

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

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 COMPROMISE OR  
ARRANGEMENT OF GREAT SLAVE HELICOPTERS LTD.

APPLICANT

**AFFIDAVIT OF ALASDAIR MARTIN  
(Sworn August 31 2018)**

I, Alasdair Martin, of the City of Yellowknife, in the Northwest Territories, MAKE  
OATH AND SAY:

1. This Affidavit is made in support of an Application by Great Slave Helicopters Ltd. (“GSH”, or the “Applicant”) for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”). Although not part of the filing, the Applicant is also seeking a limited stay of proceedings in favour of its affiliates, 10671541 Canada Inc. (“Acquireco”), Air Tindi Ltd. (“ATL”) and Discovery Mining Services Ltd. (“DMS” and together with Acquireco, GSH, and ATL, the “Group”), as more particularly described hereinafter.

2. I am the President of the Applicant, a position that I have held since June 2016. I am also the President of ATL and have held that position since January 2014. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources of information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have consulted with legal, financial and other advisers of the Applicant and other members of the senior management team of the Applicant.

## I. OVERVIEW

### (a) Background and Introduction

3. The Group provides specialty aviation services and logistics support to governments and natural resource and other business customers, operating across Canada and in select locations internationally, including the United States and Chile.

4. For the past several years, GSH has experienced losses exceeding \$5 million annually, before considering capital expenditures. The stresses affecting its business have included many external and internal factors including a slowdown of the oil and gas and mining sectors, significant capital expenditures required for ongoing maintenance and a depression in the helicopter charter services markets globally. GSH's business is highly seasonal with a significant percentage of its gross revenue earned in June to September of each year while requiring ongoing significant funding for maintenance and other operating expenses throughout the entirety of the year. Because of its seasonality, the GSH business will incur losses commencing in October and will require significant funding until its next busy season which starts next June.

5. Until recently, GSH was wholly owned by Discovery Air Inc. ("**DAI**"). DAI filed for protection pursuant to the CCAA on March 21, 2018, as a result, in part, to the then imminent maturity of over \$127 million of debt including over \$93 million of secured debt which had been guaranteed by GSH and the other members of the Group. The background to DAI's CCAA proceedings is set out in the affidavit of Paul Bernards, DAI's Chief Financial Officer, sworn March 21, 2018 (the "**Bernards Affidavit**"), which is attached (without exhibits) as **Exhibit "A"** hereto. DAI's CCAA proceedings and the sale of GSH by DAI to Acquireco are discussed in more detail below starting in paragraph 23.

6. Currently, GSH is in default of its existing obligations under its secured guarantee in favour of Clairvest Group Inc. and its affiliates, including certain funds managed by Clairvest Group Inc. (collectively, "**Clairvest**"<sup>1</sup> and references to "**Clairvest**" herein may refer to any or all such affiliates and/or funds, as applicable) under the CV Secured Debentures (as defined in

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<sup>1</sup> As applicable, the term "Clairvest" may also include Mr. G. John Krediet, an individual investor within the Clairvest group.

the Bernards Affidavit) and under its obligations to ECN Aviation Inc (“ECN”). In addition to ECN, two additional lenders have secured claims against GSH, whether as principal debtor or guarantor; namely, Canadian Imperial Bank of Commerce (“CIBC”) and Roynat Inc. (“Roynat”). The commencement of these proceedings and the declaration of insolvency by GSH will constitute defaults under the various loan and security agreements in favour of each of these lenders.

7. GSH, together with Clairvest, has been engaged for some time in efforts to restructure GSH’s business and operations so as to be viable on a long-term basis. However, based on the persistently difficult financial condition of GSH, its anticipated continued need for additional funding in order to continue its business and Clairvest’s unwillingness to continue to provide such further funding to cover operating losses, as well as other factors, GSH has concluded that a restructuring or sale of its business and/or assets in an orderly manner is best facilitated through court-supervised proceedings under the CCAA.

**(b) Purpose of this CCAA Proceeding**

8. As a result of the foregoing, GSH is now seeking protection under the CCAA. The purpose of the proceedings will be to provide GSH with a stable environment in which to continue to operate, including to service its fire suppression contracts with the Provinces of Ontario and Alberta and joint ventures with certain First Nations groups, while a sale and investment solicitation process (“SISP”) is conducted by KSV Kofman Inc., the proposed monitor (“KSV” or the “Proposed Monitor”), for the sale or restructuring of GSH’s business and/or assets. The SISP will seek going concern offers for all or any parts of GSH’s business and property (including liquidation proposals), as well as investment proposals. If the Initial CCAA Order is granted, it is anticipated that GSH will serve motion materials with respect to the SISP shortly thereafter.

9. Concurrently, GSH will be considering its next steps for its Chilean operations. It is not presently anticipated that any proceedings will be commenced outside of Canada.

## II. CORPORATE DETAILS OF GSH AND FINANCIAL STATEMENTS

### (a) Corporate Information and Ownership

10. GSH is incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, and c. C-44, as amended (the “CBCA”). GSH is owned 100% by Acquireco. GSH owns 100% of Discovery Air Innovations Chile SpA (“DA SpA”), which manages Discovery Air Innovations Chile Ltda (“DA Chile”), a partnership owned by GSH and DA SpA. GSH also owns Northlinx International Inc., a Washington company. Attached as **Exhibit “B”** is a copy of the organization chart for GSH and its subsidiaries.

11. Although GSH’s operational headquarters and registered office are located in the Northwest Territories, GSH’s principal secured creditors, including Clairvest, CIBC and Roynat and their legal counsel are all situated in Toronto, its sole director is located in Ontario and it is presently performing fire suppression services pursuant to a substantial contract with Ontario Ministry of Natural Resources. The recently completed proceedings of its former parent, DAI, were conducted under the supervision of this Court.

12. The current sole director of GSH is Adrian Pasricha. Mr. Pasricha has been the director of GSH since August 13, 2018 and was appointed in connection with the sale of GSH to Acquireco. Mr. Pasricha is also a principal at Clairvest.

13. GSH employs approximately 200 non-unionized personnel. This does not include the approximately 55 individuals employed by DA Chile.

### (b) GSH’s Business

14. GSH is one of the largest onshore helicopter operators in Canada and conducts operations through most parts of western and northern Canada, as well as internationally. GSH’s main base of operations is in Yellowknife, Northwest Territories. It has sub-bases placed strategically throughout northern and western Canada and in Ontario to help support its aircrew and maintenance personnel in the challenging environments and locations where many of GSH’s customers require services. GSH also has a leased hangar and office facilities in Springbank, Alberta, Kelowna, British Columbia, as well as a Chilean subsidiary which operates out of a facility in Rancagua, Chile.

15. GSH generates its revenue from mineral and gas exploration support, forest fire suppression services and the provision of services to government agencies and support for infrastructure work such as power line construction.

16. GSH's fleet is comprised of approximately 51 light, intermediate and medium sized rotary wing aircraft, of which 34 are owned and 17 are leased. Several lenders have security against the aircraft, including ECN (eight helicopters) and Roynat (four helicopters). Certain of the aircraft used by GSH in connection with its first nations joint ventures are owned by the joint venture and leased to GSH for use.

17. GSH does not maintain a registered pension plan for its employees.

18. Seasonal forest fire suppression services in Chile peak from December to March, while its northern Canadian seasonal work peaks from May through September. In April 2018, GSH was awarded a number of fire suppression contracts by the Province of Ontario for essential fire suppression support. The seasonal operating commitment for these contracts ends at the end of September 2018. The services provided under these contracts are critical and GSH intends to continue to provide these services to the end of the current season. GSH also has ongoing fire suppression contracts with the Province of Alberta and the Government of the Northwest Territories which it intends to service through at least the end of September 2018.

19. Over the last five (5) years, the financial performance of GSH has declined, resulting in reduction in the size of its helicopter fleet. GSH's challenges are attributable to declines in the oil and gas and mining sectors, as well as the helicopter charter services market. Although GSH has undertaken efforts to grow its business in recent years, primarily in Chile, GSH's business has not been profitable for several years. In addition to rising costs, GSH has been unable to raise flying rates or boost utilization due to an oversupply of helicopters in the market. Critical financial support for the GSH business has been provided by Clairvest for several years, as detailed in the Bernards Affidavit.

**(c) GSH's Financial Position**

20. Audited financial statements have historically been prepared at the DAI level on a consolidated basis. As such, GSH does not have stand-alone audited financial statements.

Attached as **Exhibit “C”** are the unaudited internal financial statements for GSH for its fiscal years ended January 31, 2017 and January 31, 2018.

21. GSH has incurred losses over the last two fiscal years totalling approximately \$13.7 million, with those losses increasing on a year over year basis. Revenue has also declined in that two year period. GSH has also continued to experience losses through the first six months of the current fiscal year. A table summarizing GSH’s operating results for the fiscal years ending January 31, 2017 and January 31, 2018 is set out below:

(C\$000s; consolidated)	January 31, 2018 (unaudited)	January 31, 2017 (unaudited)
Net revenue	48,108	52,074
Income from equity investments	596	548
Expenses	(48,676)	(52,792)
EBITDA	28	(170)
Depreciation and amortization	6,118	5,932
Allocation of corporate IT and HR	785	1,030
Finance costs	257	1,364
Other (gains) and losses	166	1,455
Management and interest fees	(812)	(1,440)
Income tax expense (recovery)	653	(1,976)
Total comprehensive loss	(7,139)	(6,535)
Retained Earnings/(Deficit)	(55,811)	(49,076)

22. Forecasts for GSH indicate that GSH will not be profitable in its present state for the foreseeable future and cannot continue as a going concern without ongoing financial support and/or a material restructuring of both its balance sheet and operating cost base. If GSH were to continue to operate in the normal course, it would require significant liquidity in the coming months. Given its financial circumstances and given Clairvest’s unwillingness to continue to fund GSH’s losses, there is no viable prospect of raising the necessary funding to continue GSH’s operations absent a restructuring. GSH believes that these proceedings will allow it to

focus on completing one or more transactions that will allow the viable portions of its business to continue.

### III. THE DAI CCAA PROCEEDINGS AND SALE TRANSACTIONS

23. As discussed above, in March 2018, DAI, the holding company for the Group at that time, filed for protection under the CCAA. The purpose of DAI's proceeding was, among other things, to sell its shares in GSH, ATL and DMS. In connection with the DAI sale process, Clairvest, through Acquireco, entered into stalking horse agreements (the "APAs") for sale transactions (the "Sale Transactions") of each of GSH, ATL and DMS for the assignment and assumption of a portion of the secured debt owing to Clairvest under the CV Secured Debentures (as defined in the Bernards Affidavit) plus the assumption of DAI's other secured liabilities owing to CIBC and Roynat.

24. The Sale Transactions under the APAs closed on August 14, 2018. In connection with the Sale Transactions, Acquireco entered into assumption agreements with Clairvest, CIBC and Roynat and the Group affirmed their guarantees and security granted to Clairvest, CIBC and Roynat thereunder (the "Assumptions and Acknowledgements"). The parties were unable to reach agreement on terms of an assumption with ECN. I am advised by Jennifer Stam of Goldman Sloan Nash & Haber LLP ("GNSH"), GSH's legal counsel, that on several occasions during the CCAA proceedings of DAI, the court was informed that, although there was no reason to believe the sale of GSH to Acquireco would not close, a further restructuring of GSH may be required and that subsequent CCAA proceedings in respect of GSH may be necessary in order to effectively implement such restructuring.

25. In connection with the closing of the Sale Transactions, each of CIBC, Textron and Roynat waived any defaults associated with, among other things, the DAI proceedings and the Sale Transactions. The ongoing defaults existing under the CV Secured Debentures and the ECN Loan Agreement were not waived.

26. Pursuant to an Order of this Court made on July 24, 2018, the stay of proceedings in respect of DAI and the Group was extended to the earlier of the filing of the Monitor's termination certificate or August 31, 2018 and DAI's CCAA proceedings were terminated subject to the filing of a monitor's termination certificate. I am advised by Ms. Stam that the

Monitor's termination certificate will be filed on or about September 4, 2018 and that it is expected the application for the bankruptcy order will be heard shortly thereafter.

#### **IV. GSH'S OUTSTANDING DEBT**

##### **(a) Overview of GSH's Secured Debt**

27. As discussed above, GSH is a guarantor of all of the secured obligations owing to Clairvest, ECN and Roynat, which obligations, in total, amount to approximately \$83.4 million as of August 30, 2018. GSH is also a guarantor of the secured obligations owing to CIBC. The balance owing on the operating line and outstanding letters of credit owing to CIBC as of August 30, 2018 is approximately \$15.2 million.

##### **(b) Unsecured Claims**

28. In addition to the matters noted above, as of June 30, 2018 GSH has unsecured obligations of approximately \$8.5 million, before considering intercompany obligations and off-balance sheet obligations, including severance and contingent liabilities. GSH's unsecured obligations consist primarily of unpaid trade obligations and certain amounts owing to first nations groups in connection with GSH's joint ventures. GSH's deteriorating financial performance necessitated borrowings from its former parent, DAI. As a result, GSH's intercompany obligation as at June 30, 2018 totaled approximately \$154 million, which was assigned to Acquireco by DAI as part of the Sale Transactions completed in DAI's CCAA proceedings.

#### **V. CASH MANAGEMENT**

##### **(a) Group Bank Accounts**

29. Banking and operating borrowing facilities of the Group are with CIBC and have been set up on a consolidating basis, such that the group's net balance at any point in time is the consolidated balances of all the accounts.

30. The main bank accounts of the Group are with CIBC in Toronto, Ontario. All of the Group's CIBC bank accounts are, subject to final implementation, pooled into a consolidated cash pooling arrangement used by the Group as a whole. The Group has accounts in both



Canadian dollars and US dollars in the names of each of GSH, ATL and DMS. The Group also has bank accounts with Royal Bank of Canada in Saskatoon, SK.

31. As discussed below, the Applicant is seeking relief allowing it to continue with its existing cash management system during the CCAA proceedings including an intercompany charge to secure advances made by Acquireco to GSH during the proceedings.

## **VI. THE PROPOSED CCAA PROCEEDINGS AND REQUESTED RELIEF**

32. GSH continues to face significant challenges operationally and financially. It is currently in default under, or will be as a result of the commencement of these proceedings under all of its secured obligations. Clairvest, among others, has advised that it is not prepared to waive or forbear against those defaults or provide further support of GSH's business absent the commencement of these proceedings.

### **(a) GSH is Insolvent**

33. I am advised by Ms. Stam that the CCAA requires that: (i) one or more applicants thereunder must be subject to claims that in the aggregate exceed \$5 million; and (ii) the applicant(s) must be insolvent in order for a CCAA application to be granted and an Initial CCAA Order made by the Court.

34. As noted above, the aggregate claims against the Applicant exceed the requirements of the CCAA. Further, and for the reasons set out in this affidavit, the Applicant is insolvent and will be unable to meet its obligations as they come due without the benefit of an Initial CCAA Order. If the Applicant is not permitted the opportunity to pursue restructuring transactions and instead progresses to bankruptcy, the expected proceeds of the Applicant's assets and business are expected to be less than could be realized through the contemplated orderly SISP. The proposed SISP (discussed below) will also allow GSH to continue to operate without disruption during the SISP, which is best accomplished through the CCAA process. Such will benefit all of GSH's creditors, including its secured creditors.

### **(b) The Applicant's Cash Flow Projections**

35. The Applicant, with the assistance of KSV, has prepared a cash flow projection for GSH's operations for the period September 3, 2018 to October 7, 2018, assuming the relief

sought is granted. The cash flow forecast reflects that GSH is projected to generate sufficient cash flow in the normal course during the period without the need for debtor-in-possession financing (“**DIP Financing**”).

**(c) The SISP**

36. The present intention is to return to Court as soon as practicable to seek an order authorizing the Monitor to conduct a SISP for the business and assets of GSH.

**VII. PROPOSED INITIAL CCAA ORDER**

37. Discovery is seeking the Initial CCAA Order substantially in the form of the model order adopted for CCAA proceedings commenced in Toronto, Ontario, subject to certain changes as reflected in the proposed form of order contained in GSH’s Application Record. Certain key relief sought is set out below.

*(i) Stay of Proceedings for GSH and the Remainder of the Group*

38. A stay of proceedings is needed while GSH conducts its restructuring and ensures the stability and preservation of the value of the business until the anticipated SISP has been completed.

39. As noted herein, the principal purpose of these proceedings is to carry out the SISP. Given the cross-guarantees of the outstanding secured debt owing to the secured lenders, the Applicant is seeking to extend the benefit of a limited stay of proceedings in these proceedings to Acquireco, ATL and DMS and their officers and directors in order to: (i) ensure stability through this restructuring process; and (ii) avoid the situation where the existing defaults outstanding as a result of the DAI CCAA proceedings or the insolvency of GSH and the commencement of these proceedings are relied upon as the basis for commencing adversarial proceedings, contract terminations, or other adverse steps as against Acquireco, ATL and DMS. This extended stay of proceedings will permit an orderly sale of GSH’s business and property or a restructuring of GSH, with a view to maximizing recoveries for its creditors.

(ii) Administration Charge

40. It is proposed that the Monitor, its counsel and the Applicant's counsel be granted a super priority court-ordered charge on the assets of GSH as security for their fees and disbursements relating to the services rendered in respect of GSH in an amount not to exceed \$750,000 in the aggregate (the "**Administration Charge**"). The Administration Charge is intended to secure the fees of the Monitor, its counsel and the Applicant's counsel associated with the preparation for these CCAA proceedings and activities during the proceedings.

41. The Applicant worked with the proposed Monitor to estimate the proposed quantum of the Administration Charge and believes it to be reasonable and appropriate in view of the complexities of GSH's CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

(iii) Protection of Directors and Officers

42. To ensure the ongoing stability of the Group's business during the CCAA proceeding and to enhance the prospects of a successful restructuring, the Applicant requires the continued participation and guidance of the respective directors and officers of the Group. Accordingly, the Applicant is seeking standard CCAA provisions staying all proceedings against the directors and officers of the Group with respect to all claims against the directors or officers that relate to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in such capacity.

43. In addition, I am advised by Ms. Stam, and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities, which may include unpaid accrued wages, unpaid accrued vacation pay; and unremitted sales, goods and services, and harmonized sales taxes.

44. The Applicant maintains an insurance policy with respect to directors' and officer's liability. This policy covers an aggregate annual limit of \$25,000,000, which covers a variety of circumstances where the Applicant's directors and officers might face claims for liability. Furthermore, in the present circumstances, it is not practicable to obtain at reasonable cost further coverage that is satisfactory.

45. In light of the potential liabilities, the ambiguity under the policy and the difficulty in obtaining additional coverage on acceptable terms and costs, the Applicant's directors and officers have indicated that their continued service and involvement in the CCAA proceedings is conditional upon the granting of an Order under the CCAA that grants a super priority charge in favour of the directors and officers of the Applicant in the amount of \$850,000 on the assets, property, undertaking and business of the Applicant (the "**Directors' Charge**"). The Directors' Charge constitutes security for indemnification obligations for the directors' and officers' potential liabilities as set out above and allows the Applicant to continue to benefit from the expertise and knowledge of its directors and officers.

46. The quantum of the proposed Directors' Charge has been calculated with the assistance of the proposed Monitor, and the proposed Monitor has informed me that it concurs with the reasonableness of this amount in the circumstances. Similarly, the Applicant views the quantum of the Directors' Charge as reasonable in the circumstances.

*(iv) Intercompany Charge*

47. As set out above, during GSH's CCAA proceedings, it is intended that it will continue to utilize the existing cash management system that is currently in place with Acquireco, ATL and DMS. Acquireco is the borrower under the CIBC operating line and, as such, funds will be advanced from Acquireco to GSH from time to time in the normal course. In order to ensure that any notional borrowing by GSH is accounted for, it is proposed that a charge (the "**Intercompany Charge**") be granted in favour of Acquireco to secure such intercompany advances. The Intercompany Charge will have the priority set out below.

*(v) The Monitor*

48. KSV has consented to act as the Court-appointed Monitor of GSH, subject to Court approval. KSV has prepared a Pre-Filing Report in order to assist this Court with its consideration of the Applicant's application and the relief requested by the Applicant in connection with its CCAA filing.

49. KSV is a trustee within the meaning of Section 2 of the *Bankruptcy and Insolvency Act* (Canada), as amended, and is not subject to any of the restrictions set out in section 11.7(2) of the CCAA.

50. KSV was appointed as monitor in DAI's CCAA proceedings and had been involved consulting DAI and Clairvest as it relates to insolvency issues prior to DAI's CCAA proceedings. KSV has extensive knowledge as to the background, operations and financial situation of GSH, and the respective positions and interests of its secured creditors.

51. KSV, as proposed monitor, is supportive of the relief being sought in the Initial Order, including, among other things, the existence and amounts of the proposed Court-ordered charges.

(vi) Cash Management and Intercompany Financing

52. During the CCAA period, it is proposed that the Group continue to use its existing cash management system which is operated through its operating line with CIBC. The proposed Initial CCAA Order allows the use of such accounts to continue without any liability to the Group's operating bank.

(ix) Ranking of Court-Ordered Charges and Comeback Motion

53. The Applicant is seeking approval of the court-ordered charges set out above including priority over all other obligations of the Applicant as follows:

- (a) First, the Administration Charge;
- (b) Second, the Directors' Charge; and
- (c) Third, the Intercompany Charge

54. I am advised by Ms. Stam that CIBC does not object to the relief requested in the proposed Order as filed with the application.

## VIII. CONCLUSION

55. The relief sought in the Initial CCAA Order, including the stay of proceedings, has been tailored to the Applicant's particular circumstances and will provide the Applicant with the

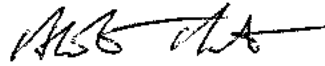
protections and breathing room that it needs in order to continue to operate without disruption, including providing fire suppression contracts with the Provinces and to carry out a SISP to seek a sale transaction for all or portions of its assets or an investment proposal to effect a restructuring all with a view to maximizing recoveries for creditors.

56. I am confident that the granting of the Initial CCAA Order, with the relief requested, is in the best interests of GSH and its many stakeholders.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 31<sup>st</sup> day of August, 2018.



\_\_\_\_\_  
Commissioner for taking affidavits



\_\_\_\_\_  
ALASDAIR MARTIN

This is Exhibit "A" referred to in the affidavit of Nasdin Martin sworn before me at [signature] this 1 day of August 2018.  
A Commissioner for taking Affidavits for Ontario

Court File No.: \_\_\_\_\_

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

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 COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

APPLICANT

**AFFIDAVIT OF PAUL BERNARDS  
(Sworn March 21, 2018)**

I, Paul Bernards, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. This Affidavit is made in support of an Application by Discovery Air Inc. ("Discovery", or the "Applicant") for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"). The Applicant has four (4) wholly owned Non-Applicant Subsidiaries (defined and discussed below), as well as a minority interest in a holding company of the Top Aces business, all of which are discussed in further detail below. Although the Non-Applicant Subsidiaries are not part of the filing, they are the operational subsidiaries of the Applicant and have joint and/or several obligations, including, without limitation, in respect of maturing principal debt and other principal debt amounts and guaranteed debt amounts, with the Applicant. As such, the Applicant is seeking to have a limited stay granted in favour of these Non-Applicant Subsidiaries pursuant to this Application to primarily address cross-defaults related to such joint and/or several obligations.

2. I am the Chief Financial Officer of the Applicant, a position that I have held since April 1, 2014. Prior to that time, I was a consultant to Discovery from March 17 to April 1, 2014. I have also held positions as the Senior Vice President of Finance and Chief Financial Officer at Premier Salons Ltd, Shepell FGI LP and Masonite International Corporation. I have over 30

years of experience in corporate finance and public accounting, am a certified public accountant in both the United States and Canada, and have obtained a B.A. in Finance from the University of Toronto and a M.B.A. from York University (now the Schulich School of Business). I also hold the ICD.D designation from the Institute of Corporate Directors of Canada.

3. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources of information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have consulted with legal, financial and other advisers of the Applicant and other members of the senior management team of the Applicant.

4. This affidavit is organized as follows:

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5. The exhibits to this affidavit are as follows:

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## **I. OVERVIEW**

### **(a) Background and Introduction**

6. Discovery, through its four wholly-owned subsidiaries (the “**Non-Applicant Subsidiaries**”), Great Slave Helicopters Ltd. (“**GSH**”), Air Tindi Ltd. (“**ATL**”), Discovery Mining Services Ltd. (“**DMS**”) and Discovery Air Technical Services Inc. (“**DATS**”) (Discovery and the Non-Applicant Subsidiaries are collectively referred to herein as the “**Discovery Air Group**”), provides specialty aviation services and logistics support to governments and natural resource and other business customers, operating across Canada and in select locations internationally, including the United States, Bolivia, Australia, and Chile. GSH, ATL and DMS are active subsidiaries, while DATS is presently inactive.

7. Until December 2017, Discovery Air Defence Services Inc. (“**DADS**”) and its subsidiaries were also subsidiaries of Discovery. As discussed below, as of December 2017, DADS is no longer owned by Discovery (other than a remaining small minority interest). On February 1, 2018, DADS rebranded by changing the name of the company back to its original corporate name, “**Top Aces Inc.**” (together with its subsidiaries, “**Top Aces**”) and the former DADS business now carries on business globally under the Top Aces brand.

8. Since 2014, Discovery has consistently experienced losses ranging between \$16 million and \$29 million annually on a consolidated basis and has not reported a profit. These stresses affecting the Discovery Air Group and Top Aces have resulted from a number of external and internal factors, including a slowdown of the oil and gas and mining sectors, unexpectedly extreme seasonal impacts on the business (particularly those that operate in remote areas of Canada or are dependent on unpredictable fire suppression activities), significant capital expenditures required for ongoing maintenance, depression in the helicopter charter services markets globally, the application of aircraft import controls, and regulatory policy changes (which, in some cases, led to the temporary grounding of aircraft by applicable regulatory authorities and increased expenditures to bring aircraft in compliance with the new policies).

9. Throughout this time, the businesses have required persistent infusions of capital and significant funding to continue operating. Further, the seasonal nature of Discovery's business has contributed to the need for further capital in the slower winter months. The Northern business (carried out through GSH, ATL and DMS) is highly seasonal with approximately 50% of its gross revenue earned in June to September of each year. While the Top Aces business is slightly less seasonal, it required constant funding for capital expenditures and maintenance costs, the financial effects of which were worsened by the temporary groundings of certain of its aircraft in 2017 and its inability to produce revenue while it became compliant with new policies.

10. Since 2014, the Discovery Air Group and Top Aces businesses have been supported and financially sustained directly and indirectly by Clairvest Group Inc. and its affiliates, including certain funds managed by Clairvest Group Inc. (collectively, "Clairvest"<sup>1</sup> and references to "Clairvest" herein may refer to any or all such affiliates and/or funds, as applicable). Clairvest is a publicly traded private equity investor. In order to maintain the viability of Discovery, Clairvest has provided debt and equity fundings on numerous instances when there were no other viable options in the debt or capital markets. As a result, Clairvest has become the principal owner of, and by far the largest secured lender of, the Discovery Air Group.

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<sup>1</sup> As applicable, the term "Clairvest" may also include Mr. G. John Krediet, an individual investor within the Clairvest group.

11. The Discovery Air Group has taken steps to cut costs, improve efficiency and profitability, divest non-essential assets and businesses, raise capital, and hire new executive officers including replacing its CFO twice and its CEO. These initiatives have not been sufficient to address ongoing liquidity and other financial challenges.

12. As set out in further detail below Discovery is presently facing the imminent or near term maturities of the following significant obligations that total more than \$127 million in the aggregate:

- (a) Unsecured Listed Debentures maturing on June 30, 2018: \$34.5 million (plus over \$1.4 million in interest) in unsecured bond debt principal due to public bondholders under the Unsecured Listed Debentures (defined below);
- (b) Roynat Secured Debt maturing on April 15, 2018: \$5.1 million of secured principal indebtedness owing to Roynat Inc.;
- (c) CIBC Secured Debt effectively maturing April 30, 2018:<sup>2</sup> secured principal indebtedness owing to Canadian Imperial Bank of Commerce (including amounts owing under outstanding letters of credit) which, as of March 16, 2018 was approximately \$10.6 million (plus \$4.2 million in outstanding letters of credit); and
- (d) CV Secured Debentures maturing on May 5, 2018: \$72.7 million of secured principal indebtedness owing to Clairvest (the details of which are set out below).

13. Discovery has no ability to repay these obligations and is unable to refinance this debt given its current circumstances. Among other things, Clairvest has informed Discovery that it will not extend the maturity of its debt or provide additional financing to pay the other maturity obligations, which may result in cross-defaults and debt acceleration.

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<sup>2</sup> See discussion of CIBC maturity date below in paragraph 37.

**(b) Purpose of this CCAA Proceeding**

14. In light of Discovery's financial distress and inability to continue to service or repay its debt when due, Discovery is seeking protection pursuant to the CCAA in order to pursue sale transactions for the businesses held in GSH, ATL and DMS and its remaining indirect minority interest in Top Aces, following which Discovery itself expects that it – together with certain other inactive wholly-owned subsidiaries – will cease to operate.

15. Discovery intends to effect a series of restructuring transactions principally through a sale solicitation process ("SSP"), which will include four stalking horse bids: one for the indirect minority interest in Top Aces, and separate bids for the shares of each of GSH, ATL, and DMS, respectively, and in each case together with various ancillary assets and contracts that are used and required for the ongoing operation of each business. In order to provide stability and certainty to stakeholders, Discovery has negotiated the terms of proposed stalking horse agreements with Clairvest who, through designated purchasers, will act as stalking horse bidders for each of the transactions. If the Initial CCAA Order is granted, I anticipate that the Applicant will be seeking approval of the SSP on a subsequent motion brought on notice to the service list within one to two weeks after the granting of the Initial CCAA Order.

16. Successful sale transactions for these businesses will benefit employees, customers, suppliers and other business partners, and will avoid the social and economic costs of a liquidation of the businesses and assets of the Non-Applicant Subsidiaries (including as a result of piecemeal lender enforcement processes that might otherwise be taken by lenders having secured claims against the Non-Applicant Subsidiaries). This will be facilitated by the stabilization of the business of the Discovery Air Group for the duration of the CCAA proceeding.

17. Discovery also requires access to interim financing to, among other things, continue to provide needed funding to the Non-Applicant Subsidiaries. Discovery is seeking to authorize interim financing to be provided by Clairvest as part of the Initial CCAA Order which is required immediately. It is intended that the priority of the interim financing will take priority only over the existing secured debt held by Clairvest and obligations to other creditors that are subordinate

to the existing Clairvest debt and security. For greater certainty, the interim financing will not prime any debt or security ranking in priority to Clairvest's existing secured debt.

18. Discovery is also seeking approval of arrangements to ensure the participation of the key management personnel who provide corporate support, managerial and other services throughout the Discovery Air Group and who have background and familiarity with the operations of the Discovery Air Group, such that the input of such personnel will improve the prospects that these proceedings have a successful outcome. To that end, Discovery intends to seek approval of a key employee retention plan ("KERP") as part of this Application.

19. It is intended that the key business operations conducted through the Non-Applicant Subsidiaries, will continue to operate in the ordinary course throughout this CCAA proceeding and that creditors of the Non-Applicant Subsidiaries will continue to be paid in the ordinary course during this time, save and except for payments in respect of maturing debt obligations and guarantees that will be stayed.

## **II. CORPORATE DETAILS OF DISCOVERY AND FINANCIAL STATEMENTS**

### **(a) Corporate Information and Ownership**

20. Discovery was incorporated under the laws of the Province of Ontario (the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16 as amended) on November 12, 2004, and was continued under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA") on March 27, 2006. Attached as Exhibit "A" is a copy of the organization chart for the Discovery Air Group.

21. Discovery's head office is a leased location in Toronto, near Pearson International Airport.

22. The current directors of Discovery are Kenneth Rotman, Adrian Pasricha, G. John Krediet, Thomas Andrew (Drew) Hickey and Michael Grasty. Messrs. Hickey and Grasty are the independent directors of Discovery. On August 30, 2017, Discovery announced the appointment of Alan D. Torrie as Chief Executive Officer, effective as of August 29, 2017.

23. Discovery has seven employees, three of whom are officers of Discovery.

24. Discovery was initially a public company, but it has been a privately held company since May 2017, although it remains a reporting issuer as a result of its publicly traded bond debt. Through various share acquisitions culminating in the Going Private Transaction (defined below) in May 2017, Clairvest owns approximately 95.5% of the common shares, and certain current and former management of Discovery own the remainder. Further details regarding the Going Private Transaction are discussed below in paragraph 31.

**(b) Discovery's Business**

25. Discovery is primarily a holding company for the shares of its operating subsidiaries, and for its indirect minority interest in Top Aces, and has historically been the vehicle through which funding has been provided for the businesses of the operating subsidiaries. Discovery provides corporate support functions to the Discovery Air Group and Top Aces, including shared services such as central management, finance, treasury, information technology, legal, human resources and other administrative functions, but does not have an independent business of its own.

**(c) Discovery's Financial Position**

26. The most recent audited annual consolidated financial statements for Discovery for the fiscal year ending January 31, 2017 are attached at **Exhibit "B"**. Discovery's unaudited consolidated financial statements for its financial year ended January 31, 2018 are attached at **Exhibit "C"** which have been prepared on a preliminary basis and are subject to year end adjustments. Any reference in this affidavit to financial information as of January 31, 2018 is being provided on such a basis and may be subject to further adjustment.

27. On a preliminary basis, as of January 31, 2018, the book value of Discovery's assets, liabilities and accumulated deficit were as follows:

- (a) Working capital deficit: Working Capital deficit of \$102.1 million made up of \$39.0 million in current assets (including \$13.8 million of illiquid aircraft parts inventory) offset by current monetary liabilities of \$141.1 million;
- (b) Net Long-Lived Assets: Net long-lived assets of \$121.5 million made up of illiquid long-lived capital assets of \$155.3 million less non-current liabilities of 33.8 million; and

- (c) Deficit in Retained Earnings: Accumulated deficit in retained earnings of approximately \$80.2 million, including net losses in the prior three fiscal years totalling approximately \$63 million.

28. As set out above, Discovery has been experiencing significant losses for several years. A brief summary of Discovery's financial results (shown in millions of Canadian dollars) since 2014 is as follows:

	Fiscal year ended January 31, 2014 (audited)	Fiscal year ended January 31, 2015 (audited)	Fiscal year ended January 31, 2016 (audited)	Fiscal year ended January 31, 2017 (audited)	Fiscal year ended January 31, 2018 (unaudited) <sup>3</sup>
<b>Discovery (consolidated)</b>	Revenue: 213.5 Net Income/(loss): (18)	Revenue: 190.8 Net Income/(loss): (18.9)	Revenue: 182.2 Net Income/(loss): (16)	Revenue: 171.1 Net Income/(loss): (18)	Revenue: 143.1 Net Income/(loss): (29)

### III. DISCOVERY'S OUTSTANDING DEBT

#### (a) Overview of Discovery's and the Non-Applicant Subsidiaries' Secured Debt

29. A summary of the current secured debt structure of the Discovery Air Group as of January 31, 2018 is set out below:

Lender	Principal amount Owing as of January 31, 2018 (unless otherwise indicated below)	Maturity	Borrower(s)	Guarantor(s) (within the Discovery Air Group)	Security & Priority (pursuant to Inter-Creditor Agreement)
Clairvest	\$72.7 million	May 5, 2018	Discovery	GSH ATL DMS DATS	<u>Security</u> : General security on all property, assets and undertakings of all obligors. <u>Priority</u> : (i) first charge on specific aircraft, real estate, certain capitalized parts and proceeds of foregoing; (ii) first charge via share

<sup>3</sup> Information provided pursuant to preliminary unaudited financial statements for January 31, 2018 which are subject to adjustment.



Lender	Principal amount Owing as of January 31, 2018 (unless otherwise indicated below)	Maturity	Borrower(s)	Guarantor(s) (within the Discovery Air Group)	Security & Priority (pursuant to Inter-Creditor Agreement)
					pledge of the shares of all of the Non-Applicant Subsidiaries and Top Aces Holdco owned by Discovery; (iii) second charge on accounts receivable, all inventory, enumerated capitalized parts (behind CIBC) and proceeds; and (iv) second charge on certain fixed assets and proceeds (behind Roynat, ECN and Textron, as applicable, with respect to their respective priority collateral, but prior to such parties with respect to all other collateral).
CIBC	\$10.6 million on operating line as of March 16, 2018 plus \$4.2 million outstanding in letters of credit	April 30, 2018 <sup>4</sup>	Discovery	GSH ATL DMS DATS	<p><u>Security:</u> General security on all personal property and undertaking of all obligors other than the shares of Top Aces Holdco owned by Discovery.</p> <p><u>Priority:</u> (i) first charge on accounts receivable, inventory, and GSH / ATL capitalized parts and proceeds; and (ii) a blanket <i>pari passu</i> second charge on the Clairvest priority collateral and a blanket <i>pari passu</i> third charge on other personal property (behind Clairvest and behind the other lenders with respect to their respective priority collateral only).</p>
Roynat	\$5.1 million	April 15, 2018	Discovery GSH ATL DMS	Nil	<p><u>Security:</u> General security on all personal property and undertaking of all obligors other than the shares of Top Aces Holdco owned by Discovery</p> <p><u>Priority:</u> (i) first charge on specific aircraft financed by Roynat,</p>

<sup>4</sup> See discussion of CIBC maturity date below in paragraph 37.

Lender	Principal amount Owing as of January 31, 2018 (unless otherwise indicated below)	Maturity	Borrower(s)	Guarantor(s) (within the Discovery Air Group)	Security & Priority (pursuant to Inter-Creditor Agreement)
					including engines and related property and proceeds; and (ii) a blanket <i>pari passu</i> second charge on the Clairvest priority collateral and a blanket <i>pari passu</i> third charge on other personal property (behind Clairvest and behind the other lenders in respect of their respective priority collateral only).
ECN	\$0.7 million and \$7.9 million	April 1, 2020	Discovery	GSH ATL DMS DATS	<p><u>Security:</u> General security on all personal property and undertaking of all obligors other than the shares of Top Aces Holdco owned by Discovery</p> <p><u>Priority:</u> (i) first charge on specific aircraft financed by ECN, including engines and related property; and (ii) a blanket <i>pari passu</i> second charge on the Clairvest priority collateral and a blanket <i>pari passu</i> third charge on other personal property (behind Clairvest and behind the other lenders in respect of their respective priority collateral only).</p>
Textron	\$13.1 million	April 1, 2023	ATL	Discovery	<p><u>Security:</u> General security on specific personal property and undertaking of ATL</p> <p>Unsecured guarantee by Discovery</p> <p><u>Priority:</u> (i) first charge on specific aircraft of ATL financed by Textron, including engines and related property and the reserve account; and (ii) an unsecured corporate guarantee from Discovery</p>

**(b) Clairvest**

30. As noted above, Clairvest is presently the majority shareholder of Discovery and Top Aces (indirectly through Top Aces Holdco, defined below), and is the largest secured creditor of the Discovery Air Group. Discovery is the borrower of the debt owing to Clairvest.

31. A summary of the principal transactions involving Clairvest and the Discovery Air Group and applicable timeline is set out in the table below (with each capitalized term defined and described below). Discovery has issued numerous press releases disclosing these transactions, collectively attached as **Exhibit “D”**.

Date	Transaction Description
September 2011	<p>\$70 million private placement of secured convertible debentures (the “CV Secured Debentures”)</p> <ul style="list-style-type: none"> <li>• Guaranteed by all of the Non-Applicant Subsidiaries</li> <li>• Fully secured by all assets of Discovery (including the shares it holds of Top Aces Holdco, defined below and the Non-Applicant Subsidiaries) and the assets of Non-Applicant Subsidiaries</li> <li>• Balance remaining as of January 31, 2018: \$72.7 million</li> <li>• Maturity Date: May 5, 2018</li> </ul>
April-May 2014	<p>1st rights offering and equity acquisition by Clairvest of \$13.3 million</p> <ul style="list-style-type: none"> <li>• \$15 million rights offering by Discovery back stopped by Clairvest</li> <li>• Very little take up in market resulting in backstop being called on</li> <li>• Upon exercise of the rights, Clairvest owned 48.8% of common shares of Discovery</li> </ul>
March 2015	<p>2nd rights offering and further equity acquisition by Clairvest of \$10.2 million</p> <ul style="list-style-type: none"> <li>• \$11 million rights offering by Discovery</li> <li>• Very little take up in market other than Clairvest</li> <li>• Upon exercise of the rights, Clairvest owned 75.5% of common shares of Discovery</li> </ul>

Date	Transaction Description
May 2015	Clairvest guarantee of temporary CIBC facility increase of up to \$10 million
March - June 2015	<p>Clairvest promissory notes to Discovery of \$8.1 million</p> <ul style="list-style-type: none"> <li>• Various promissory notes to assist in aircraft financing and working capital needs</li> <li>• All amounts have been repaid</li> </ul>
March 2016	<p>Revolving credit facility (“CV 2016 Credit Facility”) between Discovery and Clairvest:</p> <ul style="list-style-type: none"> <li>• Revolving credit facility of up to \$12 million for working capital, capital expenditures, maintenance and other costs.</li> <li>• Guaranteed by Top Aces and several subsidiaries of Top Aces and security granted on certain aircraft owned by Top Aces subsidiaries.</li> <li>• Refinanced in December 2016 through Top Aces Credit Agreement (defined below).</li> </ul>
December 2016	<p>Secured revolving loan agreement (“Top Aces Credit Agreement”) between Clairvest and Top Aces:</p> <ul style="list-style-type: none"> <li>• Revolving credit facility of up to \$25 million provided to Top Aces.</li> <li>• Guaranteed by certain other subsidiaries of Top Aces and secured by various assets owned by Top Aces and the guarantors.</li> <li>• Proceeds used to refinance the CV 2016 Credit Facility and provide additional funding for working capital and operating expenses.</li> <li>• Included conversion feature allowing debt under the Top Aces Credit Agreement to be converted to equity of Top Aces.</li> <li>• Repaid as part of Top Aces Transactions (defined and discussed below).</li> </ul>
March 2017	<p>Going Private Transaction</p> <ul style="list-style-type: none"> <li>• By December 2016 - Clairvest owned 87.5% of the listed outstanding common shares of Discovery.</li> <li>• March 24, 2017 - Discovery announces that it has entered into a definitive agreement with Clairvest to effect a plan of arrangement under the CBCA pursuant to which these entities and certain management shareholders would hold all of the issued and outstanding</li> </ul>

Date	Transaction Description
	<p>shares in the capital of Discovery (the “<b>Going Private Transaction</b>”).</p> <ul style="list-style-type: none"> <li>• In connection with the Going Private Transaction, Discovery retained Capital Canada Limited as its valuator to provide a formal valuation and fairness opinion (the “<b>Valuation</b>”) of the fair market value of the Discovery shares.</li> <li>• The Going Private Transaction was approved by shareholders of Discovery at a special meeting of shareholders held on May 23, 2017 by 99.84% of the votes cast by shareholders, with only one shareholder dissenting.</li> <li>• The Ontario Superior Court of Justice approved the Going Private Transaction on May 24, 2017, and it was implemented and closed on May 26, 2017. The shares of Discovery were de-listed from the TSX on that date.</li> </ul>
June 2017	<p>Subordinated secured revolving credit agreement (the “<b>Top Aces Subordinated Credit Agreement</b>”) between Clairvest and Top Aces:</p> <ul style="list-style-type: none"> <li>• Subordinated secured revolving credit facility of up to \$13 million.</li> <li>• Guaranteed by certain other subsidiaries of Top Aces and secured by various assets owned by Top Aces and the guarantors.</li> <li>• Proceeds used to fund working capital and operating expenses.</li> <li>• Included conversion feature allowing debt under the Top Aces Credit Agreement to be converted to equity of Top Aces.</li> <li>• Discovery entered into a letter agreement dated as of June 5, 2017 with Clairvest (the “<b>Swap Letter</b>”) providing for the ability of Clairvest convert up to \$18.4 million of CV Secured Debentures into common shares of Top Aces with an aggregate value of \$14.7 million.</li> <li>• Repaid as part of Top Aces Transactions (defined and discussed below).</li> </ul>
November 2017	<p>\$8 million subordinated secured revolving credit agreement (the “<b>ATL Subordinated Loan Agreement</b>”) between Clairvest and ATL</p> <ul style="list-style-type: none"> <li>• subordinated secured revolving credit agreement.</li> <li>• Guaranteed by Discovery and GSH and secured by all assets of obligors.</li> <li>• \$5 million drawn to repay a portion of the debt owing to ECN (defined</li> </ul>

Date	Transaction Description
	<p>and discussed below).</p> <ul style="list-style-type: none"> <li>• Repaid as part of Top Aces Transactions (defined and discussed below).</li> </ul>
November 2017	<p>\$8 million subordinated secured revolving credit agreement (the “<b>Top Aces Bridge Agreement</b>”) between Clairvest and Top Aces</p> <ul style="list-style-type: none"> <li>• Bridge funding agreement of up to \$8 million.</li> <li>• \$5 million drawn by Top Aces to pay Discovery as return of capital.</li> <li>• Secured by property of Top Aces.</li> <li>• Repaid as part of Top Aces Transactions (defined and discussed below).</li> </ul>

32. This list of transactions does not include the extensive additional ongoing support provided by Clairvest (i.e. repeated waivers of covenants, extensions of debt maturity and other amendments and relief relating to these financing transactions). The net effect of all of these transactions on the obligations owing to Clairvest is that presently only the CV Secured Debentures (defined above) remain outstanding, all such other financing previously provided by Clairvest having been repaid or converted into equity of Top Aces and/or Top Aces Holdco.

33. As of January 31, 2018, the Discovery Air Group owed approximately \$72.7 million of secured debt to Clairvest under the CV Secured Debentures (the “**Clairvest Secured Indebtedness**”). All other obligations that had been owing to Clairvest have been repaid.

**(c) Other Secured Indebtedness**

34. In addition to Clairvest, the Discovery Air Group has a number of other significant secured creditors; namely (each capitalized term defined below): (a) CIBC – traditional revolving bank facility; (b) Roynat – aircraft-specific financing; (c) ECN – aircraft-specific financing; and (d) Textron – aircraft-specific financing.

35. As with Clairvest, Discovery has been forced to seek the agreement of most of its other secured lenders on an almost quarterly basis to extend and/or modify the terms of their loans (including seeking covenant relief due to a persistent inability to meet covenants set out in the

relevant loan documentation, as well as the granting by several of its lenders of extension of the terms of their loans). Discovery is now facing the impending maturity of its facilities with CIBC and Roynat, both of which mature prior to the end of April 2018.

(i) Canadian Imperial Bank of Commerce

36. Canadian Imperial Bank of Commerce (“CIBC”) is the secured operating lender to the Discovery Air Group pursuant to an amended and restated credit agreement dated May 26, 2015, as amended (as amended and/or restated from time to time, the “CIBC Credit Agreement”) between Discovery, as borrower and CIBC as lender. Pursuant to the CIBC Credit Agreement, each of Discovery, the other members of the Discovery Air Group and Top Aces<sup>5</sup> (among others) granted general security over all of their personal property.

37. CIBC provides Discovery with a revolving credit facility of at up to \$20 million (the “CIBC Credit Facility”) subject to availability calculated using a borrowing base formula based on the assets of Discovery (and its subsidiaries). The revolver is used by Discovery and its subsidiaries for working capital purposes, capital expenditures and other costs on an ongoing basis. The maturity date and other terms under the CIBC Credit Agreement has been amended from time to time. On December 15, 2017, Discovery announced that the maturity date of the CIBC Credit Facility had been extended to January 31, 2019 subject to acceleration in certain circumstances. Given the current circumstances, the maturity date of the CIBC Credit Facility is effectively April 30, 2018.

38. The principal amount owing to CIBC as at March 16, 2018 was approximately \$10.6 million plus \$4.2 million in letters of credit. The priority of the CIBC secured obligations is summarized above in paragraph 29.

(ii) Roynat Inc.

39. Roynat Inc. (“Roynat”) refinanced certain specific aircraft owned by, *inter alia*, GSH and ATL pursuant to a Loan Agreement dated as of March 26, 2012, as amended. The joint and several co-borrowers include Discovery, ATL, GSH, DMS and DATS, and they have each granted security over all present and after-acquired personal property.

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<sup>5</sup> Top Aces was subsequently removed from the CIBC Credit Agreement.

40. The principal amount owing to Roynat as at January 31, 2018, was approximately \$5.1 million, which debt matures on April 15, 2018.

41. The priority of the Roynat secured obligations is summarized above in paragraph 29.

(iii) ECN Financial Corporation

42. ECN Aviation Inc. ("ECN"), assignee of Element Financial Corporation, financed the acquisition of certain specific aircraft owned by GSH and ATL pursuant to (a) an Aircraft Loan Agreement dated as of January 31, 2014, as amended (the "1<sup>st</sup> ECN Credit Agreement"); and (b) an Aircraft Loan Agreement dated March 31, 2014, as amended (the "2<sup>nd</sup> ECN Credit Agreement", and together with the 1<sup>st</sup> ECN Credit Agreement, as amended and/or restated from time to time, the "ECN Credit Agreements"). Discovery is the principal borrower and all or substantially all of its then subsidiaries were guarantors (including the Non-Applicant Subsidiaries and, originally, Top Aces) under both of the ECN Credit Agreements. The borrower and guarantors have secured these obligations through a grant of security over all personal property.

43. As of January 31, 2018, ECN is owed approximately \$0.7 million under the 1<sup>st</sup> ECN Credit Agreement and \$7.9 million under the 2<sup>nd</sup> ECN Credit Agreement.

44. The priority of the ECN secured obligations is summarized above in paragraph 29.

(iv) Textron Financial Corporation

45. Textron Financial Corporation ("Textron") financed the acquisition of certain specific aircraft purchased by ATL, which ATL required to service a new contract it had been awarded in December 2014. The Textron loan was evidenced by certain promissory notes. Textron has security against specific aircraft owned by ATL as borrower and an unsecured guarantee as against Discovery. No other subsidiaries of Discovery are guarantors of these obligations. Textron also has an engine overhaul reserve account that holds approximately \$680,000.

46. The principal amount owing to Textron as at January 31, 2018 was approximately \$13.1 million, which debt matures on April 1, 2023.

47. The priority of the Textron secured obligations is summarized above in paragraph 29.



**(d) Intercreditor Agreement and Relative Priorities of Secured Debt**

48. Each of the Discovery Air Group, Clairvest, CIBC, Textron, ECN and Roynat are party to an Intercreditor Agreement dated March 26, 2012 (as amended and/or restated from time to time, the “**Intercreditor Agreement**”). The Intercreditor Agreement, together with the underlying loan and security documents for each party to the Intercreditor Agreement is detailed and complex. The relative priorities agreed upon pursuant to the Intercreditor Agreement are summarized in the table above in paragraph 29.

**(e) Unsecured Listed Debentures**

49. The Unsecured Listed Debentures were issued by Discovery in the principal amount of \$34.5 million, pursuant an indenture dated May 12, 2011 (the “**Unsecured Listed Debentures**”). Other than certain intercompany obligations, the Unsecured Listed Debentures is the largest outstanding unsecured obligation of Discovery.

50. The Unsecured Listed Debentures accrue interest at a rate of 8.375% per annum, payable on a semi-annual basis. The Unsecured Listed Debentures are direct, unsecured obligations of Discovery, subordinated to other indebtedness for borrowed money, and rank equally with all other unsecured subordinated indebtedness. Although originally convertible into equity of Discovery, as a result of the Going Private Transaction the Unsecured Listed Debentures are no longer convertible into equity, but are convertible into cash in accordance with the terms of the indenture.

51. The Unsecured Listed Debentures have not been guaranteed by any members of the Discovery Air Group. The Unsecured Listed Debentures are believed by Discovery to be widely held, and neither Clairvest nor any of its direct or indirect subsidiaries owns any of the Unsecured Listed Debentures.

52. In November of 2014, the holders of the Unsecured Listed Debentures voted in favour of amendments to the indenture to: (i) extend the maturity date to June 30, 2018; and (ii) change the definition of “change of control” to permit Clairvest to acquire an equity interest in Discovery of more than 50% (e.g., in connection with the 2<sup>nd</sup> rights offering and the Going Private Transaction).

53. Discovery has made the interest payments required for the Unsecured Listed Debentures, including most recently in December of 2017 in the amount of approximately \$1.4 million. Discovery would not have been able to make this payment if the Top Ace Transactions had not occurred, which, among other things, provided the liquidity needed to make this interest payment.

54. The Unsecured Listed Debentures mature on June 30, 2018, at which point the principal plus remaining interest will be due. As set out above, Discovery does not have the funds to make these payments and Clairvest has said it will not fund them.

55. As set out in more detail below in paragraph 106, recently a holder of Unsecured Listed Debentures has made unfounded public complaints regarding the recent Top Aces Transactions.

**(f) Other Debt of Discovery**

*(i) Other Unsecured Claims.*

56. In addition to the matters noted above, as of January 31, 2018 Discovery has a nominal amount of known unsecured obligations including trade payables and severance obligations of approximately \$2.0 million as well as a small number of litigation matters.

**IV. CASH MANAGEMENT**

**(a) Discovery Air Group Bank Accounts**

57. Banking and operating borrowing facilities of Discovery and the Non-Applicant Subsidiaries are with CIBC and have been set up on a consolidating basis, such that the group's net balance at any point in time is the consolidated balances of all the accounts.

58. The main bank accounts of Discovery are with CIBC in London, Ontario. Discovery also has bank accounts with Royal Bank of Canada in Saskatoon, SK. The Discovery Air Group has accounts in both Canadian dollars and US dollars in the names of Discovery, as well as each of GSH, ATL and DMS. All balances in the Discovery Air Group's CIBC bank accounts are pooled into a consolidated cash pooling arrangement used by the group as a whole. Since the Top Aces Transactions, Top Aces and its subsidiaries are no longer part of the cash management system.

**(b) Intercompany Obligations**

59. The Discovery Air Group has various intercompany balances owing among themselves principally as a result of: (a) amounts originating from Discovery used to fund the operations of the rest of the Discovery Air Group; (b) costs incurred for corporate and back office services performed by Discovery for the benefit of the group; (c) intercompany cash management; (d) push down acquisition debt; (e) debt incurred for capital expenditures; and (f) tax planning.

60. Discovery is a net creditor of its subsidiaries. As of January 31, 2018, the intercompany balances of the Discovery Air Group, on a fully netted basis, are as follows:

- (a) GSH owes Discovery approximately \$138.3 million;
- (b) ATL owes Discovery approximately \$30.3 million;
- (c) Discovery owes DMS approximately \$18.5 million; and
- (d) DATS owes Discovery approximately \$20.2 million.

61. There are also immaterial intercompany balances as between certain of the subsidiaries themselves.

62. Prior to the completion of the Top Aces Transactions, Top Aces also had significant unsecured intercompany balances owing to each of Discovery, GSH and DATS and nominal balances owing to ATL. Discovery also had an unsecured obligation owing to Top Aces. As part of the Top Aces Transactions, the intercompany obligations previously owed by Top Aces have been repaid.

**V. THE NON-APPLICANT SUBSIDIARIES**

63. The Non-Applicant Subsidiaries are leaders in specialty aviation services, operating across Canada and in select locations internationally, including the United States, Bolivia, Australia, and Chile. As of January 31, 2018, the Discovery Air Group (excluding Top Aces) operates approximately 69 aircraft, employs approximately 460 flight crew, maintenance personnel and support staff, and provides services internationally to governments, airlines, and natural resource and other business customers.

(a) GSH

(i) Corporate Information and Ownership

64. GSH is incorporated pursuant to the CBCA with its head office in Yellowknife. GSH is wholly owned by Discovery.

(ii) Business of GSH

65. GSH is one of the largest onshore helicopter operators in Canada and conducts operations through most parts of western and northern Canada as well as internationally. GSH's main base of operations is in Yellowknife, Northwest Territories. However, it has sub-bases placed strategically throughout northern and western Canada to help support its aircrew and maintenance personnel in the challenging environments and locations where many customers require GSH's services. GSH also has a hangar and office facility in Springbank, Alberta as well as a Chilean subsidiary which operates out of a facility in Rancagua, Chile.

66. GSH derives its revenue from mineral and gas exploration support, forest fire suppression services and the provision of services to government agencies and support for infrastructure work such as power line construction.

67. As of January 31, 2018, GSH employed approximately 250 non-unionized personnel and its fleet is comprised of approximately 51 light, intermediate and medium sized rotary wing aircraft. GSH does not maintain a registered pension plan for its employees.

68. GSH's seasonal forest fire suppression services in Chile peaks from October to April, while its Northern Canadian seasonal work peaks from May through September.

69. Over the last five (5) years, the business of GSH has declined significantly, resulting in the reduction of the fleet due to: a decline in the oil and gas and mining sectors and a decline in the helicopter charter services market. Although GSH has undertaken expansion efforts in recent years primarily in Chile, GSH's business has not been profitable for several years.

(iii) Financial Position of GSH

70. GSH is a guarantor under the CV Secured Debentures. GSH is a guarantor of the debt owing by Discovery to CIBC, a co-borrower of the debt owing to Roynat and a guarantor of the

debt owing to ECN. In connection with its guarantee and co-borrower obligations under these facilities, GSH granted security over all of its personal property to each of Clairvest, CIBC, Roynat and ECN.

71. As set out above, GSH has been historically heavily reliant on Discovery for funding. Discovery has advanced funds to GSH through intercompany loans on an unsecured basis which are discussed above in paragraph 60. GSH has consistently experienced significant losses in all recent years.

**(b) ATL**

*(i) Corporate Information and Ownership*

72. ATL is incorporated pursuant to the CBCA with its head office in Yellowknife, Northwest Territories. ATL is wholly owned by Discovery.

*(ii) Business of ATL*

73. ATL is a commercial fixed-wing charter company with its main base in Yellowknife.

74. ATL operates a diversified fleet of approximately 18 operational fixed-wing aircraft and provides scheduled and charter passenger and cargo services, as well as medevac-equipped aircraft services primarily in northern Canada. Its customers include government agencies, multinational diamond mining companies and various junior mining exploration companies.

75. ATL provides charter services to communities with limited or no overland access. It has developed strong relationships with various indigenous groups culminating in joint ventures that provide benefits to the various stakeholder groups in these communities.

76. ATL operates from two locations in Yellowknife: various facilities at the Yellowknife airport and a float base location on Great Slave Lake that is home to float aircraft in the summer and ski-equipped aircraft in the winter. ATL owns a building and hangers on leased land at the Yellowknife airport, and also owns the float base location on Great Slave Lake subject to water access easements. ATL also owns a hangar facility in Cambridge Bay, Nunavut.

77. In 2014, ATL took cost-cutting measures, including the cessation of executive jet charter services and closing an associated Calgary base. Several aircraft were identified as being underutilized or no longer required and were sold to other subsidiaries.

78. As of January 31, 2018, ATL employs approximately 200 people. ATL does not maintain a registered pension plan for its employees.

79. Given the remote areas of Canada where ATL operates, ATL's business is highly seasonal and heavily dependent on weather conditions. Although ATL's business has continued to be affected by the stresses set out above, the actions taken to right-size ATL since 2014 have assisted in the stabilization of ATL financially on a cash flow basis. However, it is also an obligor under the secured debt owing to Clairvest, CIBC, Roynat, ECN and Textron.

(iii) Financial Position of ATL

80. ATL is the primary borrower under the Textron facility. ATL is a guarantor under the CV Secured Debentures. ATL is a guarantor of the debt owing by Discovery to CIBC, a co-borrower of the debt owing to Roynat and a guarantor of the debt owing to ECN. In connection with its guarantee and co-borrower obligations under these facilities, ATL granted security over all of its personal property to each of Clairvest, CIBC, Roynat and ECN.

81. As set out above, ATL has been historically heavily reliant on Discovery for funding. Discovery has advanced funds to ATL through intercompany loans on an unsecured basis which are discussed above in paragraph 60. ATL has experienced losses in recent years.

**(c) DMS**

(i) Corporate Information and Ownership

82. DMS is incorporated pursuant to the CBCA with its head office in Yellowknife. DMS is wholly owned by Discovery.

(ii) Business of DMS

83. DMS provides remote exploration camps and expediting, logistics and staking services to a broad spectrum of gold, base metal, uranium and diamond exploration companies as well as government customers operating in the Northwest Territories, Yukon, northern Saskatchewan

and northern Ontario. Its customers typically operate in some of the most remote locations in Canada.

84. DMS's peak season is from June to August and January to March each year. It employs non-unionized contract labour to fulfil the labour needs at each camp and approximately 8 non-unionized full-time employees. DMS does not maintain any registered pension plans for its employees.

85. DMS has modest assets comprised of furniture, vehicles and outfitting or camp assets.

(iii) Financial Position of DMS

86. DMS is a guarantor under the CV Secured Debentures. DMS is a guarantor of the debt owing by Discovery to CIBC, a co-borrower of the debt owing to Roynat and a guarantor of the debt owing to ECN. In connection with its guarantee and co-borrower obligations under these facilities, DMS granted security over all of its personal property to each of Clairvest, CIBC, Roynat and ECN.

87. In recent years, DMS has generated a modest profit (not taking into consideration its guarantee obligations).

**(d) DATS**

88. DATS is an inactive subsidiary of Discovery which previously owned an aircraft maintenance and repair and overhaul business which provided services to the Discovery Air Group. In January 2016, DATS sold all of its assets to a third party.

89. DATS is a guarantor under the CV Secured Debentures, CIBC facility and ECN facility. DATS is also the tenant for Discovery's head office and has a residual contingent liability for its former leased location in Quebec.

90. DATS is reliant on Discovery for funding as DATS no longer carries on business. Discovery has advanced funds to DATS through intercompany loans on an unsecured basis which are discussed above in paragraph 60.

## **VI. DEPENDENCIES OF THE DISCOVERY AIR GROUP**

91. Although only Discovery is an applicant in this proceeding, the business and operations of Discovery are heavily intertwined with that of the Non-Applicant Subsidiaries. Areas of such inter-connection and inter-dependence within Discovery Air Group include:

- (a) numerous common creditors and financing arrangements containing cross-guarantees, cross-defaults and other linkages throughout the Discovery Air Group, as further detailed above;
- (b) financial support provided by Discovery to the Non-Applicant Subsidiaries, resulting in significant inter-company obligations owing from the Non-Applicant Subsidiaries to Discovery and umbrella insurance policies covering the entire Discovery Air Group;
- (c) Discovery's obligations in respect of the CV Secured Debentures were guaranteed by the other members of the Discovery Air Group, which obligations were secured through a grant of security over all present and after-acquired personal property of Discovery including a pledge of the shares of each of the Non-Applicant Subsidiaries;
- (d) common senior management and reporting structures pursuant to which the Non-Applicant Subsidiaries report to Discovery;
- (e) centralized decision-making by management of Discovery;
- (f) a common back office, including accounting, IT and administration;
- (g) common employee benefit programs;
- (h) centralized cash management, treasury and revolving loan facility provided by CIBC; and
- (i) provision of finance, treasury, cash management, tax compliance, annual KPMG audit / quarterly KPMG review management, loan compliance, forecasting,



budgeting, financial reporting, general accounting support, legal, and information technology support.

92. As discussed below, Discovery has recently undertaken various steps and transactions to make its subsidiaries less dependent upon Discovery for the performance of centralized administrative functions.

## **VII. TOPACES**

### **(a) Corporate Information and Ownership**

93. Top Aces, formerly known as Discovery Air Defence Services Inc., (i.e., DADS, as defined above) is a corporation amalgamated pursuant to the CBCA. It is owned by Top Aces Holdings Inc. ("**Top Aces Holdco**") a corporation incorporated pursuant to the CBCA. The ownership of Top Aces Holdco is discussed in further detail below in paragraph 104(c). The head office of Top Aces is in Dorval, QC.

### **(b) Business of Top Aces**

94. The principal business of Top Aces is the supply of airborne training services, which provide the adversary force required to exercise and train a modern, operationally capable, multi-purpose combat force. Top Aces is the primary supplier of contracted airborne training services to the Canadian Department of National Defence, the German Armed Forces and the Australian Defence Force and a supplier of airborne training services to other militaries around the world.

95. In 2005, the founding partners of Top Aces were awarded the Interim Contracted Airborne Training Services ("**ICATS**") contract to deliver fast air support to the Department of National Defence in 2005.

96. Since 2005, Top Aces has derived its revenue under the ICATS programme from "standing offers", which are offers from Top Aces to provide goods or services at pre-arranged prices and under set terms and conditions, when and if required. The ICATS standing offers were the subject of a new request for proposals in August of 2015. Top Aces continued to provide services under the ICATS agreement pending the award of the new long term Contracted Airborne Training Services ("**CATS**") contract, which award process took over two (2) years to complete. During that competitive process carried out by the Canadian government for the

CATS contract, it was unclear whether Top Aces would be awarded that contract, thus making its viability unknown during that period.

97. On October 27, 2017, Top Aces was selected as the winner of the CATS contract and finalized those arrangements with the Canadian government as of October 30, 2017.

98. Although the CATS contract is the backbone of Top Aces' business, Top Aces has invested significantly to develop other sources of revenue. In recent years, Top Aces has made significant efforts to expand its business internationally based on management's belief that there are significant growth opportunities for Top Aces in the international combat support and adversary training markets.

99. Top Aces presently employs approximately 220 non-unionized flight crew, maintenance, administrative and management personnel situated at premises located across Canada, the United States, Germany and Australia that are either leased or provided by the local operator.

**(c) Funding Requirements and Financial Position of Top Aces**

100. The Top Aces business is capital intensive given the requirements to maintain and upgrade its aircraft, and for working capital purposes. The specialized nature of its business and its heavy oversight due to the government contracts it services contribute to its capital requirements. Attempts in recent years to obtain separate financing for Top Aces while it remained a subsidiary were unsuccessful due to, among other things, the continued under-performance of the Discovery's business, Discovery's weak balance sheet, as well as the uncertainty through to October 2017 as to whether Top Aces would be awarded the CATS contract. Top Aces was also a guarantor under several of the principal secured debt obligations noted above (i.e. Clairvest, CIBC, ECN) and had granted general security over all of its assets in connection with those obligations further limiting Top Aces' ability to acquire separate financing.

101. As with the Discovery Air Group, Top Aces could not have survived without the extensive financial and other support provided by Clairvest in recent years.

**(d) The Top Aces Transactions**

*(i) Overview of the Top Aces Transactions*

102. The award of the CATS contract was essential for Top Aces' continued viability. However, in order to perform under that contract, Discovery determined that Top Aces would require at least an additional \$30 million for capital expenditures and other work. At that time, Top Aces was an obligor under the secured debt owing by Discovery and the other members of the Discovery Air Group to Clairvest, as well as under the CIBC Credit Agreement and the ECN facility. As of November 30, 2017, Top Aces also had outstanding gross intercompany debt owing to the Discovery Air Group of approximately \$62 million (before taking into consideration the gross intercompany debt owing to Top Aces by members of the Discovery Air Group of approximately \$35 million).

103. Culminating in December 2017, Top Aces, Discovery, Clairvest, CIBC and others undertook a series of transactions (the "**Top Aces Transactions**") which achieved three key objectives: (i) deleverage the Top Aces balance sheet to increase the prospects of its long-term viability; (ii) raise additional funding for capital expenditures to perform the CATS contract; and (iii) put in place new bank financing to address the company's working capital requirements.

104. Details regarding the various transactions comprised of the Top Aces Transactions have been disclosed by Discovery through press releases which are attached collectively as **Exhibit "E"**. A brief summary of the Top Aces Transactions is as follows:

- (a) Conversion Transactions: On December 14, 2017, Discovery announced that Clairvest had exercised its conversion rights to exchange (i) a total of \$41.2 million of principal and payment-in-kind interest under the two Top Aces Credit Agreements; and (ii) \$18.4 million of secured debt owing under the CV Secured Debentures pursuant to the Swap Letter, for shares of Top Aces;
- (b) Top Aces/ BNS Credit Agreement: On December 15, 2017, Top Aces entered into a credit agreement with CIBC, as administrative agent, and CIBC and The Bank of Nova Scotia, as co-lead arrangers and co-bookrunners and the other lenders party thereto from time to time (the "**Top Aces/BNS Credit Agreement**") for the

provision of a revolving credit facility up to a maximum of \$15 million, a term loan facility up to a maximum of \$22.5 million and a capex line facility up to a maximum of \$42.5 million and an LC credit commitment of \$1.25 million. In connection with the Top Aces/BNS Credit Agreement, certain Top Aces subsidiaries have granted guarantees and general security over their property assets and undertaking. Top Aces Holdco has also granted a limited guarantee and pledged its shares in Top Aces as security in support of its guarantee;

- (c) Third Party Investment: On December 22, 2017, Discovery announced a new equity subscription for shares of Top Aces whereby: (i) Discovery sold the majority of its remaining shares in Top Aces Holdco<sup>6</sup> to a group of third party institutional lenders led by JP Morgan Asset Management (the “Investors”) for \$25 million; and (ii) Top Aces Holdco issued an additional \$25 million of shares from treasury to the Investors, resulting in a net \$50 million investment by the Investors to effectively acquire approximately 25% of Top Aces Holdco. With the completion of the transactions with the Investors, the new and current ownership of the equity of Top Aces Holdco is: (i) Clairvest – 64.7%; (ii) JP Morgan Investmentco – 25.6%; and (iii) Discovery – 9.7%;
- (d) Repayment of Intercompany Debt: In order to complete the transactions above with CIBC and the Investors, it was necessary for Top Aces to deleverage its balance sheet, including resolving its outstanding intercompany obligations owing to and from the Discovery Air Group (with a net balance owing by Top Aces to Discovery and other members of the Discovery Air Group of approximately \$27 million). Accordingly, as part of the Top Aces Transactions, the Discovery Air Group and Top Aces set off and repaid its net intercompany indebtedness; and

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<sup>6</sup> Top Aces Holdco is the 100% owners of Top Aces Inc. Top Aces Holdco was incorporated in December 2017 as a result of certain security and ownership requirements required by the Canadian government in connection with the CATS contract, in anticipation of the new equity raise. With the incorporation of Top Aces Holdco, shares of Top Aces held by each of Discovery and Clairvest were exchanged (on a proportionate basis to their previous ownership interests in Top Aces) for shares in Top Aces Holdco, with Top Aces becoming a wholly-owned subsidiary of Top Aces Holdco.

- (e) Release of Secured Debt Obligations: In connection with the Top Aces Transactions, each of the CV Secured Debentures, CIBC Credit Agreement and ECN Credit Agreements were amended and reduced resulting in the release of Top Aces from any and all obligations under its previous guarantees and grants of security.

105. As discussed below, as it relates to Discovery, the impact of the Top Aces Transactions resulted in the reduction of over \$60 million of secured debt previously on Discovery's balance sheet (and similarly benefitting each of the Non-Applicant Subsidiaries, being guarantors of that debt).

(ii) Bondholder Response to Top Aces Transactions and Past Transactions between the Discovery Air Group and Clairvest

106. Discovery is aware of recent complaints from a holder of Unsecured Listed Debentures regarding transactions between the Discovery Air Group and Clairvest, including the Conversion Transactions and the Top Aces Transactions. In particular, Randy Durig of Durig Capital Inc., who has advised me that his company acquired a position in the Unsecured Listed Debentures on a discounted basis in the spring of 2017, wrote to me (among others) on December 19, 2017 to make a number of allegations. A copy of that letter is attached as **Exhibit "F"**.

107. I replied to Mr. Durig's letter on January 4, 2018, a copy of which is attached as **Exhibit "G"**. As noted in my letter, I believe that the allegations made by Mr. Durig are factually incorrect and legally flawed.

108. Discovery is aware of similar complaints and allegations that have been published online in blogs, apparently as part of an attempt by Mr. Durig to organize bondholders. Again, I believe that these complaints and allegations are misguided and unfounded.

**(e) Allocation of Services**

109. Discovery and Top Aces Inc. previously entered into a cost sharing agreement (the "**Cost Sharing Agreement**") dated as of December 21, 2017, providing for the sharing of certain information technology, payroll, governance and other services and the costs related to the personnel who provide such services, and Discovery has to date provided such services to GSH,

ATL, DMS and DATS (collectively, “**Shared Services**”). Discovery is in the process of transferring to Top Aces and the Non-Applicant Subsidiaries (where appropriate) certain agreements, contracts, licenses, information and other assets pursuant to which Discovery provides, or has provided, the Shared Services to ensure that those services will not be interrupted during the course of these proceedings, and to provide for continuity in the provision of the Shared Services until such transfers are complete, and the businesses become adequately self-sufficient in this regard (the “**Transition Process**”). The Transition Process is expected to take up to nine (9) months (the “**Transition Period**”), during which time Top Aces and the Non-Applicant Subsidiaries and any purchaser of any of the businesses thereof may require that Shared Services be provided by one or more of Top Aces, Discovery, or a Non-Applicant Subsidiary.

110. To document the process undertaken to achieve the foregoing result, Discovery, Top Aces and the Non-Applicant Subsidiaries have begun negotiations for a new Shared Services Agreement which will be entered into post-filing. It is anticipated that such agreement would enhance the prospect of attracting prospective purchasers for the businesses of the Non-Applicant Subsidiaries by ensuring the continuity of critical services until such time that the business can operate independently.

## **VIII. THE PROPOSED CCAA PROCEEDINGS AND REQUESTED RELIEF**

111. Discovery continues to face significant challenges as extensively referred to in my affidavit. Ultimately, the timing of this CCAA application by the Applicant is a function principally of insufficient liquidity to pay the very significant obligations imminently coming due.

112. Discovery does not have sufficient liquidity to service the interest payments or repay its existing debt as it matures in the near term, including under the Unsecured Listed Debentures (maturing June 30, 2018), the CV Secured Debentures (maturing May 5, 2018), the Roynat facility (maturing April 15, 2018) and the CIBC Credit Agreement (maturing April 30, 2018).

**(a) Discovery is Insolvent**

113. I am advised by Mario Forte of Goldman Sloan Nash & Haber LLP, Discovery's legal counsel, that the CCAA requires that: (i) one or more applicants thereunder must be subject to claims that in the aggregate exceed \$5 million; and (ii) the applicants must be insolvent, in order for a CCAA application to be granted and an Initial CCAA Order made by the Court.

114. As noted above, the aggregate claims against the Applicant exceed the requirements of the CCAA. Further, and for the reasons set out in this affidavit, the Applicant is insolvent and will be unable to meet its obligations as they come due without the benefit of an Initial CCAA Order and the receipt of interim financing. If the Applicant is not permitted the opportunity to pursue these restructuring transactions and instead progresses to bankruptcy, the expected proceeds of the Applicant's assets and business would be insufficient to pay in full the claims of its creditors (including those claims arising by virtue of the Applicant's ceasing to operate). The proposed sale process (discussed below) will also allow for the Non-Applicant Subsidiaries and all of their creditors (including the secured creditors) to continue operations without disruption which is best accomplished through the CCAA process.

**(b) Discovery's Cash Flow Projections**

115. The Applicant, with the assistance of KSV Kofman Inc. ("KSV" or the "Proposed Monitor"), has prepared a cash flow projection to determine the amount required to finance the Discovery Air Group's operations for the next 13 weeks, assuming the relief sought is granted. The 13-week cash flow forecast is attached as **Exhibit "H"**. Based on the cash flow forecast, if the interim financing (discussed below) is not approved, the Discovery Air Group will have insufficient liquidity to meet its cash flow needs through to the end of the 13-week forecast period.

**(c) The Anticipated Sale Process**

116. If the Initial CCAA Order is granted, it is Discovery's intention to very shortly file a motion (the "**SSP Motion**") seeking approval of, among other things,

- (a) authorization to enter into four (4) stalking horse agreements with Clairvest (the "**Stalking Horse Agreements**") for the sale (the "**Transactions**") of (i)

Discovery's remaining minority interest in Top Aces Holdco; (ii) Discovery's shares in GSH; (iii) Discovery's shares in ATL; and (iv) Discovery's shares in DMS; in each case along with various ancillary assets, claims and contracts that relate to each subsidiary or its business; and

- (b) a SSP setting out the process for solicitation of bids on any or all of the Transactions and the auction procedures in the event that additional "qualified bids" are received in respect of one or more of the proposed Transactions.

117. In connection with the proposed SSP, Discovery has been negotiating the terms of the Stalking Horse Agreements with Clairvest, who has agreed to act as the stalking horse bidder in connection with each transaction and will be bidding and/or proposing an assumption of some or all of the remainder of its secured debt as the purchase price under the Stalking Horse Agreements. The proposed sale of each of the businesses of GSH, ATL and DMS under the Stalking Horse Agreements will be as a "share sale" resulting in the continuing operations of the businesses, employment of employees and ongoing servicing of debt (including the cross guaranteed secured debt) at the subsidiary level. The Proposed Monitor has been kept apprised of the negotiation of the Stalking Horse Agreements.

118. If the SSP Motion is approved, it is contemplated that the Proposed Monitor (once appointed) will conduct, supervise and run the SSP. Although I anticipate Discovery will have consultative rights during this process, the allocation of responsibility to the Proposed Monitor will ensure a fair and impartial sale process is conducted and any conflicts of interest will be avoided.

119. Although I understand that many times, these processes require a certain degree of flexibility, it is currently anticipated that the proposed sale process under the SSP would last approximately 90 to 120 days.

**(d) Proposed Initial CCAA Order**

120. Discovery is seeking the Initial CCAA Order substantially in the form of the model order adopted for CCAA proceedings commenced in Toronto, Ontario, subject to certain changes as



reflected in the proposed form of order contained in Discovery's Application Record. Certain key relief sought is set out below.

(i) Stay of Proceedings for Discovery and the Non-Applicant Subsidiaries

121. A stay of proceedings is needed while the Discovery Air Group navigates its restructuring and ensures the stability and preservation of the value of the business.

122. As noted herein, the principal purpose of these proceedings is to permit an orderly sale of the businesses carried on through the Non-Applicant Subsidiaries and Discovery's interest in Top Aces. It is essential that the businesses of the Non-Applicant Subsidiaries be protected while that sale process is being conducted because, among other things, certain of the contracts at the subsidiary level may have cross defaults which could be triggered as a result of a filing by Discovery. Many of the Non-Applicant Subsidiaries officers and directors are also officers and directors of Discovery.

123. Accordingly, the Applicant is seeking to extend the benefit of a limited stay of proceedings in these proceedings to the Non-Applicant Subsidiaries and their officers and directors in order to: (i) ensure stability through this restructuring process; and (ii) avoid a situation in which the insolvency of Discovery and the commencement of these proceedings are relied upon as the basis for commencing adversarial proceedings, contract terminations, or other adverse steps as against the Non-Applicant Subsidiaries and their respective businesses. Essentially, the Applicant is seeking to extend a stay to the Non-Applicant Subsidiaries only with respect to any rights or remedies triggered by reason of the Applicant being insolvent or having commenced this CCAA proceeding, or the maturity of any existing secured debt occurring during the course of the CCAA proceedings. The extension of a limited stay of proceedings to the Non-Applicant Subsidiaries is intended solely to preserve the status quo – in all other respects, it is intended to be "business as usual" for the key business operations of the Discovery Air Group.

124. A limited stay of proceedings is not being sought at this time for Top Aces, due principally to the fact that: (i) Discovery owns only a small interest in Top Aces and the sale of that minority interest (and the insolvency of the owner of that minority interest) is unlikely to

trigger adverse consequences for Top Aces or its business; and (ii) Top Aces is not a principal debtor or guarantor with respect to any of the debt of the Discovery Air Group.

(ii) Administration Charge

125. It is proposed that the Monitor, its counsel, and the Applicant's counsel be granted a super priority court-ordered charge on the assets of Discovery as security for their fees and disbursements relating to the services rendered in respect of Discovery in an amount not to exceed \$750,000 in the aggregate (the "**Administration Charge**"). The Administration Charge is intended to secure the fees of the Monitor, its counsel, and the Applicant's counsel associated with the preparation for these CCAA proceedings and activities during the proceedings.

126. The Applicant worked with the proposed Monitor to estimate the proposed quantum of the Administration Charge and believes it to be reasonable and appropriate in view of the complexities of Discovery's CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

(iii) Protection of Directors and Officers

127. To ensure the ongoing stability of the Discovery Air Group's business during the CCAA proceeding and to enhance the prospects of a successful restructuring, the Applicant requires the continued participation and guidance of the respective directors and officers of the Discovery Air Group. Accordingly, the Applicant is seeking typical provisions staying all proceedings against the directors and officers of the Discovery Air Group with respect to all claims against the directors or officers that relate to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in such capacity.

128. In addition, I am advised by my legal counsel, and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities, which may include unpaid accrued wages, unpaid accrued vacation pay; and unremitted sales, goods and services, and harmonized sales taxes.

129. The Applicant maintains an existing insurance policy with respect to directors' and officer's liability. This policy covers an aggregate annual limit of \$25,000,000, which covers a variety of circumstances where the Applicant's directors and officers might face claims for

liability. Furthermore, in the present circumstances, it is not practicable to obtain at reasonable cost further coverage that is satisfactory.

130. In light of the potential liabilities, the ambiguity under the policy and the difficulty in obtaining additional coverage on acceptable terms and costs, the Applicant's directors and officers have indicated that their continued service and involvement in the CCAA proceedings is conditional upon the granting of an Order under the CCAA that grants a super priority charge in favour of the directors and officers of the Applicant in the amount of \$100,000 on the assets, property, undertaking and business of the Applicant (the "**Directors' Charge**"). The Directors' Charge constitutes security for indemnification obligations for the directors' and officers' potential liabilities as set out above and allows the Applicant to continue to benefit from the expertise and knowledge of its directors and officers.

131. The quantum of the proposed Directors' Charge has been discussed with the proposed Monitor, and the proposed Monitor has informed me that it concurs with the reasonableness of this amount in the circumstances. Similarly, the Applicant views the quantum of the Directors' Charge as reasonable in the circumstances.

(iv) The Monitor

132. KSV has consented to act as the Court-appointed Monitor of Discovery, subject to Court approval. KSV has also prepared a Pre-Filing Report in order to assist this Court with its consideration of the Applicant's application and the relief requested by the Applicant in connection with its CCAA filing.

133. KSV is a trustee within the meaning of Section 2 of the *Bankruptcy and Insolvency Act* (Canada), as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

134. KSV has been working with the Discovery Air Group, Clairvest and their respective legal counsel in the lead-up to the making of this CCAA application and has familiarity with the Discovery Air Group's business and operations. KSV has assisted the Discovery Air Group with the preparation of a 13-week cash flow projection, as required by the CCAA, that shows Discovery can continue to operate during that period with the benefit of interim financing. KSV

is experienced with this type of proceeding, and is well suited to the role of Court-appointed Monitor in these particular proceedings.

135. KSV, as proposed monitor, is supportive of the relief being sought in the Initial Order, including, among other things, the existence and amounts of the proposed Court-ordered charges.

(v) Interim Financing

136. In order to continue to operate during these proceeding, it is apparent from the 13-week cash flow projection that the Applicant requires interim financing (“**Interim Financing**”) as there would otherwise be insufficient monies to pay the operating expenses of the Discovery Air Group and costs associated with the CCAA proceedings. The Applicant requires this interim financing to provide an immediate source of cash funding and to provide stability during the CCAA proceeding. As a result, in the lead-up to the CCAA proceeding, Discovery negotiated with CEP IV Co-Investment Limited Partnership (a member of the Clairvest group) (the “**DIP Lender**”) regarding its interest in providing financing to the Applicant that is required in connection with the CCAA proceeding.

137. Pursuant to a DIP term sheet dated as of March 21, 2018 (the “**DIP Term Sheet**”) entered into by the Applicant and the DIP Lender, the DIP Lender is prepared to advance interim financing (the “**DIP Facility**”) of up to \$12.6 million on the terms and conditions set out therein. Advances under the DIP Facility will bear interest of 10% per annum and the obligations will be fully payable on the maturity date which is the earliest of (a) the occurrence of an event of default under the DIP Term Sheet; (b) completion of the Transactions; and (c) December 21, 2018. A copy of the DIP Term Sheet is attached as **Exhibit “I”**.

138. The Applicant is seeking a charge on its assets, property, undertaking and business to secure the DIP Facility (the “**DIP Charge**”). The DIP Lender has requested that such DIP Charge be granted on a super-priority basis only over the assets over which Clairvest already has first-priority security. Any first priority security held by any of the other secured lenders would continue to take priority even over the DIP Charge.

139. It is a condition of the DIP Credit Agreement that the Applicant obtain approval of the DIP Credit Agreement and the DIP Charge in the Initial CCAA Order.

140. The Applicant believes that having access to the DIP Facility will provide flexibility and sufficient time to pursue its restructuring objectives. The Applicant consulted with its advisors and the proposed Monitor regarding the DIP Facility, and it anticipates that the DIP Facility will satisfy its funding requirements at this time and for the foreseeable future.

141. I understand that in some cases, it may be common to solicit debtor in possession financing from multiple sources to ensure the best financing terms are obtained. However, in Discovery's case, where, among other things, (a) there is a complex secured debt structure involving multiple lenders who have differing priorities; (b) the only entity filing for CCAA protection is the parent company and operating companies are not applicants; and (c) there is very little liquidity and no remaining unencumbered assets, I believe that attempting to obtain any such financing would be virtually impossible. To the extent that any lender did consider providing financing, based on my experience as a CFO, I would expect such lender to require extensive diligence, additional fees and want priority security on all assets including the subsidiaries.

142. KSV has been kept apprised of the negotiations regarding the DIP Facility and I understand will include an analysis in its pre-filing report as to pricing of this DIP Facility, the lack of any other realistic prospects and other matters including the review of Clairvest's existing security by KSV's counsel.

143. In my view, the DIP Facility is crucial to a successful restructuring as described in my affidavit and is in the best interests of the substantial majority of stakeholders.

(vi) Cash Management and Intercompany Financing

144. During the CCAA period, the Non-Applicant Subsidiaries will continue to require funding from Discovery as well as the provision of ongoing corporate and back office services from Discovery in the ordinary course. This will require those Non-Applicant Subsidiaries to access funds in accordance with the pooling arrangements under its cash management system and for Discovery to fund those companies from time to time. The proposed Initial CCAA Order allows the use of such accounts to continue without any liability to the Discovery Air Group's operating bank.

145. The funding provided by Discovery to its Non-Applicant Subsidiaries will largely be financed through the provision of Interim Financing which would not be available to Discovery absent the granting of the DIP Charge. As such, Discovery is also requesting that the advances that it makes to its Non-Applicant Subsidiaries be secured by a court-ordered charge (the “**Intercompany Charge**”) resulting in the Non-Applicant Subsidiary receiving any such funds having a secured obligation to repay such funds to Discovery. That intercompany security will also be assigned to Clairvest as part of the security package under the DIP Credit Agreement.

146. Similarly, given the structure of the operating accounts, Discovery will need to continue to access the CIBC operating line. As set out in the 13-week cash flow forecast, it is anticipated that Discovery will remain in an over-advance position such that all funding available to it will be through the DIP Financing. However, to the extent that additional revenue is generated to increase Discovery’s borrowing base during that period, any corresponding reduction in the over-advance may be drawn on by Discovery from time to time. The proposed Initial CCAA Order confirms and clarifies that CIBC remains in first priority with respect to its currently held priority security for any technical post-filing “borrowing” that may occur in this scenario.

(vii) Post-Filing Interest Payments on Secured Debt Facilities

147. During the course of the CCAA Proceeding, Discovery intends to continue to make interest payments on its secured debt facilities with CIBC, ECN and Roynat but no payments will be made in respect of the CV Secured Indebtedness. Discovery will make scheduled payments in respect of the Interim Financing as set out in the DIP Term Sheet. ATL will continue to make its required payments in connection with the Textron facility.

148. Discovery also intends to make the final principal payment on the Roynat facility due on April 15, 2018 but the maturity of the loan will be subject to the stay. Discovery does not make periodic payments of principal on any of its other secured debt facilities.

(viii) KERP

149. As set out above, Discovery continues to provide certain key corporate, managerial, legal, financial and other services to the Non-Applicant Subsidiaries and, to a lesser degree, Top Aces. In order to facilitate and complete the proposed sale process and execute successful transactions,

Discovery requires the ongoing support of such key personnel. As such, Discovery has negotiated the terms of a KERP with the six (6) Discovery employees (being all of the Discovery employees including myself but excluding Alan Torrie) (the "**KERP Employees**") for the period needed to complete the transactions. The KERP has been considered and recommended by Discovery's human resources committee.

150. Pursuant to the proposed KERP, provided that each KERP Employee remains with Discovery and performs his or her contractual duties, each of the KERP Employees will be entitled to receive a lump sum payment (a "**Retention Award**") the earliest of certain agreed upon events set out in the KERP (the "**Payment Date**"). The maximum aggregate obligation under the KERP is approximately \$1.65 million. Copies of the KERP (attached to the form of letter agreement entered into with each of the KERP Employees) and the individual entitlements under the KERP are attached hereto as **Exhibit "J"** and **Confidential Exhibit "K"** respectively. The individual entitlements to the KERP Employees on the Confidential Exhibit contain sensitive personal compensation information. As such, Discovery is asking that the Confidential Exhibit be sealed pending further Order of this Court.

151. In connection with the KERP, Top Aces has agreed to be responsible for approximately 40% of the KERP amount as the KERP Employees have historically and will continue to provide certain support functions to Top Aces.

152. As security for the Applicant's obligation under the KERP, the Applicant is seeking a super priority charge (the "**KERP Charge**") on the Applicant's property to secure its payment and performance obligations under the KERP. The proposed KERP Charge has been discussed with the proposed Monitor who has informed me that it believes such a charge is reasonable in the circumstances.

*(ix) Ranking of Court-Ordered Charges and Comeback Motion*

153. The Applicant is seeking approval of the court-ordered charges set out above including priority over all other obligations of the Applicant as follows:

- (a) First, the Administration Charge;

- (b) Second, the Directors' Charge; and
- (c) Third, the KERP Charge.

154. With respect to the DIP Charge the Applicant is requesting that the DIP Charge be given priority over the security held by Clairvest in respect of the Clairvest Secured Indebtedness but is not requesting that the DIP Charge take priority over any of the other charges or any other secured indebtedness of the Applicant including the security held by CIBC, Roynat, ECN and Textron to the extent that such security has priority over the Clairvest security. Similarly, the Applicant is requesting that the Intercompany Charge be given priority over the security held by Clairvest in respect of the Clairvest Secured Indebtedness owing by the Non-Applicant Subsidiaries but is not requesting that such charge take priority over any other priority security held against the assets of the Non-Applicant Subsidiaries. Clairvest has consented to the proposed priority of the charges including the DIP Charge and the Intercompany Charge.

(xi) Chapter 15 Proceedings

155. A Chapter 15 recognition proceeding under the U.S. Bankruptcy Code may be necessary in respect of the Discovery Air Group as a result of creditors or other matters in the United States. Although no application is currently planned, to prevent delay should a Chapter 15 proceeding prove necessary, the Applicant is seeking in the Initial CCAA Order to have the Monitor authorized, but not required, to act as a foreign representative in any ancillary proceedings without further Order of the Court. Such relief will further aid in the stabilization of the Discovery Air Group's business and enhance the prospects of a successful restructuring to the benefit of the Applicant's stakeholders.

**IX. CONCLUSION**

156. As is evident from the above, for the last several years, the Applicant has been able to survive only with the repeated and extensive assistance, support and accommodation provided by Clairvest. The Applicant is now faced with the incontrovertible fact that it is unable to service, repay or refinance its maturing debt obligations. Clairvest has informed Discovery that it will not fund the amounts required to repay the obligations coming due or grant further waivers or other relief to the Discovery Air Group, and clearly Discovery's existing debt structure will not allow




it to refinance in a way that such obligations could be satisfied. As such, a CCAA proceeding is required to transition Discovery's remaining businesses into safe (and solvent) hands.

157. The relief sought in the Initial CCAA Order, including the stay of proceedings and the DIP Facility, has been tailored to the Applicant's particular circumstances and will provide the Applicant with the protections and breathing room that it needs in order to pursue its restructuring efforts. This relief: (a) is necessary to enable the Discovery Air Group to operate while in the CCAA proceeding with minimum disruptions to its business; (b) is important to the Discovery Air Group's goal of implementing the proposed Transactions or other value-maximizing transactions pursuant to the SSP; and (c) best serves the interests of stakeholders in the ongoing operating businesses in GSH, ATL and DMS, including its employees, landlords, customers and suppliers.

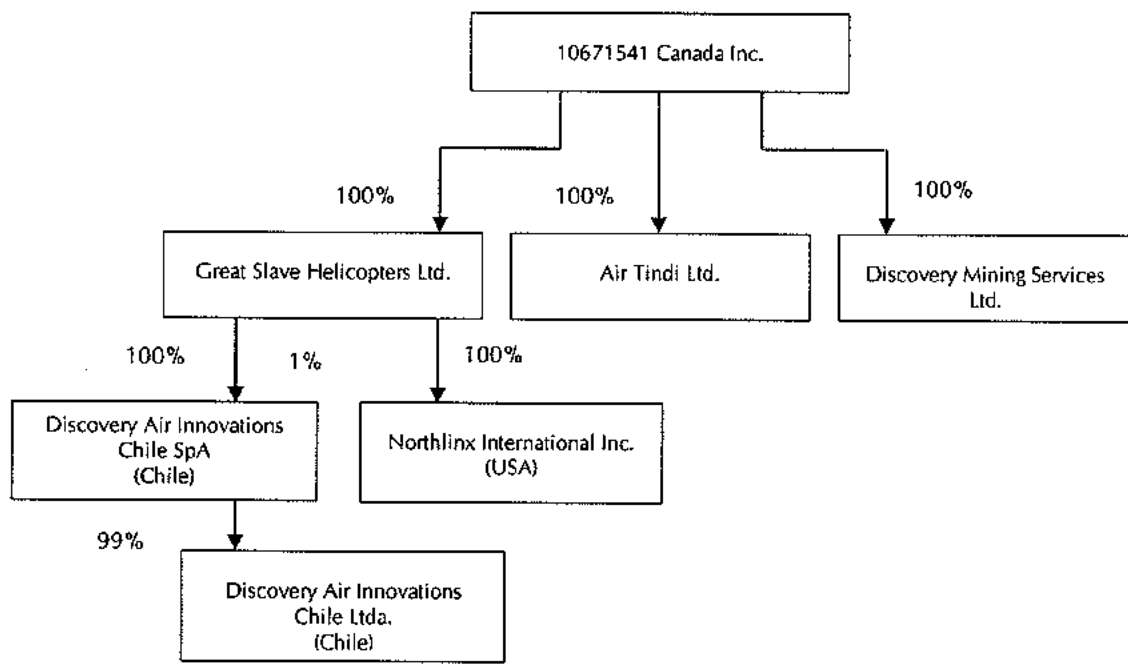
158. I am confident that the granting of the Initial CCAA Order, with the relief requested, is in the best interests of the Discovery Air Group and its many stakeholders.

SWORN BEFORE ME at the City of  
Toronto, in the Province of Ontario, this  
21<sup>st</sup> day of March, 2018.

  
\_\_\_\_\_  
Commissioner for taking affidavits

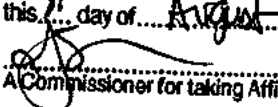
  
\_\_\_\_\_  
PAUL BERNARDS

This is Exhibit "D" referred to in the affidavit of Abdullah Martin sworn before me at Toronto this 1st day of August, 2018  
*[Signature]*  
A Commissioner for Taking Affidavits for Ontario



**GSH Consolidated**

<b>P&amp;L</b> <i>(in thousands of Canadian dollars)</i>	<b>Actual</b> Jan FY17	<b>Actual</b> Jan FY18
Total Revenue	55,394	52,018
COR	<u>47,088</u>	<u>48,167</u>
Contribution margin	8,306	3,851

This is Exhibit 1 referred to in the affidavit of Alison Martin sworn before me at Toronto this 21 day of August 2018  
  
A Commissioner for taking Affidavits for Ontario

**GSH Consolidated**

<b>P&amp;L</b>	<b>Actual</b>	<b>Actual</b>
<i>(in thousands of Canadian dollars)</i>	<b>Jan FY17</b>	<b>Jan FY18</b>
Wages, Benefits and AIP	6,622	2,929
Office Expense, Rent and Utilities	84	106
Technology	59	62
Travel Expense	783	405
Training	29	29
Legal	412	371
Accounting	11	12
Consulting	180	34
Donations	33	2
Advertising & Promotion	189	150
Bank Charges	74	69
Rent	-	-
Insurance	169	159
Utilities	24	-
Public Reporting/Filing	-	-
Clairvest Fees	-	-
Other	353	109
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General & Administrative	9,023	4,434
Income from Equity Investments	(548)	(596)
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EBITDA	(170)	13
	-	-
Amortization, Rotables and Overhauls	2,387	2,339
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EBITDAR	(2,557)	(2,326)
	-	-
Depreciation & Amortization	3,545	3,778
Finance Costs	1,364	332
Management & Interest Fees	(1,440)	(1,193)
(Gain)/Loss	1,112	29
(Gain)/Loss on Sale of Asset	343	882
Income Tax	(1,976)	653
Minority Interest	-	-
Profit (Loss)	(5,505)	(6,807)
	<hr/> <hr/>	
	-	-

## **GSH Consolidated**

### **Balance sheet**

*(in thousands of Canadian dollars)*

#### **Current Assets**

Cash  
Restricted Cash  
Trade and Other Receivables  
Inventory  
Prepays  
Other Current Assets  
Total Current Assets

#### **Non-Current Assets**

Long Term Receivables  
Investments  
Net Fixed Assets  
Goodwill and Intangibles  
Deferred Income Tax  
Total Non-Current Assets

#### **Total Assets**

#### **Current Liabilities**

Payables and accruals  
Taxes payable  
Current liabilities in NWC  
Operating Line of Credit  
Liabilities associated with Assets Held for Sale  
Current Portion of Long-term Debt  
Total Current Liabilities

#### **Non-current Liabilities**

LT Debt  
Deferred Income Tax Liability  
Total Non-Current Liabilities  
Total Liabilities

#### **Intercompany**

Total intercompany

#### **Equity**

Total Equity  
Liabilities, interco and equity

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 COMPROMISE OR ARRANGEMENT OF GREAT  
SLAVE HELICOPTERS LTD.

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
(Commercial List)

Proceeding commenced at Toronto

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**AFFIDAVIT OF ALASDAIR MARTIN**  
(sworn August 31, 2018)

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED

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**ONTARIO**  
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(Commercial List)

Proceeding commenced at Toronto

**AFFIDAVIT OF ALASDAIR MARTIN**  
(sworn August 31, 2018)

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