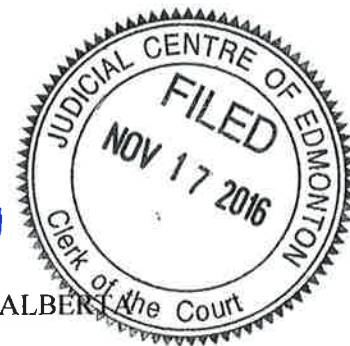


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COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

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

AND IN THE MATTER OF PARKLAND
AIRPORT DEVELOPMENT CORPORATION

DOCUMENT

**FIRST AFFIDAVIT OF ROBERT GILGEN IN
SUPPORT OF INITIAL APPLICATION**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

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FIRST AFFIDAVIT OF ROBERT GILGEN

Sworn on November 17th, 2016

I, ROBERT GILGEN, of Edmonton, Alberta, SWEAR AND SAY THAT:

1. I am the President of the Applicant, Parkland Airport Development Corporation ("Parkland"), and as such have a personal knowledge of the facts and matters hereinafter deposed to except where stated to be based upon information and belief and where so stated do verily believe the same to be true.
2. I am also, in my personal capacity, the "Accountable Executive" appointed by Parkland pursuant to the Canadian Aviation Regulations ("CARs").
3. I swear this Affidavit to outline why I believe that it is appropriate that an Initial Order be granted pursuant to the *Companies' Creditors Arrangement Act* ("CCAA"). The specific information required on the Initial Application is contained in my Second Affidavit.

4. Filed with my Affidavit is a Book of Documents containing various documents referred to in this Affidavit by the appropriate Tab.

A. BACKGROUND

Lands

5. Parkland was incorporated for the purpose of building an airport in Parkland County, Alberta. As part of this endeavor, Parkland acquired lands in Parkland County described, prior to subdivision, as follows:
 - a. N ½ of SW 7-52-26-W4th (80 acres)
 - b. SE 7-52-26-W4th (145 acres)(collectively, the “Lands”)
6. Parkland holds an option on two additional quarter sections for a potential expansion of the airport development.
7. Attached as **Tab 1** of the Book of Documents is a copy of the Plan of the Lands, as subdivided, for Phases 1 and 2. On the original of this Plan, the runway and taxiways are delineated in a very faint yellow color. The runway in the Plan is colored green for ease of reference and the taxiways remain in their original yellow.

Development of Airport

8. The development of an airport is complex. It involves working with many stakeholders, including Transport Canada, Parkland County, community and neighbors, hangar lot owners, aircraft users, both organizations and individual pilots, and construction issues in accordance with aviation standards.
9. One of the requirements of Transport Canada is that Parkland obtain certification of the airport. The airport certification is mandatory for its operation and I believe that under all of the circumstances surrounding the airport, it would be difficult, if not impossible, to reobtain certification of the airport if it were to be suspended or revoked for any reason.
10. Among the issues to be considered are:
 - Certification of the runway, taxi ways and aviation facilities;
 - Apron and aircraft parking areas;
 - Runway, taxiway and beacon lighting;
 - Airport operations and equipment and fueling services;
 - Certifiable design and physical construction of the airfield;
 - Certified airport documentation, plans and ongoing processes;
 - Generally, construction planning according to aviation standards.

11. In many, if not most, respects, compliance with aviation standards is much different and more difficult than is compliance with ordinary construction standards. As an example, construction of a runway involves much more than the laying of an asphalt strip. It involves designing the runway so as to accommodate the weight of the heaviest aircraft anticipated to operate on the runway without damage (the Maximum Take Off Weight or “MTOW”) to the runway and, of course, it is essential that the runway be designed so as to avoid heaving or pothole damage.
12. Parkland commenced construction of Phase 1 of the development in the fall of 2013. It completed the initial portion of the runway (about 2,600 feet) in the fall of 2013 and commenced operations as an “Aerodrome” in November 2013. On April 28, 2015, the Parkland Airport was certified as an “Airport”. The runway was extended to about 5,200 feet.
13. Attached, collectively, at **Tab 2** of the Book of Documents is correspondence from Transport Canada of April 28, 2014 outlining requirements in respect of certification related to environmental and wildlife management and emergency response planning, temporary exemption from subsection 302.01(1) of the *CARs*, confirmation letter of November 26, 2015 from Transport Canada that it is in compliance with applicable standards and, finally, the Civil Aviation Airport Certificate, itself.
14. A summary of the timeline relating to the development of the airport follows:
 - a. Phase 1a Registered Aerodrome 2013/2014
 - Overall layout design and planning COMPLETE
 - Land selection and purchase COMPLETE
 - Runway East-West – 2,600 feet Asphalt (MTOW ~ 100,000 lbs) COMPLETE
 - Initial Taxiway and General Aviation Apron COMPLETE
 - First hangars constructed COMPLETE
 - Land Titles Subdivision Phase 1 and 2 COMPLETE
 - Transport Canada Aerodrome Registration COMPLETE
 - Aviation Gasoline (100LL) available COMPLETE
 - b. Phase 1b Certified Airport 2015+
 - Runway Extension 5,200 feet Asphalt COMPLETE
 - Aviation Signage and Night Lighting COMPLETE
 - Transport Canada Airport Certification COMPLETE
 - Jet Fuel (A1) available COMPLETE
 - Phase 1 Aviation Lot Servicing IN PROGRESS

- c. Phase 2 Commercial Operation 2016+
- GPS Instrument Approach (RNAV) IN PROGRESS
 - Terminal Building conversion IN PROGRESS
 - Regional Service – Charter and scheduled flights, cargo IN PROGRESS
 - Further Hangars, Taxiways and Aprons IN PROGRESS
 - Business Development IN PROGRESS
 - Commercial Aviation Apron, FBO services PLANNED
 - Possible second asphalt lift on runway (MTOW ~ 200,000 lbs) FUTURE
 - Possible second runway construction FUTURE

15. Part of the arrangement between Parkland and the various purchasers of lots is:
- a. A Restrictive Covenant has been entered into requiring that all development comply with the guidelines approved by Parkland with respect to the construction of airport related structures.
 - b. An Operating Encumbrance is in place to ensure, by way of a rent charge, sufficient revenue to Parkland to operate and maintain the airport, including capital expenses required in the future.
 - c. An Easement and Right of Way is in place authorizing the owners' access to the facilities for, generally, the purposes of aircraft landing and taking off.

These documents are not attached due to their bulk, but are available on request.

16. At **Tab 3** of the Book of Documents is a Brochure, current as of March 2016, providing various information relating to the Parkland Airport, generally.
17. Parkland is operating the airport although it is only in the initial stages of development. There are up to 50 takeoffs and landings, per day. Since the acquisition of Jet A Facilities, Parkland accommodates some executive jet traffic. There are two flying schools located at Parkland, one fixed wing and one rotary.

Operation of an Airport

18. I am the “Accountable Executive” within the meaning of that term as contained in the *CARs*.
19. I have undertaken the obligations of being the Accountable Executive as part of my investment in the airport, described below. I am not compensated for my performance of obligations as Accountable Executive.

20. I have undergone the training so as to obtain my pilot's license. Involved in obtaining a pilot's license is training in respect of aviation radios and obtaining the required Industry Canada operator's licenses, which I hold, and which is necessary to access the airside of the facility.
21. Regulation 106.02(1)(a) dictates that my appointment makes me responsible for operations and activities authorized under the certificate and accountable for meeting the requirements of the Regulations.
22. I am familiar with those Regulations. They are many, and varied.
23. The obligations of the Accountable Executive are extensive:
 - a. The primary concern is the safety of all people, aircraft and facilities. This involves:
 - Incidents and hazard assessments;
 - Risk management and self-assessments;
 - Quality assurance, corrective action plans;
 - Required reporting;
 - Periodic inspections, meetings, interviews, safety operations;
 - Monthly review of aviation regulations and applicable changes;
 - Annual management review and internal audits.
 - b. Additionally, the Accountable Executive is responsible for:
 - Airport staff – required training and supervision;
 - Certified airport manuals and plans:
 - AOM – Airport Operations Manual
 - ERP – Emergency Response Plan
 - WMP – Wildlife Management Plan
 - SMS – Safety Management System
 - Day to day tasks;
 - Further construction as per Transport Canada requirements and notices, including the provision of a plan of construction operations (“PCO”) for every change. The PCO for the Phase 2 Runway Extension is attached, as an example, at **Tab 4** of the Book of Documents.
 - c. Generally, the Accountable Executive is responsible for ongoing processes for safe operations to maintain the certificate which includes daily, weekly, monthly, quarterly, annual and long-term responsibilities. There are periodic inspections,

meetings and interviews. I must be, and am, familiar with all applicable Transport Canada Aviation and Airport Regulations and must review on a monthly basis those Regulations with any applicable changes.

24. One of the conditions of my appointment as Accountable Executive is that I have control of the “financial and human resources that are necessary for the activities and operations authorized under the certificate”, per Regulation 106.02(2).
25. If a receiver is appointed, I believe I will no longer qualify and expect to advise Transport Canada of such, as required by *CARs*.
26. If, however, the debtor, Parkland, continues in possession, I can retain that designation as Accountable Executive as long as Parkland is able to meet its obligations under the *CARs*.

Reclamation

27. Before the construction of the Airport, the lands acquired by Parkland were farmlands. To reclaim the Parkland lands as farmland would involve the removal of well in excess of 600,000 square feet of pavement and the substructure to that pavement, in respect of the runway, alone, and the restoration of the topsoil of all of the paved area which I estimate to be at least 2 million square feet.

Insurance

28. The carriage of liability insurance is not mandatory for Parkland. Because of its financial difficulties, it was unable to renew its insurance, which would cost approximately \$40,000.00 per year, and is, at this time, uninsured.

B. FINANCIAL INFORMATION

29. As mentioned in paragraph 3 of this Affidavit, detailed financial information is contained in my Second Affidavit. What follows, here, is an overview with generalized estimates and projections.

Assets

30. Parkland's assets are as follows:

Assets:

Airport Lands	\$1,200,000	Phase 1 (80a) purchased Aug 2013, with buildings
	3,600,000	Phase 2 (145a) purchased Dec 2013
Airport Equipment	250,000	Heavy Equipment - Loader, Grader, Snowblower, Fire Truck, Sprayer etc.
Runway, Taxiway, Apron	10,000,000	Constructed from 2013 to 2015
Airport Lighting	200,000	Runway and taxiway lighting, signs, airport beacon, RF controls, windsocks etc.
Hangar Quonset	200,000	Constructed in Dec 2013
Airport buildings	750,000	Terminal & Office, House, Maintenance Shop
Remaining hangar lots	30,000,000	Unsold aviation lots in subdivided phases 1 & 2
Total	\$41,150,000	

31. Parkland's liabilities are as follows:

Liabilities:

Secured Debt - Mortgages	\$6,500,000	(approximately)
Builders' Liens	\$6,500,000	(approximately)
Unsecured Debt	\$2,000,000	(approximately)

Completion Obligations:

Completion of Phase 1	\$1,600,000	(approximately)
Servicing of Lots, Phase 2	\$6,000,000	(approximately)
Total	\$22,600,000	

32. There has been approximately \$5.3 million in sales of lots, to date. There are easily serviced lots, valued at up to \$500,000 each, ready for sale but for Parkland's inability to effect a sale clear of financial encumbrances. These lots, if sold, would fund the completion of Phase 1 of the project.

Cash Flow

33. Parkland's approximate, monthly current cash flow is as follows:

Income:		
Fuel Commissions	\$2,000	Avgas and Jet fuel current - increasing greatly with buildup
Building Leases	1,800	House, other space
Aircraft parking	1,000	Grass tiedowns, quonset hangar, itinerant aircraft
Misc. land use	500	Companies using land for storage, etc.
Total:	<u><u>\$5,300.00</u></u>	
Expenses:		
Airport Supervisor and Seasonal	\$5,000	Monthly contract
Utilities	1,000	Gas/Power/Waste/Phone/Internet
Fuel, Oil, Repairs	1,000	Summer/Winter
Total:	<u><u>\$7,000.00</u></u>	

34. The cash flow deficiency is made up in many ways:

- a. To date, I have been advancing monies and added them to my shareholders loan.
- b. As the airport develops, there will be landing, passenger and parking fees to be charged for commercial use.
- c. If lots are not sold, they can be leased.
- d. In due course, I expect Parkland to have a Fixed Base Operator ("FBO") which would deal with aircraft and passenger servicing.
- e. Any remaining deficiency would be claimed back from lot owners pursuant to the terms of the Operating Encumbrance.

35. The forgoing sources of revenue will cover all expenses of the airport for the long term future. In the short term, I anticipate that there would not be sufficient fees generated by commercial use, but that this would be more than made up by revenue generated on the sale of the lots.

Jurisdiction

36. Parkland is an Alberta corporation having a Registered Office in Edmonton, Alberta. Attached as **Tab 5** of the Book of Documents, is a copy of the Corporate Registry search confirming same and setting out its shareholders and directors.

37. Parkland has encountered increasingly complex legal matters, some disagreements between mortgage holders, investors and shareholders which held up funding and various liens and other encumbrances registered on the airport lots all of which has prevented further sales to lot buyers. Although Parkland's assets exceed its liabilities, it is unable to pay its debts when due and is, therefore, insolvent.
38. Parkland's debts exceed \$5,000,000.00.

C. RESTRUCTURING

39. To the best of my knowledge, at least two of the Mortgagees, most of the Lien Claimants and a majority of the Unsecured Creditors, including me, are in favor of making an attempt to restructure the financial affairs of Parkland, hopefully to result in a solvent entity going forward, or, in the worst case, sold to a third party buyer who would operate the airport. The other two Mortgagees have not yet taken a position but the majority of the Mortgagees by value are in support.
40. I am aware that Morgan Construction and Environmental Ltd. ("Morgan"), a lien claimant, has commenced a form of application for the appointment of a receiver and, from my discussions with representatives of the Mortgagees, I believe that it was this application that has prompted the Mortgagees to come together to instruct the bringing of an application under the *Companies' Creditors Arrangement Act* ("CCAA").

Chief Restructuring Officer

41. Almost two years ago I met with Donald MacLean, then senior vice-president with PricewaterhouseCoopers Inc., and Michael McCabe, Q.C., of Reynolds Mirth Richards & Farmer LLP to discuss the various rights and remedies available to Parkland. It was made clear to me, then, that given its, then, financial difficulties, which were essentially the same as those which currently exist, the most viable alternative was an application under the *CCAA* to attempt to maintain the operation of Parkland, or should its assets be sold, its successor, as an operating airport.
42. Donald MacLean has since retired from PricewaterhouseCoopers Inc. and incorporated Richmond Corporate Finance, M&A Advisory Inc. Attached as **Tab 6** to the Book of Documents is a copy of Mr. MacLean's *Curriculum Vitae*.
43. In view of Mr. MacLean's background in the insolvency process, his extensive knowledge of Parkland, and the difficulties encountered by the mortgagees dealing with the financing of the airport, all are in agreement that the commencement of a viable *CCAA* process requires, in the case of Parkland, the knowledgeable involvement of an insolvency professional and Parkland, together with the Mortgagees and all of the Shareholders and Directors of Parkland are in agreement that the appointment of Donald MacLean, through his company, Richmond Corporate Finance, M&A Advisory Inc., as Chief Restructuring Officer, would be in their best interests, and the best interests of all constituents to this application.

44. In the recent months, Mr. MacLean has met with many of the creditors of various groups and, to the best of my knowledge, has received substantial support for his appointment as Chief Restructuring Officer and for the *CCAA* process proposed.
45. The Corporate Search at **Tab 5** to the Book of Documents shows one of the directors to be Steve Froese. He has since resigned. Attached, collectively, as **Tab 7** to the Book of Documents are copies of Shareholders and Directors Resolutions of Parkland endorsing the foregoing paragraphs and specifically empowering Donald MacLean to take the steps necessary to effect such a restructuring.

Lot Owners

46. I have spoken with representatives of many of the current lot owners. They have advised me that they bought their lot for an aviation purpose and are fully supportive of maintaining Parkland, or a successor, carrying on as an airport.

Interim Financing

47. PAC is the largest mortgagee. It is also the largest shareholder of Parkland. PAC has been willing to advance further funds for the further development of the airport, but has been unable to do so because of its concerns respecting priority to any advances in the face of the existing builders' liens and the overall state of litigation. PAC has expressed a willingness to advance further funds if and when Parkland can solve its financial difficulties. PAC has also expressed a willingness to provide Interim Financing in the restructuring process.

Plan of Arrangement

48. From the foregoing, I am of the opinion that Parkland is insolvent in the sense that it cannot meet its liabilities as due. I am also of the belief that Parkland has assets well in excess of its liabilities which, when developed, should generate sufficient funds to satisfy the claim of the creditors and develop the airport in the best interests of all the constituents, including Parkland, its partner shareholders, Mortgagees, Lien Claimants, Unsecured Creditors and the property owners.
49. I believe that, if granted, the protection of an initial order under the *CCAA*, Parkland is likely to be able to put to its creditors of various classes a plan of arrangement acceptable to them.

D. PURPOSE OF AFFIDAVIT

50. I make this Affidavit in support of an initial application on behalf of Parkland Airport Development Corporation for relief under the *Companies' Creditors Arrangement Act*.

SWORN before me at Edmonton, Alberta
this 17th day of November, 2016



A Commissioner for Oaths in and for Alberta

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ROBERT GILGEN

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**ANTHONY PURGAS
BARRISTER & SOLICITOR**