their ongoing restructuring efforts the Debtors have applied to the U.S. Bankruptcy Court from time to time for orders required to preserve and maximize potential value of their assets for the benefit of creditors and other stakeholders. Since this Court granted the Supplemental Recognition Order, the Debtors have obtained the following orders from the U.S. Bankruptcy Court which they are seeking to have recognized by this Court:

(a) **Seventh Interim Cash Management Order** – in which the U.S. Bankruptcy Court updated the Sixth Interim Cash Management Order to allow the Debtors to continue to utilize their Cash Management System and permit ongoing intercompany advances that are crucial to the operations of the Debtors. The Seventh Interim Management Orders is substantially in the same form as the Sixth Interim Cash Management Order that was recognized by this Court in the Supplemental Recognition Order granted on October 13, 2016. A copy of the Seventh Interim Cash Management Order is attached as **Exhibit "F"** to Affidavit #1 of Hoa Ung;

(b) **Seventh Interim Cash Collateral Order** – in which the U.S. Bankruptcy Court updated the Sixth Interim Cash Collateral Order in order to allow the Debtors to

continue to (i) use cash collateral and (ii) granted protections to certain Prepetition Secured Parties on the terms and conditions set forth in the Interim Cash Collateral Order. The Seventh Interim Cash Collateral Order is substantially in the same form as the Sixth Interim Cash Collateral Order that was recognized by this Court in the Supplemental Recognition Order granted on October 13, 2016. A copy of the Seventh Interim Cash Collateral Order is attached as **Exhibit "G"** to Affidavit #1 of Hoa Ung;

(c) **Order Authorizing the Debtors to Enter into and Perform under an Interim Restructuring Term Sheet with Lombard North Central PLC and Export Development Canada** (the "**Term Sheet Approval Order**") – in which the U.S. Bankruptcy Court authorized the Debtors to enter into, and perform under, an interim restructuring proposal and term sheet related to thirteen aircraft and associated agreements, between CHC Helicopters (Barbados) SRL, Heliworld Leasing Limited, and Heli-One Leasing ULC and one or more of their affiliates and Lombard North Central Plc and Export Development Canada. The relief granted by the Term Sheet Approval Order will provide the Debtors with the ability to reduce interim and long-term leasing costs in connection with the continued operation of the helicopters in their fleet and enable the Debtors to continue operating their businesses on a post-petition basis in accordance with their restructuring business plan. A copy of the Debtors' motion for the Term Sheet Approval Order and a copy of the Term Sheet Approval Order are attached as **Exhibit "H"** and **"I"**, respectively, to Affidavit #1 of Hoa Ung;

(d) **Orders Granting Debtors' Omnibus Motions to Reject Certain Equipment Leases and Subleases (the "Lease Rejection Order")** – in which the U.S. Bankruptcy Court authorized the Debtors to reject leases and subleases for certain "Excess Equipment" and "Subleased Equipment" (as defined in the Lease Rejection Order).The relief sought by the Debtors in the Lease Rejection Order is part of the Debtors' ongoing focus on reconfiguring their helicopter fleet to improve operational efficiency. Copies of the Debtors' motions for the Lease Rejection Orders and the Lease Rejection Orders are attached as **Exhibit "J"** to **"K"**, respectively, and **"L"** to **"N"**, respectively, to Affidavit #1 of Hoa Ung; and

(e) **Order Authorizing CHC Global Operations (2008) ULC to Reject a Conference Contract (the "Westin Contract Order")** – in which the U.S. Bankruptcy Court authorized CHC Global Operations (2008) ULC to reject a contract with the Westin Bayshore hotel and conference centre in Vancouver, Canada for a conference the Debtors had originally planned to hold at the venue in the spring of 2017. The relief granted by the Westin Contract Order was requested by the Debtors in accordance with their restructuring business plan to reduce their cost structure. Copies of the Debtors motion for Westin Contract Order and the Westin Contract Order are attached as **Exhibit "Q"** and **"R"**, respectively, to Affidavit #1 of Hoa Ung.

Notice of these Proceedings to Canadian Creditors and Current Claims against the Canadian Debtors

21. In accordance with the Initial Recognition Order granted by this Court, CHC Group caused a notice describing these proceedings to be posted in the *Vancouver Sun* and the *Globe and Mail*. The notice prescribed by this Court was posted in the Vancouver Sun on October 19th and 26th and in the Globe and Mail on October 21st and 28th.

22. To date, the CRO has not been contacted by any Canadian creditors who have not been made aware of the Chapter 11 Proceedings prior to the commencement of this CCAA proceeding.

23. As of November 4, 2016, the Debtors have received approximately 1170 proofs of claim against the Debtors for an aggregate asserted amount of approximately $1,637,435,977.79. Approximately of $1,078,715,843.50 of this amount represents unsecured claims. These amounts do not account for claims which are designated as being unliquidated, claims for foreign amounts, or claims which were listed by the Company as being scheduled claims and for which no proofs of claim have been filed.

The Company's Current Cash Flow Statement

24. A copy of the Debtors' Notice of Filing of Revised Forecast dated October 31, 2016 enclosing the Debtors' cash flow projections through to January 20, 2017 is attached as **Exhibit "U"** to Affidavit #1 of Hoa Ung.

SWORN BEFORE ME at the City of New York, in the State of New York, United States of America on November 7, 2016

Notary Public, State of New York, United States of America

Robert A. Del Genio

Robert A. Del Genio

JENELL ALEXANDER-MOCTEZUMA
NOTARY PUBLIC-STATE OF NEW YORK
No. 01AL6258074
Qualified in Kings County
My Commission Expires 3/19/2020

SCHEDULE "A"

LIST OF COMPANIES

CHC Group Ltd.

6922767 Holding SARL

Capital Aviation Services B.V.

CHC Cayman ABL Borrower Ltd.

CHC Cayman ABL Holdings Ltd.

CHC Cayman Investments I Ltd.

CHC Den Helder B.V.

CHC Global Operations (2008) ULC

CHC Global Operations Canada (2008) ULC

CHC Global Operations International ULC

CHC Helicopter (1) S.á.r.l.

CHC Helicopter (2) S.á.r.l.

CHC Helicopter (3) S.á.r.l.

CHC Helicopter (4) S.á.r.l.

CHC Helicopter (5) S.á.r.l.

CHC Helicopter Australia Pty Ltd

CHC Helicopter Holding S.á.r.l.

CHC Helicopter S.A.

CHC Helicopters (Barbados) Limited

CHC Helicopters (Barbados) SRL

CHC Holding (UK) Limited

CHC Holding NL B.V.

CHC Hoofddorp B.V.

CHC Leasing (Ireland) Limited

CHC Netherlands B.V.

CHC Norway Acquisition Co AS

Heli-One (Netherlands) B.V.

Heli-One (Norway) AS

Heli-One (U.S.) Inc.

Heli-One (UK) Limited

Heli-One Canada ULC

Heli-One Holdings (UK) Limited

Heli-One Leasing (Norway) AS

Heli-One Leasing ULC

Heli-One USA Inc.

Heliworld Leasing Limited

Integra Leasing AS

Lloyd Bass Strait Helicopters Pty. Ltd.

Lloyd Helicopter Services Limited

Lloyd Helicopter Services Pty. Ltd.

Lloyd Helicopters International Pty. Ltd.

Lloyd Helicopters Pty. Ltd.

Management Aviation Limited