

This is the 3rd affidavit of
Robert A. Del Genio in this case
and was made on December 22,
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.

3. In preparing this report, CDG Group has relied solely on information and documents provided by the Debtors and their counsel. CDG Group has not audited, reviewed or



otherwise attempted to independently verify the accuracy or completeness of this information. Accordingly, CDG Group expresses no opinion or other form of assurance on the information contained herein.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

5. Capitalized terms not otherwise defined in this Affidavit have the meaning ascribed to them in my Affidavits #1 and #2 sworn in this proceeding on September 29, 2016 and November 7, 2016, respectively.

The Plan and the Disclosure Statement

6. As required by the Plan Support Agreement, on November 11, 2016, the Debtors filed the Joint Chapter 11 Plan of CHC Group Ltd. and Its Affiliated Debtors, incorporating the terms of the restructuring contemplated by the Support Agreements, along with the Proposed Disclosure Statement for the Joint Chapter 11 Plan of CHC Group Ltd. and Its Affiliated Debtors, and the Motion of Debtors for Entry of an Order (I) Approving Proposed Disclosure Statement and Form and Manner of Notice of Disclosure Statement Hearing, (II) Establishing Solicitation and Voting Procedures, (III) Establishing Rights Offering Procedures, (IV) Scheduling Confirmation Hearing and (V) Establishing Notice and Objection Procedures for Confirmation of the Proposed Plan Pursuant to Sections 105, 1125, 1126, 1128, and 1145 of the Bankruptcy Code and Bankruptcy Rules 2002, 3001, 3003, 3016, 3017, 3018, 3020, and 9006 and Local Rules 2002-1, 3017-1, 3018-1, and 3020-1 (the "**Disclosure Statement Motion**").

7. Subsequently, on December 5, 2016, the Debtors filed the First Amended Joint Chapter 11 Plan of CHC Group Ltd. and Its Affiliated Debtors and the Revised Proposed Disclosure Statement for the First Amended Joint Chapter 11 Plan of CHC Group Ltd. and Its Affiliated Debtors, and on December 19, 2016, the Debtors filed the Second Amended Joint Plan of CHC Group Ltd. and Its Affiliated Debtors Revised (as may be further amended, supplemented, or modified, the "**Plan**") and the Proposed Disclosure Statement for the Second Amended Joint Chapter 11 Plan of CHC Group Ltd. and Its Affiliated Debtors (as may be further amended, supplemented, or modified, the "**Disclosure Statement**").

8. The Plan provides for a comprehensive financial and operational restructuring of the Debtors (the "**Restructuring**") and provides additional liquidity that will further the Debtors'

emergence from the Chapter 11 Proceedings and their continued existence as a successful and profitable global helicopter services and maintenance, repair, and overhaul provider.

9. The Plan is value-maximizing for all of the Debtors' stakeholders. As described in the Disclosure Statement, the Plan:

(a) provides for a $300 million new money investment through a fully-backstopped rights offering for new second lien non-interest bearing mandatorily convertible notes (the "**New Second Lien Convertible Notes**") issued by a new Cayman Islands LLC (at a 10% original issue discount with a $100 million equitization premium, resulting in the issuance of $433.3 million in aggregate principal amount of New Second Lien Convertible Notes);

(b) upon the emergence from the Chapter 11 Proceedings the reorganized CHC Group will have $875 million in outstanding indebtedness;

(c) reduces the Debtors' annual cash interest burden by 85%, which frees up approximately $115 million in annual cash flow that can be used for reinvestment in the Debtors' business;

(d) provides for a global settlement between the Debtors, the Official Committee of Unsecured Creditors, and key creditors throughout the Debtors' capital structure including Milestone (the Debtors' largest lessor), holders representing or holding over 67% of the Secured Notes, and holders representing or holding over 73% of the Unsecured Notes; and

(e) provides for a right-sizing of the Debtors' fleet, including a significant reduction in rent expense.

10. Additional particulars of the Reorganization are set out in the Plan and the Disclosure Statement, attached as **Exhibits "A"** and **"B"**, respectively, to Affidavit #4 of Hoa Ung. The Disclosure Statement Motion is attached as **Exhibit "C"** to Affidavit #4 of Hoa Ung.

11. As described in my Affidavit #2, a hearing on the Support Agreements Motion commenced on November 17, 2016, continued to November 22, 2016, and concluded on December 16, 2016. The U.S. Bankruptcy Court entered an order approving the Supports Agreement Motion on December 20, 2016

12. A hearing on the Disclosure Statement Motion occurred before the U.S. Bankruptcy Court on December 20, 2016. The U.S. Bankruptcy Court entered an order approving the Disclosure Statement Motion on December 20, 2016. Upon entry of the order approving the Disclosure Statement, the Debtors commenced solicitation of votes with respect to the Plan. A hearing on the Plan has been scheduled for February 13-15, 2017. The Debtors expect to obtain entry of an order confirming the Plan by no later than March 17, 2017, as required by the Plan Support Agreement.

13. 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 orders granting the relief sought by the Plan once it is entered in the Chapter 11 Proceedings.

Boundary Bay Lease

14. As noted in my Affidavit #2, the Company's attempts to reach a consensual restructuring of the terms of the Boundary Bay lease with Heli-One Canada ULC's Landlord were unsuccessful. Accordingly, on November 30, 2016, the Company filed a Motion for Entry of an Order Authorizing the Debtors to Reject a Certain Unexpired Lease Pursuant to Section 365 of the Bankruptcy Code (the "**Boundary Bay Motion**"). The Boundary Bay Motion is scheduled to be heard in the U.S. Bankruptcy Court on January 24, 2017.

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

15. 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 the potential value of their assets for the benefit of creditors and other stakeholders. Since this Court granted the Supplemental Recognition Order on December 9, 2016, the Debtors have either applied for or obtained the following orders from the U.S. Bankruptcy Court which they are seeking, or anticipate seeking in the near term, to have recognized by this Court:

(a) **Order Granting Debtors' Fourth Omnibus Motion to Reject Certain Equipment Leases and Subleases (the "Fourth 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" (each of the foregoing as defined in the Fourth Lease Rejection Order). The relief

obtained by the Debtors in the Fourth Lease Rejection Order is part of the Debtors' ongoing focus on reconfiguring their helicopter fleet to improve operational efficiency. Copies of the Debtors' motion for the Fourth Lease Rejection Order and the Fourth Lease Rejection Order are attached as **Exhibits "D"** and **"E"**, respectively, to Affidavit #4 of Hoa Ung.

(b) **Order Authorizing the Debtors to (i) Abandon Certain Aircraft, (ii) Transfer Title to Certain Aircraft, and (iii) Reject Certain Equipment Leases and Subleases (the "Aircraft Abandonment Order")** – in which the U.S. Bankruptcy Court authorized the Debtors to (i) abandon certain "Excess Owned Equipment" that the Debtors no longer need in the operation of their business or for a successful reorganization, (ii) transfer title to such abandoned Excess Owned Equipment to the "Secured Parties," and (iii) reject the "Leases" and "Subleases" relating to certain Excess Owned Equipment (each of the foregoing as defined in the Aircraft Abandonment Order). The relief obtained by the Debtors in the Aircraft Abandonment Order enables the Debtors to eliminate the costs associated with retaining and storing such Excess Owned Equipment. Copies of the Debtors' motion for the Aircraft Abandonment Order and the Aircraft Abandonment Order are attached as **Exhibits "F"** and **"G"**, respectively, to Affidavit #4 of Hoa Ung.

(c) **Order Authorizing Assumption of Certain Nonresidential Real Property Leases (the "Lease Assumption Order")** – in which the U.S. Bankruptcy Court authorized the Debtors to assume certain unexpired nonresidential real property leases. The relief obtained by the Debtors in the Lease Assumption Order is part of the Debtors' Reorganization and will enable the Debtors to continue operations as a going concern upon their emergence from the Chapter 11 Proceedings. Copies of the Debtors' motion for the Lease Assumption Order and the Lease Assumption Order are attached as **Exhibits "H"** and **"I"**, respectively, to Affidavit #4 of Hoa Ung.

(d) **Order Approving a Settlement Between the Debtors and the ABL Lender Parties (the "ABL Settlement Order")** – in which the U.S. Bankruptcy Court approved a settlement memorialized in a "Settlement Term Sheet" between the "Debtor-Borrower" and certain of its affiliates, and the "ABL Lender Parties" (each

of the foregoing as defined in the ABL Settlement Order). The Settlement Term Sheet provides for a comprehensive settlement of the various claims of the ABL Lender Parties, while also enabling the Debtors to continue to operate certain retained helicopters post-petition more efficiently. Copies of the Debtors' motion for the ABL Settlement Order and the ABL Settlement Order are attached as **Exhibits "J"** and **"K"**, respectively, to Affidavit #4 of Hoa Ung.

(e) **Tenth Interim Cash Management Order** – The Debtors have applied to the U.S. Bankruptcy Court for a Tenth Interim Cash Management Order substantially in the same form as the Ninth Interim Cash Management Order that was recognized by this Court in the Supplemental Recognition Order granted on December 9, 2016. Upon entry of an order approving the Debtors' motion, the Petitioner intends to apply to this Court for an order recognizing the Tenth Interim Cash Management Order (as may be updated);

(f) **Tenth Interim Cash Collateral Order** – The Debtors have applied to the U.S. Bankruptcy Court for a Tenth Interim Cash Collateral Order substantially in the same form as the Ninth Interim Cash Collateral Order that was recognized by this Court in the Supplemental Recognition Order granted on December 9, 2016. Upon entry of an order approving the Debtors' motion, the Petitioner intends to apply to this Court for an order recognizing the Tenth Interim Cash Collateral Order (as may be updated);

(g) **Order Authorizing the Debtors to Enter into and Approving Plan Support Agreement, Backstop Agreement and Milestone Term Sheet (the "Support Agreements Order")** - in which the U.S. Bankruptcy Court authorized the Debtor to enter into and perform under the Support Agreements. The relief obtained by the Debtors in the Support Agreements provides the Debtors with support for their Restructuring 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). A copy of the Support Agreements Order is attached as **Exhibit "L"** to Affidavit #4 of Hoa Ung;

(h) **Order (I) Approving Proposed Disclosure Statement and Form and Manner of Notice of Disclosure Statement Hearing, (II) Establishing Solicitation and**

Voting Procedures, (III) Establishing Rights Offering Procedures, (IV) Scheduling Confirmation Hearing And (V) Establishing Notice and Objection Procedure for Confirmation of the Proposed Plan (the "Disclosure Statement Order") - in which the U.S. Bankruptcy Court (i) approved the Disclosure Statement as containing adequate information regarding the Plan to enable the Debtors' impaired creditors to make an informed decision on how to vote on the plan, (ii) approved the proposed solicitation procedures for the Plan, (iii) approved the proposed Rights Offering Procedures, (iv) scheduled certain relevant deadlines related to solicitation and confirmation of the Plan. The relief obtained by the Debtors in the Disclosure Statement Order enables the Debtors to commence solicitation with respect to the Plan and to move towards confirmation of the Plan and emergence from the Chapter 11 Proceedings. A copy of the Disclosure Statement Order is attached as **Exhibit "M"** to Affidavit #4 of Hoa Ung.;

Current Claims Against the Debtors

16. As described in my Affidavit #2, CHC caused notice of these proceeding to be posted in the Vancouver Sun and the Globe and Mail. 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.

17. As of December 16, 2016, the Debtors have received approximately 1198 proofs of claim against the Debtors for an aggregate asserted amount of approximately $1,637,646,738.86. Approximately $1,078,869,951.05 of this amount represents unsecured claims. These amount 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 claims have been filed.

The Company's Current Cash Flow Statement

18. A copy of the Debtors' Notice of Filing of Revised Forecast dated November 18, 2016, enclosing the Debtors' cash flow projections through March 3, 2017, is attached as **Exhibit "N"** to Affidavit #4 of Hoa Ung.

19. In considering the information that has been made available to the Chief Restructuring Officer, the Chief Restructuring Officer is of the view that it is fair and appropriate for this Honourable Court to grant an order recognizing the Orders described herein issued in the Chapter 11 Proceeding.

SWORN BEFORE ME at the City of New York, in the State of New York, United States of America on December 22, 2016)

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

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