

COURT FILE NUMBER *1201-06936*

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT(S) DEBTSMITH INC. and BEDFORD HOLDINGS INC.

RESPONDENT(S) QUIKJETS INC., QUIKJETS INC. operating under the firm name and style of QUICKJETS INC., and Q PRIVATE JETS LIMITED PARTNERSHIP

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT DENNIS K. YASUI, Q.C.
Brownlee LLP
2000 Watermark Tower
530 – 8th Avenue SW
Calgary, Alberta T2P 3S8
Phone: (403) 232-8300
Fax: (403) 232-8408
File: 76739-0014/RIS

Clerk's Stamp
CLERK OF THE COURT
FILED
JUN -6 2012
JUDICIAL CENTRE
OF CALGARY

AFFIDAVIT OF MICHAEL KOSKI

Sworn (or Affirmed) on June 1, 2012

I, MICHAEL KOSKI, of the City of Edmonton, in the Province of Alberta, SWEAR/AFFIRM AND SAY THAT:

1. I am a director and officer of the Applicant, Debtsmith Inc., and as such I have personal knowledge of the matters hereinafter deposed to except where stated to be based upon information and belief, and where so stated, I do verily believe the same to be true.
2. In or about December 2009, the Applicants, Debtsmith Inc. and Bedford Holdings Inc. (hereinafter collectively referred to as the "Applicants"), entered into a Limited Partnership Agreement (the "LP Agreement") in respect of Q Private Jets Limited Partnership (the "Partnership"). The Applicants jointly hold one limited partnership unit in the Partnership. The Respondent, QuikJets Inc. and QuikJets Inc. operating under the firm name and style of QuickJets Inc., ("QuikJets") is the general partner of the Partnership. Attached hereto and marked as **Exhibit "A"** to this, my Affidavit, is a true copy of the LP Agreement.
3. The primary purpose of the Partnership was acquiring and managing the operations of various aircraft for the use and benefit of the limited partners.

4. We did, and other limited partners did, to my knowledge, execute a Subscription Agreement and Power of Attorney in connection with acquiring Partnership units. Attached hereto and marked as **Exhibit "B"** to this, my Affidavit, is an unexecuted copy of the subject Subscription Agreement and Power of Attorney.
5. The Applicants and other limited partners were also provided with a Frequently Asked Questions document (the "FAQs"). The FAQs are explicitly stated to be incorporated into the LP Agreement in order that it may be relied upon in interpretation of the LP Agreement. Attached hereto and marked as **Exhibit "C"** to this, my Affidavit, is a true copy of the FAQs.
6. Pursuant to Article 2.8 of the LP Agreement, the general partner has represented and warranted to each limited partner that it shall carry out its power and authority and manage and operate the Partnership, and the undertaking, property and assets thereof, in a reasonable and prudent manner.
7. Pursuant to Article 3.1 of the LP Agreement, the general partner is obligated to diligently enforce the obligations and commitments of parties designated by the general partner to provide services to the Partnership and the general partner shall carry out its obligations and commitments under such agreements and any other agreement entered into in respect of the Partnership.
8. Pursuant to Article 3.6 of the LP Agreement, the general partner has covenanted that it will exercise its powers and discharge its duties under the LP Agreement honestly and in good faith, and that it will exercise the care, diligence and skill of a reasonably prudent person.
9. Pursuant to Article 3.8 of the LP Agreement, the general partner is responsible for the safekeeping and use of all of the funds of the Partnership, whether or not in its immediate possession or control, and will not employ or permit another to employ the funds or assets of the Partnership, except for the exclusive benefit of the Partnership.
10. Pursuant to Article 5.5 of the LP Agreement, the general partner, or such other person as may be appointed by the general partner, shall act as Registrar and Transfer Agent of the Partnership and shall perform or shall cause to be performed all other duties usually performed by a Registrar and Transfer Agent of certificates of shares in a corporation.
11. Article 6.4 of the LP Agreement explicitly mandates that the funds and assets of the Partnership may not be commingled with the funds or assets of any other person (including those of the general partner). It also mandates that a separate bank account shall be set up by the general partner in the name of the Partnership and that all of the funds of the Partnership shall be deposited into and drawn upon such account.
12. Pursuant to Article 7.1 of the LP Agreement, the general partner will keep or cause to be kept on behalf of the Partnership, books and records reflecting the assets, liabilities, income and expenditures of the Partnership, and that such books and records will be kept available for inspection by any limited partner or its representative in accordance with that Article.
13. Pursuant to Article 7.2 of the LP Agreement, the general partner, or an agent in that behalf, shall be responsible for the preparation, and distribution to each limited partner, of annual

financial statements of the Partnership as at the end of each fiscal year together with annual income tax information for each fiscal year in accordance with Canadian generally accepted accounting principles. Article 2.3 of the LP Agreement specifies that the fiscal year shall end on December 31 in each year.

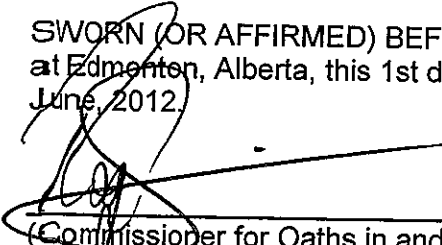
14. Page Q-4 of the FAQs includes representations that the Partnership will not carry any debt.
15. Page Q-9 of the FAQs confirms that limited partners are to be provided with financial statements for the Partnership at each year end.
16. Currently, the Partnership is understood to be the owner of the following four (4) aircraft, which constitute its primary assets:
 - a. Citation 501 "Stallion" C-GQPJ;
 - b. Citation 501 "Stallion" C-GQJJ;
 - c. Citation 550 "Super 2" C-GRQC; and
 - d. Citation S550 "Super S2" C-GSSK

(collectively, the "Aircraft").
17. In addition to the Aircraft currently owned by the Partnership, a fifth aircraft, being a Jetstream Turbo Prop (the "Jetstream"), was recently sold by the Partnership. Pursuant to a resolution at the Annual and Special Meeting of the Unit holders of the Partnership held on May 16, 2011, the proceeds of the sale of the Jetstream were to be held in trust until such time as the limited partners made a decision as to how such proceeds were to be utilized. At all times, it was my understanding that the entire gross sale proceeds from the Jetstream were to be held in trust. Attached hereto and marked as **Exhibit "D"** to this, my Affidavit, is a true copy of the minutes from the May 16, 2011 meeting.
18. An Aircraft Operating Agreement, dated September 19, 2008, exists or existed between the Partnership and Q Jets Aviation Ltd. ("QJA"), pursuant to which QJA was to, amongst other things, maintain custody and control of the Aircraft, maintain the Aircraft in an airworthy and good operating condition, maintain insurance coverage for the Aircraft, and use and operate the Aircraft for the Partnership as well as for charter purposes. Attached hereto and marked as **Exhibit "E"** to this, my Affidavit, is a true copy of the Aircraft Operating Agreement, dated September 19, 2008.
19. I have been informed by Kenneth DeWyn, President and Managing Director of QJA, and do verily believe, that QJA is insolvent or near insolvency. QJA has ceased operation of the Aircraft and is not presently ensuring that the Aircraft are maintained in an airworthy and good operating condition.
20. I have been advised by Vik Saini of Air Partners Corp., an operating company that has recently entered into an agreement with the Partnership in respect of the Aircraft, and do verily believe that various maintenance work is required in respect of each of the Aircraft.
21. I do verily believe that QuikJets has failed to take reasonable and necessary steps to enter into a new agreement with a new operating company in order to ensure that the Aircraft can undergo necessary maintenance work and thereafter resume operation.


22. I am advised by John McDonnell of Brownlee LLP, solicitors for the Applicants, and do verily believe, that QuikJets does not appear to have updated and maintained an accurate listing of all limited partners in the corporate registry. Attached hereto and collectively marked as **Exhibit "F"** to this, my Affidavit, are true copies of the Limited Partnership Certificate and Amendments filed with the corporate registry as of May 25, 2012, which documents do not include all current limited partners to my knowledge.
23. On March 21, 2012, a meeting of the limited partners and the general partner, QuikJets, represented by its principal, Al Kroontje, took place at which the a number of concerns held by various limited partners in relation to the general partner and the finances of the Partnership were discussed. Included in this discussion was a memorandum prepared by Chris Haslam, representative of one of the limited partners, detailing the results of a meeting with QJA management and review of various QJA documentation. Attached hereto and marked as **Exhibit "G"** to this, my Affidavit, is a copy of the Minutes from the March 21, 2012 meeting, with the memorandum of Chris Haslam constituting Schedule "A" thereto.
24. Prior to the March 21, 2012 meeting, a memo dated March 20, 2012 (the "Kroontje Memo") was circulated by Al Kroontje, principal of QuikJets, to the limited partners in an apparent attempt to address the issues in dispute. The Kroontje Memo appears to refer to an alleged debenture or debentures and to an alleged loan having being provided to QJA by DAC Financial Group (1997) Inc. and \$500,000.00 in proceeds from the sale of the Jetstream having been utilized to repay such alleged loan. I have reviewed a corporate search for DAC Financial Group (1997) Inc. and do verily believe that Al Kroontje is a director of that corporation. A copy of the Kroontje Memo is contained as Schedule "B" to **Exhibit "G"** to this, my Affidavit. Attached hereto and marked as **Exhibit "H"** to this, my Affidavit, is a true copy of a corporate search for DAC Financial Group (1997) Inc., showing Al Kroontje to be a director.
25. The Kroontje memo also appears to refer to \$212,750.00 in proceeds from the sale of the Jetstream having been provided to QJA.
26. Further, the Kroontje memo refers to various alleged loans to the Partnership from, and payments from the Partnership to, Al Kroontje and other entities related to Al Kroontje, including Alta Flights (Charters) Inc. I have reviewed a corporate search for Alta Flights (Charters) Inc. and do verily believe that Al Kroontje is a director of that corporation. Attached hereto and marked as **Exhibit "I"** to this, my Affidavit, is a true copy of a corporate search for Alta Flights (Charters) Inc., showing Al Kroontje to be a director.
27. At no time did all of the limited partners authorize Al Kroontje or QuikJets to disburse any of the proceeds from the sale of the Jetstream and it was at all times understood by the Applicants that the entire gross proceeds from the sale of the Jetstream would be held in trust pursuant to the May 16, 2011 resolution of the limited partners.
28. The Applicants have serious questions with respect to the alleged debenture or debentures and the amounts that are alleged by QuikJets, and its principal, Al Kroontje, to be owed by the Partnership to QJA and QuikJets, or other persons associated with QuikJets and its principal, Al Kroontje.

29. The Applicants, and other limited partners, have requested that various financial information and documentation relating to the Partnership, including documentation in respect of an alleged debenture or debentures and amounts that are alleged by QuikJets and its principal, Al Kroontje, to be owed by the Partnership to QJA and QuikJets, or other persons associated with QuikJets and its principal, Al Kroontje, as well as documentation relating to the sale of the Jetstream and the resulting proceeds, be provided to them or made available for inspection. As of the date of this Affidavit, QuikJets has failed to provide such financial information and documentation to the Applicants, or any of the limited partners to my knowledge, and has failed to make such documents available for inspection by the Applicants, or any of the limited partners to my knowledge.
30. Further, QuikJets has failed to produce or provide annual financial statements for 2011 in accordance with the LP Agreement.
31. The documentation and financial information referenced in paragraph 29, including that in relation to the sale of the Jetstream and the amounts purported to be owed by the Partnership, and the annual financial statements of the Partnership, are required by the Applicants, and other limited partners, in order to properly assess and review the conduct of QuikJets as general partner and determine the current financial status of the Partnership.
32. I do verily believe that QuikJets has breached its fiduciary and contractual obligations as general partner under the LP Agreement and otherwise.
33. I do verily believe that the removal of QuikJets as general partner is necessary to safeguard the assets of the Partnership and the interests of the limited partners. I do further verily believe that the Applicants, and other limited partners, will suffer irreparable harm if QuikJets is not immediately removed as general partner of the Partnership.
34. I have been advised by Marc Kelly, a Chartered Accountant and Licenced Trustee in Bankruptcy with Hardie & Kelly Inc, and do verily believe, that he and Hardie & Kelly Inc. are willing to act as a Receiver-Manager of the Partnership and Partnership assets in the event that this Honourable Court should see fit to appoint a Receiver-Manager. I have reviewed Marc Kelly's Statement of Qualifications and do verily believe that he would be an appropriate party to act as Receiver-Manager for the Partnership and Partnership assets. Attached hereto and marked as **Exhibit "J"** to this, my Affidavit, is a true copy of Marc Kelly's Statement of Qualifications.
35. I make this Affidavit in support of an application for an Order replacing the Respondent as general partner of the Partnership or appointing a Receiver and Receiver-Manager in respect of the Partnership and its assets, or for such further and other Orders and related relief as this Honourable Court may deem appropriate.

SWORN (OR AFFIRMED) BEFORE ME
at Edmonton, Alberta, this 1st day of
June, 2012.



(Commissioner for Oaths in and for the
Province of Alberta)



MICHAEL KOSKI

PRINT NAME AND EXPIRY/LAWYER
/STUDENT-AT-LAW

ROGER I. SWAINSON
Barrister & Solicitor