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**COURT**

COURT OF QUEEN'S BENCH OF ALBERTA

**JUDICIAL CENTRE**

EDMONTON

**DOCUMENT**

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

AND IN THE MATTER OF THE PLAN OF COMPROMISE OR  
ARRANGEMENT OF

PARKLAND AIRPORT DEVELOPMENT CORPORATION

DATED APRIL 12, 2019

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# Table of contents

Introduction	1
Notice to reader	4
Purpose of this report	4
Monitor's activities	5
Offer to purchase by New First Mortgagee	5
Monitor's position on Offer	7
Appropriateness of consideration offered	7
Likelihood that the transaction will close	8
Impact of Offer on Questioned Transactions and creditors	8
Conclusions and recommendations	9

# Introduction

1. On November 29, 2016 (the "**Filing Date**"), Parkland Airport Development Corporation (the "**Company**") made application to the Court of Queen's Bench of Alberta (the "**Court**") for an Initial Order (the "**Initial Order**") under the *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Deloitte Restructuring Inc. ("**Deloitte**") was appointed as Monitor (the "**Monitor**") in the CCAA proceedings.
2. The Initial Order provided for an initial stay of proceedings until December 28, 2016 (the "**Initial Stay**").
3. On December 15, 2016, the Company made an application, *inter alia*, to the Court for an Order extending the stay granted in the Initial Order, until February 28, 2017. The Court granted an Order (the "**First Extension Order**") extending the stay until February 28, 2017 (the "**Stay**").
4. On February 27, 2017, the Company made an application, *inter alia*, to the Court for an Order extending the Stay until September 15, 2017. The Court granted an Order (the "**Second Extension Order**") extending the Stay until September 15, 2017.
5. The Second Extension Order also directed that, within 30 days of the date of the Second Extension Order, the Chief Restructuring Officer ("**CRO**") call a meeting of creditors and other affected parties to address the selection of a creditors' committee, to consider the alternatives described in the report of the CRO filed with this Honourable Court on February 16, 2017, and any other matters the CRO saw fit.
6. On May 2, 2017 (the "**May 2<sup>nd</sup> Order**"), the Court directed, *inter alia*, that the Company distribute to the market, a tender package for completion of the Phase I work as outlined previously in the Chief Restructuring Officer's Reports. The Court empowered the Company to proceed with a simultaneous process for the sale of the remaining lots in Phase I and the entire airport, including all lands owned by the Company. In addition, the limitation periods for pursuing potentially preferential or under value transactions were suspended and tolled until November 1, 2017.

7. The sale process closed on September 1, 2017, and no acceptable offers were received by the Company. On September 13, 2017, the Company applied to this Court for an extension of the Stay to November 3, 2017 (the "**Third Extension Order**"), which was granted.
8. On November 1, 2017, the Company made an application to the Court and was granted an Order (the "**Fourth Extension Order**") extending the Stay to February 28, 2018. The Fourth Extension Order further authorized an increase in interim financing to the Company of \$400,000, for total authorized interim financing of \$1,000,000. The Company was also directed to execute a consent order authorizing a secured creditor to market the Parkland Lands for sale through a foreclosure process with such consent order not to be used until the earlier of the passage of one year, the Monitor issuing a notice of a material adverse change, or until determined by the Court. The CRO was directed to call an informal meeting of creditors on or before January 20, 2018.
9. On November 1, 2017, the Court granted an Order (the "**Suspension and Tolling Order**") suspending and tolling the limitation periods applicable to the Monitor and creditors of the Company with respect to potentially challenging the Questioned Transactions until February 28, 2018.
10. On February 26, 2018, the Court granted three Orders:
  - 10.1. an extension Order (the "**Fifth Extension Order**") extending the Stay to the close of business, October 19, 2018. Notwithstanding the extension, the Stay was lifted by the Court to allow the First Mortgagee, to proceed with its foreclosure proceedings. The CRO was also discharged by the Fifth Extension Order.
  - 10.2. a tolling Order (the "**Second Suspension and Tolling Order**") extending the suspension and tolling of the limitation periods applicable to the Monitor and creditors of the Company with respect to potentially challenging the Questioned Transactions until October 28, 2018.
  - 10.3. a redemption Order (the "**Consent Redemption Order**") confirming the mortgage indebtedness to the First Mortgagee and permitting the judicial listing of the mortgaged lands of the Company.



11. On October 2, 2018, the Court granted an Order which:
  - 11.1. extended the Stay (the "**Sixth Extension Order**") until December 31, 2018;
  - 11.2. extended the suspension and tolling (the "**the Third Suspension and Tolling Order**") of the limitation periods applicable to the Monitor and creditors of the Company with respect to potentially challenging the Questioned Transactions until December 31, 2018; and
  - 11.3. adjourned the application of 1791961 AB Ltd. (Sunset Industries Ltd.) until December 31, 2018.
12. On December 7, 2018, the Court granted an Order (the "**Seventh Extension Order**"), which extended:
  - 12.1. the stay of proceedings until February 15, 2019; and
  - 12.2. the suspension and tolling of the limitation periods applicable to the Monitor and creditors of the Company, with respect to potentially challenging the Questioned Transactions, until February 15, 2019.
13. On February 15, 2019, the Court granted an Order (the "**Eighth Extension Order**"), which extended:
  - 13.1. the stay of proceedings until April 30, 2019; and
  - 13.2. the suspension and tolling of the limitation periods applicable to the Monitor and creditors of the Company, with respect to potentially challenging the Questioned Transactions, until April 30, 2019.
14. Capitalized terms not otherwise defined herein have the meanings given to them in reports previously filed with the Court by the Monitor and CRO and by previous Court Orders in these proceedings.
15. Information on the CCAA proceedings can be accessed on Deloitte's website at [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca) under the link "Parkland Airport Development Corporation" (the "**Monitor's Website**").

### *Notice to reader*

16. In preparing this report, the Monitor has relied on unaudited financial information, the books and records of the Company and discussions with the Company's employees, interested parties and stakeholders. The Monitor has not performed an independent review or audit of the information provided.
17. Certain of the information referred to herein consists of financial forecasts and/or projections. The financial forecasts included in this report are the responsibility of management ("Management") for the Company. Management's responsibility extends beyond ensuring that the individual assumptions used to prepare the financial forecasts are appropriate in the circumstances and to ensure that the assumptions as a whole are appropriate. While the Monitor has reviewed the information, the Monitor has not performed an audit or other verification of such information. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the financial forecasts, or relied upon by it in reporting on the financial forecasts. Future oriented financial information included in this report is based upon Management's assumptions regarding future events. Actual results achieved may vary and these variations may be material.
18. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report.
19. All amounts included herein are in Canadian dollars unless otherwise stated.

### *Purpose of this report*

20. The purpose of this twelfth report of the Monitor (the "**Twelfth Report**") is to provide the Court with:
  - 20.1. an update on the Monitor's activities;
  - 20.2. the Monitor's position with respect to the New First Mortgagee's offer to purchase the Property (the "**Property**") as defined in the Offer to Purchase dated April 4, 2019 (the "**Offer**"); and
  - 20.3. the Monitor's position with respect to the New First Mortgagee's application for an extension of the stay of proceedings to June 14, 2019.

## Monitor's activities

21. The Monitor continues to post information with respect to these proceedings to the Monitor's website, including all materials circulated by the Company in these proceedings. The Monitor will continue to make regular updates to the Monitor's Website to ensure that creditors and interested parties have access to all available information in these proceedings.
22. The Monitor continues to attend various meetings and discussions with Management, the Company's legal counsel and the former CRO to discuss the progress of the Company's sale process.
23. The Monitor has requested, but has not received the Company's cash flow projections and monitoring reports since February 13, 2019, covering the Company's business and financial affairs during these CCAA proceedings. The Monitor will continue to request the materials for the monitoring program from the Company.
24. The Monitor understands that minimal operations are taking place and any expenditures have been and will be reviewed by the New First Mortgagee as providers of the funding to sustain the Company's critical operations.

## Offer to purchase by New First Mortgagee

25. Subject to Court approval, the New First Mortgagee has made an Offer to purchase the Property of the Company. The significant terms of the Offer are summarized below.
26. The property subject to the Offer includes
  - 26.1. all lands registered in the name of the Company;
  - 26.2. all of the Company's chattels;
  - 26.3. all options held by the Company to acquire additional lands;
  - 26.4. all documents and records concerning the development, construction, and operation of the Parkland Airport.

27. Consideration for the Offer totals \$9,800,539.38, plus GST, and comprises

- 27.1. A cash payment of \$265,000.00 to pay the outstanding and accruing professional fees in order to discharge the Administrative Charge arising from these proceedings;
- 27.2. \$1,258,679.11, approximately, by way of assumption of the interim lending debt of the Seller due and owing to 541461 Alberta Ltd. ("541") which interim lending debt and charge arose out of the CCAA proceedings;
- 27.3. \$1,612,049.27 by way of credit for, and forgiveness of, the indebtedness held by the Purchaser in respect of the Seller inclusive of the property tax payments made to the County of Parkland in the amount of \$733,094.76;
- 27.4. \$5,500,000.00 approximately, being the assumption of the second mortgage registered against the Company's real property in favour of Parkland Aerospace Corp.; and
- 27.5. \$1,164,371.00 approximately, being the assumption of the third mortgage registered against the Company's real property in favour of 1827101 Alberta Ltd.

28. The Offer is conditional upon and subject to the following conditions:

- 28.1. the Company shall obtain an Order of the supervising Court in the CCAA Proceedings on proper notice to all parties with an interest in the Property, approving of and authorizing the transaction and vesting the purchased assets in the purchaser free and clear of all liens, claims and encumbrances whatsoever (the "**Approval and Vesting Order**");
- 28.2. the Company shall take all appropriate and applicable steps to facilitate the purchaser obtaining a transfer of the Company's airport certificate to the purchaser, in compliance with the Aeronautics Act and in particular, the Canadian Aviation Regulations, section 302.04; and
- 28.3. the Purchaser obtaining an Order for Sale to the Plaintiff in Action 1603 12839 respecting the Schedule B Lands and vesting the Schedule B Lands in the name of



the Purchaser free and clear of all liens, claims and encumbrances whatsoever (the "**Order for Sale**").

29. the Offer contemplates a closing of the transaction no later than the 31<sup>st</sup> day following the granting of the Approval and Vesting Order and Order for Sale (the "**Closing Date**").

## Monitor's position on Offer

29. The Monitor has considered the Offer based on the following factors:

- 29.1 the appropriateness of the total consideration offered by the New First Mortgagee;
- 29.2 the likelihood that the transaction will close; and
- 29.3 the impact of the Offer on the Questioned Transactions and the Company's creditors compared to the alternative of the transaction not proceeding.

### *Appropriateness of consideration offered*

30. With the Court's approval, the Company first began conducting a dual track development and sale process on May 1, 2017, whereby it was proposed that some development of airport lands be undertaken to enhance the value of the Company's airport while the Company simultaneously searched for a buyer willing to purchase the Company's assets on an "as-is-where-is" basis.

31. The sale process was conducted by the Company over four months, with a bid submission deadline of September 1, 2017. As reported by the former CRO, 71 parties were contacted, with 31 taking interest. However, in the end, only one bid was submitted, which was not acceptable.

32. The option to develop phase 1 of the airport was explored, but was deemed to be uneconomical as the cost to do so was estimated to be approximately \$4 million.

33. Following the conclusion of the sale process, the Company continued to receive inquiries from interested purchasers. However, no serious offers were received, and after several restructuring options were considered without success, the Company's lands were listed for judicial sale under the Consent Redemption Order dated February 26, 2018.

34. The CRO's reports filed in these proceedings explain the sale process in great detail, and the judicial listing has been active for approximately one year. In addition it has been more than two years since the date of the Initial Order.

35. Accordingly, the Monitor believes that the Company's assets have been thoroughly exposed to the market during the course of these proceedings, and the amount offered by the New First Mortgagee is reasonable in the circumstances.

*Likelihood that the transaction will close*

36. The only cash consideration for the transaction is in the amount of \$265,000.00 to discharge the Administrative Charge, with the balance of the purchase price being credit bid and assumption of secured debt.

37. As the New First Mortgagee has already completed agreements with the counterparties necessary for the transaction, in the event the Court grants the Approval and Vesting Order and Order for Sale, the Monitor does not believe there is excessive risk to the transaction not closing, as the conditions of the transaction are not otherwise significantly different than for any transaction that might otherwise occur.

*Impact of Offer on Questioned Transactions and creditors*

38. Excepting the secured creditors comprising the assumption and credit bid terms of the transaction, the consideration being offered by the New First Mortgagee would not provide any recovery to the Company's creditors. However, as discussed above, the sale process for the Company's assets has not demonstrated that there is any likelihood of obtaining a valuation that would offer recovery to the unsecured creditors.

39. As a condition precedent to the transaction, the Monitor understands that the New First Mortgagee is bringing an application for foreclosure and Order for Sale for the lots subject to the Questioned Transactions. However, the Monitor believes that the value for those lots are tied to the overall value of the airport. The Monitor is of the opinion that the value of pursuing the Questioned Transactions as preferential or at under value would not result in any greater recovery than would be provided under the Offer.

40. If the transaction does not proceed, the Monitor anticipates that professional fees would continue to accumulate under the Administrative Charge eroding recovery to the New First Mortgagee, and it is unlikely that a superior offer would be presented. Bankruptcy or receivership proceedings would not improve prospects as the lands have already been foreclosed upon and judicially listed for some time.

## Conclusions and Recommendations

41. The Offer presented by the New First Mortgagee appears to be a reasonable transaction that will allow these proceedings to be concluded. However, the Closing Date of the Offer extends beyond the current stay of proceedings, which expires on April 30, 2019. The Monitor believes that extending the stay of proceedings to June 14, 2019 is reasonable for the purpose of closing the transaction.

42. Following the completion of the transaction, the Monitor will be in a position to conclude its administration and apply for its discharge.

43. Accordingly, the Monitor respectfully recommends that this Honourable Court make an Order:

43.1 approving the Offer as entered into between the New First Mortgagee and the Company; and

43.2 extending the stay of proceedings to June 14, 2019, or such other date as may be directed by the Court.

All of which is respectfully submitted this 12<sup>th</sup> day of April, 2019.

**DELOITTE RESTRUCTURING INC.,**

In its capacity as Court-appointed Monitor in  
Re: the plan of compromise or arrangement of  
Parkland Airport Development Corp.  
And not in its personal capacity



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Darren Crocker, CPA, CGA, CIRP, LIT  
Senior Vice-President