

**Court No. 32-2613323**  
**Estate No. 32-2613323**

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

**IN THE MATTER OF THE NOTICE OF INTENTION OF**  
**AIR GEORGIAN LIMITED**

**FIRST REPORT OF KPMG INC. in its capacity as**  
**PROPOSAL TRUSTEE UNDER THE**  
**NOTICE OF INTENTION OF**  
**AIR GEORGIAN LIMITED**

**FEBRUARY 23, 2020**

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## **INTRODUCTION**

1. On January 31, 2020, Air Georgian Limited (“**AGL**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”).
2. KPMG Inc. acts as proposal trustee (in such capacity, the “**Proposal Trustee**”) of AGL. Attached as Appendix “A” hereto is the Certificate of Filing of a Notice of Intention to Make a Proposal (as amended) dated January 31, 2020 (the “**Filing Date**”) issued by the Office of the Superintendent of Bankruptcy.
3. This first report of the Proposal Trustee (the “**First Report**”) is being delivered in connection with the Company’s motion seeking an Order from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), among other things:
  - a. authorizing an extension of the time for filing a proposal to March 13, 2020;
  - b. authorizing the Company to borrow funds from 2229275 Alberta Ltd. (“**222**”) and granting the DIP Lender’s Charge (defined below) to 222; and
  - c. granting an Administration Charge and DIP Lender’s Charge (each as defined below).
4. This First Report should be read in conjunction with the affidavit of Eric Edmondson sworn February 22, 2020 (the “**AGL Affidavit**”) and filed in support of the Company’s motion.

### **I. PURPOSE OF THIS FIRST REPORT AND ITS LIMITATIONS**

5. The purpose of this First Report is to provide the Court with information regarding:
  - a. the Company, the circumstances surrounding the commencement of this NOI proceeding and the main objectives of the NOI proceeding;
  - b. the Company’s creditors;
  - c. the funding that the Company is seeking;
  - d. the activities of the Proposal Trustee and the Company;
  - e. the Company’s reported receipts and disbursements;
  - f. the Company’s cash flow forecast;

- g. the extension of the time for filing a proposal being sought by the Company; and
  - h. the Court-ordered charges being sought by the Company.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
7. In preparing this First Report, the Proposal Trustee has been provided with, and has relied upon, unaudited financial information, books and records, and financial and other information of AGL and information from other third-party public sources (“**Information**”). The accuracy and completeness of the Information contained herein has not been audited or otherwise verified by the Proposal Trustee, and the Proposal Trustee does not express any opinion or provide any other form of assurance with respect to the Information presented herein or relied upon by the Proposal Trustee in preparing this First Report.
8. Some of the Information referred to or reported in this First Report consists of future oriented information and is based on estimates and assumptions regarding future events. Actual results may vary from forecast and such variations may be material. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

## **II. BACKGROUND**

### **The Company**

9. AGL is an Ontario company who operates from leased premises at its registered head office located at 2450 Derry Road, Mississauga, Ontario. The Company also leases a hangar adjacent to its head office at Pearson International Airport and other space located nearby including for a training facility.
10. AGL’s sole shareholder is Regional Express Aviation Limited (“**REAL**”), a holding company owned jointly by 1775526 Alberta Ltd. (formerly Avmax Air Inc.) and Georgian Aircraft Corp. (the “**Shareholders**”). The Company’s directors are Dan Revell and John Binder (“**Binder**”), who are each principals or officers of the Shareholders.
11. For approximately 20 years, AGL was a regional operator for Air Canada including pursuant to an amended and restated commercial agreement dated as of April 1, 2014 (the

“**Commercial Agreement**”). Pursuant to the Commercial Agreement, AGL operated regional short haul domestic and Canada/US flights under the Air Canada banner. The Company has no other sources of revenue of any substance.

12. Prior to the Filing Date, AGL employed approximately 260 full and part time employees. On January 31, 2020, a number of employees were laid off. As at the date of this First Report, AGL employs approximately 80 full time employees. Certain of AGL’s current and former employees are unionized.
13. The Company does not sponsor any registered pension plans.
14. Further details in respect of the Company’s business and affairs are set out in the AGL Affidavit, and are not repeated in their entirety herein.

**General Background to this NOI Proceeding**

15. On February 1, 2019 Air Canada gave notice to AGL that it was terminating the Commercial Agreement effective January 31, 2020 (the “**Termination Date**”). The parties subsequently entered into a transition agreement dated as of April 12, 2019 (the “**Transition Agreement**”) which provided for a transition of the services provided by AGL to Air Canada under the Commercial Agreement to a third party, amendments to the payment terms under the Commercial Agreement and additional changes to certain of the other agreements in place with Air Canada or its affiliates over the remaining period under the Commercial Agreement.
16. Since AGL received notice of the termination of the Commercial Agreement, the Company has been seeking a viable replacement for the Commercial Agreement, but as of the Filing Date had been unsuccessful in finalizing same.
17. On November 15, 2019, with the Transition Agreement nearing its completion, the Company engaged KPMG LLP to act as its financial advisor (the “**Financial Advisor**”) to explore various strategic alternatives available to AGL.
18. Also as the Transition Agreement neared its completion, with no new sources of revenue to replace it, the Company’s secured lender, ATB (hereinafter defined, as discussed in a later section to this First Report), continued to reduce the borrowing availability under the operating revolver, and by early January the Company’s liquidity was severely constrained.

19. At the time of the Financial Advisor's engagement, the Company was in discussions with a few parties who expressed interest in a potential partnership or transaction following the completion of the Transition Agreement, and subsequently was engaged in negotiations with one (1) party in respect of the terms of an expression of interest in the potential purchase of the Company's business.
20. The Company held discussions with Air Canada to extend the term under the Transition Agreement beyond January 31, 2020 but an extension was ultimately not agreed upon.
21. On January 31, 2020, the term under the Transition Agreement ended, and on that date the Company commenced the NOI proceeding.

### **III. OBJECTIVES OF THE NOI**

22. As at the date of this First Report, AGL's business consists primarily of an internationally licensed airline operation. Its license, safety and performance record, experienced employees, intellectual property and IT infrastructure represent a turn-key operation. At this time, however, with no commercial agreement in place, AGL does not generate revenue of any substance.
23. The Company's primary objectives in the NOI proceeding are to:
  - a. ensure the ongoing operational capabilities of the Company to maximize value to its stakeholders; and
  - b. assess its potential restructuring alternatives including: (i) seeking to develop revenue-generating activities, including but not limited to a commercial agreement; and (ii) negotiating a sale of its remaining business to a party related to Binder (the "**Potential Sale**").
24. The Proposal Trustee understands that the Company hopes to complete negotiations for the Potential Sale as soon as possible. If negotiations are successful and an agreement of purchase and sale is entered into, the Company will bring a motion to seek approval of the transaction as soon as possible.

#### IV. THE COMPANY'S CREDITORS

25. ATB Financial (“**ATB**”) was the Company’s operating lender and provided certain credit facilities to AGL most recently pursuant to an amended and restated commitment letter dated as of August 8, 2018 (the “**ATB Facility**”). As security for its advances under the ATB Facility, ATB was granted a security interest in the Company’s assets (together with the ATB Facility, the “**ATB Debt and Security**”).
26. ATB Financial assigned certain of its rights and obligations under the ATB Debt and Security to 222 on January 24, 2020 (the “**Assignment Agreement**”). The Proposal Trustee understands that 222 is related to Binder.
27. The Proposal Trustee understands that the amount outstanding under the ATB Facility is currently approximately \$5.4 million.
28. In addition to 222, the Proposal Trustee is aware of various other registrations, largely in respect of leased aircraft and other leased assets, made pursuant to the *Personal Property Security Act* (Ontario) and *Personal Property Security Act* (Alberta) (the “**PPSAs**”). Attached hereto as Appendix “B” is a summary of the registrations made pursuant to the PPSAs.
29. The Proposal Trustee has instructed its independent legal counsel, Chaitons LLP (“**Chaitons**”) to provide its opinion (including any necessary Alberta law opinions which may be provided by an agent) with respect to the validity and enforceability of the security granted in favour of ATB Financial and assigned to 222 (the “**Security Opinion**”). Chaitons is currently reviewing 222’s security and expects to provide the Security Opinion to the Proposal Trustee shortly.
30. In addition to the amounts owed by AGL to 222, the Company estimates that it has unsecured obligations totaling approximately \$16 million excluding any advances or loans made by the direct and/or indirect shareholders of REAL.



## V. THE COMPANY'S REQUEST FOR INTERIM FINANCING

31. Absent financing, the Company does not have sufficient liquidity to operate or restructure. Based on the February 15 Cash Flow Forecast (defined below), without additional funding the Company will not have sufficient funds to fund its proposed extension including potentially its ability to fund its upcoming payroll on February 28, 2020.
32. The February 15 Cash Flow Forecast shows that the Company will need to draw \$210,000 this week in order to fund its restructuring expenses and payroll. For the proposed extension period, it is anticipated that the Company will require total borrowings of approximately \$800,000. Accordingly, the ability to borrow funds, is vital to providing stability to the restructuring proceeding and to maintaining going concern value of the Company.
33. Prior to the Filing Date, the Company, Binder and 222 were in discussions regarding the Company's requirement for interim financing during the NOI proceeding. 222 had agreed to provide interim financing should no alternatives be available to the Company at that time.
34. 222 (in such capacity, the "**DIP Lender**") has agreed to continue to loan monies to the Company under the ATB Facility and ATB Debt and Security during the course of the NOI proceeding up to a total of \$800,000. On February 22, 2020, 222 confirmed its commitment in that regard pursuant to a letter agreement, a copy of which is attached as Appendix "C". (the "**February 22 Letter**").
35. Under the terms of the February 22 Letter and the proposed order, the DIP Lender will advance funds ("**Post-Filing Advances**") on the following basis:
  - a. The Company may request weekly or bi-weekly Post-Filing Advances in amounts consistent with its funding requirements under the February 15 Cash Flow Forecast;
  - b. All Post-Filing Advances shall be subject to the consent of the Proposal Trustee (and the DIP Lender, which consent shall not be unreasonably withheld); and
  - c. All Post-Filing Advances and any other amounts secured by the DIP Lender's Charge shall be repayable in full with interest at the rate of 12% per annum calculated from the

date of advance to the date of repayment on the earlier of (a) the completion of a sale or sales for substantially all of the Debtor's assets and (b) April 30, 2020.

36. In connection with the Post-Filing Advances (including interest and professional fees incurred by the DIP Lender in connection therewith), the Company is requesting that the Court grant a charge (the "**DIP Lender's Charge**") in favour of the DIP Lender. The priority of the DIP Lender's Charge is discussed in further detail below.
37. Taking into consideration the above, the Proposal Trustee is supportive of the proposed borrowing under the ATB Facility and February 22 Letter for the following reasons:
  - a. The Company is facing an imminent liquidity crisis and AGL is without the cash needed to maintain operational capabilities and implement a restructuring plan – funding is needed in the short term;
  - b. If funding is not available, the Company's operational capabilities will likely cease and the Company's employees will be terminated;
  - c. Borrowing under the existing ATB Facility is an efficient method of borrowing in the circumstance – the amendments required by the DIP Lender are appropriate given (a) the ATB Facility was a borrowing base facility which is not appropriate for the Post-Filing Advances and (b) the interest rate is reflective of the risk in this scenario, and is not out of line of debtor-in-possession lending generally; and
  - d. The Company believes, and the Proposal Trustee agrees, that any other third party lending in this circumstance would be difficult or impossible to attract.

## **VI. THE COMPANY'S ACTIVITIES SINCE THE FILING DATE**

38. The Company's activities since the Filing Date have included, *inter alia*, the following:
  - a. advising its stakeholders, including employees and union representatives, customers and key suppliers of the NOI filing;
  - b. engaging in matters relating to the restructuring including with respect to financing and the Potential Sale;
  - c. continuing to seek to develop revenue-generating activities not limited to a commercial agreement;

- d. working with the Trustee to prepare and subsequently update/revise the Company's cash flow projections (as more fully described later in this First Report);
- e. communicating with suppliers to secure goods and services during the Company's NOI proceeding and to address payment terms;
- f. responding to calls and enquiries from creditors and other stakeholders regarding the NOI proceeding;
- g. reporting its receipts and disbursements;
- h. making payments to suppliers for goods and services received following the Filing Date;
- i. discussions with the Company's landlord and insurance agent regarding the flood at the Company's facilities in January 2020 (the "**January Flood**");
- j. engaging with Air Canada for the return of remaining aircraft, engines and auxiliary power units in the Company's possession that belong to Air Canada or its affiliates, and reconciliation of final amounts owed by Air Canada under the Transition Agreement all of which is described in more detail in the AGL Affidavit; and
- k. engaging with other lessors for the return of their leased assets.

## **VII. THE PROPOSAL TRUSTEE'S ACTIVITIES SINCE THE FILING DATE**

39. The Proposal Trustee's activities since the Filing Date have included, *inter alia*:
- a. preparing the necessary forms for the filing of the NOI in consultation with Company management and filing same;
  - b. issuing notice to AGL's creditor's in prescribed form advising of the filing of the Company's NOI, as required under the BIA;
  - c. establishing the Proposal Trustee's website, email address and telephone hotline in respect of this NOI proceeding;
  - d. reviewing the Company's unaudited financial statements and related financial information;

- e. assisting the Company with the preparation and subsequent revisions/updates of the Company's cash flow projections, including a review of the underlying assumptions and filing the statutory prescribed cash flows within the required 10-day period;
- f. attending the Company's premises periodically to meet with its management and employees with respect to the NOI proceeding;
- g. implementing procedures for monitoring the Company's receipts and disbursements and for the ongoing reporting of variances to the Company's cash flow projections;
- h. assisting the Company in preparing certain communication materials, and in responding to employee and other creditor enquiries;
- i. discussions with the Company regarding all matters related to Air Canada;
- j. discussions with the Company regarding the January Flood;
- k. engaging with certain of the Company's stakeholders since the filing of the NOI;
- l. responding to calls and enquiries from the Company's creditors, including former/current employees, suppliers, and other stakeholders regarding the Company's NOI;
- m. drafting this First Report and reviewing all Court materials filed in connection with the Company's motion;
- n. numerous discussions with the Company's counsel and Chaitons regarding the NOI proceeding; and
- o. corresponding with the Company and its advisors regarding the foregoing.

**VIII. THE COMPANY'S CASH FLOWS FOR THE PERIOD FROM FEBRUARY 1, 2020 THROUGH FEBRUARY 14, 2020**

40. AGL, with the assistance of the Proposal Trustee, prepared a cash flow forecast of its receipts and disbursements for the period from February 1, 2020 through March 6, 2020 (the "**February 1 Cash Flow Forecast**"). The February 1 Cash Flow Forecast was filed with the Office of the Superintendent of Bankruptcy on February 10, 2020. A copy of the February 1 Cash Flow Forecast and associated reports of both the Company and the Proposal Trustee are attached hereto as Appendix "D".

41. A comparison of AGL's budget to reported results for the two-week period ending February 14, 2020 is summarized as follows:

| <b>AGL - Reported Results vs. February 1 Cash Flow Forecast</b>      |                  |                  |                 |
|--|------------------|------------------|-----------------|
| <b>For the two week period February 1, 2020 to February 14, 2020</b> |                  |                  |                 |
| <b>\$CAD</b>   |                  |                  |                 |
|  | <b>Reported</b>  | <b>Forecast</b>  | <b>Variance</b> |
| <b>Receipts</b>  | 445,447          | 441,899          | 3,548           |
| <b>Disbursements</b>   |                  |                  |                 |
| Lease payments   | 70,564           | 131,196          | 60,632          |
| Office, maintenance and other  | 98,177           | 131,956          | 33,778          |
| Payroll and benefits   | 905,100          | 635,500          | (269,600)       |
| Interest on borrowings   | -                | -                | -               |
| Direct asset return costs  | -                | 120,000          | 120,000         |
| Restructuring Professional Fees                                      | 20,000           | 135,600          | 115,600         |
| <b>Total Disbursements</b>   | <b>1,093,842</b> | <b>1,154,252</b> | <b>60,410</b>   |
| <b>NET CASH FLOW</b>   | <b>(648,394)</b> | <b>(712,353)</b> | <b>63,958</b>   |
| <b>Opening cash balance</b>  | 909,098          | 909,605          | (507)           |
| Net cash flow  | (648,394)        | (712,353)        | 63,958          |
| Senior secured debt  | -                | -                | -               |
| DIP drawdown   | -                | -                | -               |
| <b>Closing cash balance</b>  | <b>260,704</b>   | <b>197,253</b>   | <b>63,451</b>   |
| <b>Funding</b>   |                  |                  |                 |
| <b>Opening senior secured debt</b>                                   | 5,304,480        | 5,304,480        | -               |
| Drawdowns  | -                | -                | -               |
| <b>Closing senior secured debt</b>                                   | <b>5,304,480</b> | <b>5,304,480</b> | -               |
| <b>Opening DIP balance</b>   | -                | -                | -               |
| Drawdowns  | -                | -                | -               |
| <b>Closing DIP balance</b>   | -                | -                | -               |

42. As reflected in the above summary table, AGL reported receipts of \$0.4 million and disbursements of \$1.1 million for a net cash outflow of \$0.6 million, which was slightly better than forecast.
43. The positive disbursement variance of approximately \$0.1 million is due, in part, to permanent differences and, in part, to timing differences in the payment of certain expenses. The Company's payroll, taxes and benefits was \$0.3 million greater than forecast, of which \$0.1 million is due to timing while the remainder represents a permanent difference which the Proposal Trustee understands from the Company related primarily to complications arising from the January Flood. The permanent difference is offset as the Company disbursed less funds than expected for payment of certain expenses, including its aircraft lease, various operating software subscriptions and restructuring professional fees. The positive timing is anticipated to reverse in future weeks.
44. Consistent with the forecast, the Company did not require any additional funds from 222 during the two-week period.

**IX. CASH FLOW FORECAST**

**Cash Flow Forecast**

45. The current Stay Period (as hereinafter defined) expires on March 1, 2020. The Company is seeking an extension of the Stay Period to March 13, 2020.
46. The Company, with the assistance of the Proposal Trustee, has updated its forecast of its receipts and disbursements (the “**February 15 Cash Flow Forecast**”) for the period February 15, 2020 to March 13, 2020 (the “**Cash Flow Period**”). A copy of the February 15 Cash Flow Forecast is attached hereto as Appendix “E” and is summarized below:

| <b>AGL - Cash Flow Forecast</b>                           |                    |
|---|--------------------|
| <b>For the period February 15, 2020 to March 13, 2020</b> |                    |
| <b>\$CAD</b>  |                    |
| <b>Week number</b>  | <b>Forecast</b>    |
| <b>Week ending</b>  | <b>Total</b>       |
| <b>Receipts</b>   | <b>173,305</b>     |
| <b>Disbursements</b>                                      |                    |
| Lease payments  | (72,500)           |
| Office, maintenance and other                             | (123,947)          |
| Payroll and benefits                                      | (523,778)          |
| Interest on borrowings                                    | (34,037)           |
| Direct asset return costs                                 | (155,499)          |
| Restructuring Professional Fees                           | (314,574)          |
| <b>Total Disbursements</b>                                | <b>(1,224,335)</b> |
| <b>NET CASH FLOW</b>                                      | <b>(1,051,030)</b> |
| <b>Opening cash balance</b>                               | 260,817            |
| Net cash flow   | (1,051,030)        |
| Senior secured debt                                       | 600,000            |
| DIP drawdown  | 200,000            |
| <b>Closing cash balance</b>                               | <b>9,787</b>       |
| <b>Funding</b>  |                    |
| <b>Opening senior secured debt</b>                        | 5,304,480          |
| Drawdowns   | 800,000            |
| <b>Closing senior secured debt</b>                        | <b>6,104,480</b>   |

47. The Proposal Trustee notes the following with respect to the February 15 Cash Flow Forecast:
- a. Collections: Forecast collections during the Cash Flow Period of approximately \$0.2 million are comprised of reimbursements for aircraft return costs in order to return aircraft to Air Canada.

- b. Expenses: Forecast disbursements during the Cash Flow Period includes operating costs necessary to maintain the Company's Air Operator's Certificate ("AOC") and operational capabilities as well as direct costs associated with the return of aircraft to Air Canada.
48. The underlying assumptions in the February 15 Cash Flow Forecast are summarized as follows:
- a. Air Canada and the Company have had ongoing negotiations regarding the timing for the return of Air Canada's aircraft and other assets. Air Canada has provided funding to facilitate the return of the aircraft on an interim basis which funding continues to be negotiated on a weekly basis.
  - b. The February 15 Cash Flow Forecast excludes certain accounts receivable due from Air Canada prior to or during the Cash Flow Period, related to the Transition Agreement which terminated on January 31, 2020. Transition Agreement receivables are excluded from the Period as certain amounts are overdue, and it is expected that collections may be further delayed as the Proposal Trustee understands there have been indications of potential commercial issues as between the parties.
  - c. In order to maintain its AOC, the Company must be in compliance with certain regulations, including maintaining at least one aircraft and continued employment of certain key regulatory personnel. Accordingly, the February 15 Cash Flow Forecast includes maintenance expenses for one aircraft, lease costs related to the Company's hangar, and wages and benefits for key regulatory and other personnel deemed necessary for the Company to maintain its operational capabilities for future business.

**X. THE COMPANY'S REQUEST FOR AN EXTENSION TO MARCH 13, 2020**

49. The deadline on which the Company must currently file a proposal expires on March 1, 2020 (the "**Stay Period**"). AGL is seeking an extension of time in which it may file a proposal up to and including March 13, 2020 (the "**Extension**").
50. The Company requires the Extension in order to:
  - a. Determine whether it can enter into a definitive agreement in respect of the Potential Sale; and
  - b. Continue its return and reconciliation process with Air Canada and other lessors.
51. The February 15 Cash Flow Forecast indicates that AGL will have sufficient liquidity to fund both operating costs and the costs of this NOI proceeding during the Extension, if granted. This assumes, among other things, that the order approving the funding of Post-Filing Advances is granted.
52. The Proposal Trustee supports the Company's request for the Extension for the following reasons:
  - a. the Company and its management are acting with good faith and due diligence in taking steps to facilitate a sale of the business and assets;
  - b. it is the Proposal Trustee's view that the granting of the Extension will not prejudice or adversely affect any group of creditors;
  - c. the February 15 Cash Flow Forecast indicates that AGL will have sufficient liquidity to continue to fund operations and the cost of this proceeding through March 13, 2020 if the proposed order is granted;
  - d. the Extension will preserve, in the interim, the going concern value of AGL; and
  - e. a wind-down and liquidation of the Company would eliminate a number of jobs which may be preserved if a successful going concern sale or restructuring is completed.
53. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, in the Proposal Trustee's view, the Company's request for the Stay Extension is appropriate in the circumstances as it provides a reasonable timeframe to determine whether the Potential Sale may be reached.



## **XI. COURT-ORDERED CHARGES**

54. The Company is seeking an order providing for the following Charges: Administration Charge and DIP Lender's Charge.

### **Administration Charge**

55. The proposed order provides for a Court-ordered charge up to a maximum amount of \$200,000 in favour of the Proposal Trustee, its counsel, and counsel to AGL on all of the present and future assets, properties and undertakings of AGL, including any cash on hand at the day of the NOI filing, as security for their respective fees and disbursements relating to services rendered in respect of AGL (the "**Administration Charge**"). The creation of an administration charge is typical in proceedings of this nature. The amount of the Administration Charge was estimated by the Company and its advisors in consultation with the Proposal Trustee, and the Proposal Trustee believes that it is fair and reasonable in the circumstances.

### **DIP Lender's Charge**

56. In addition to the necessary additional funding to be provided by 222, the Company requires further funding to maintain operational capabilities and pursue its restructuring in this NOI proceeding.
57. As noted above, it is a condition of the February 22 Letter that the DIP Lender received a Court-ordered Charge for Post-Filing Advances, accrued interest and its counsel's fees and disbursements.
58. The Proposal Trustee recommends that the Court grant the DIP Lender's Charge.

### **Priority of Charges**

59. The Company proposes that the Charges, as among them, rank in the following priority:
- a. first, the Administration Charge; and
  - b. second, the DIP Lender's Charge.

60. As set out in Appendix “B”, there are numerous parties with personal property security registrations against the Company. The majority of these registrations relate to aircraft, engine and other equipment leases and several of the registrations are outdated or old. The Company is not proposing to “prime” any properly perfected purchase money security interests already in existence as of the date of the proposed order. The proposed Charges would prime:
- a. 222, as the Company’s senior secured lender and proposed DIP Lender; and
  - b. Integrated Private Debt Fund III LP, Integrated Debt Fund IV LP and Integrated Debt Fund V LP (now Fiera Private Debt III LP, Fiera Private Debt IV LP and Fiera Private Debt V LP) (collectively “**Fiera**”). Pursuant to a subordination agreement between Fiera and ATB (as assigned to 222), Fiera has subordinated its interest in all collateral other than its leased aircraft to 222 which the Company is not proposing to prime with the Administration Charge. The leased aircraft relate to leases with Georgian Aircraft Corp. as guaranteed by the Company; and
  - c. other interests, deemed trusts and liens including any deemed trust claimed by Canada Revenue Agency.

The proposed Administration Charge would not prime any super-priority amounts claimed under subsection 14.06(7) of the BIA or 81.3(1) of the BIA.


61. The Proposal Trustee believes that the Charges and rankings are required and reasonable in the circumstances and, as such, supports the granting and the proposed ranking of the Charges.


## **XII. CONCLUSION AND RECOMMENDATION**

62. The Proposal Trustee submits this First Report to the Court in support of the Company’s motion for the relief as set out in its Motion Record and recommends that the Court grant the relief contained in the proposed order.

All of which is respectfully submitted at Toronto, Ontario this 23<sup>rd</sup> day of February, 2020.

**KPMG Inc., in its capacity as Proposal Trustee of  
Air Georgian Limited.**

Per:   
\_\_\_\_\_  
Katherine Forbes, CPA, CA, CIRP  
Senior Vice President

Per:   
\_\_\_\_\_  
Marcel Réthoré, CPA, CA, CIRP  
Vice President

## **Appendix “A”**

Certificate of Filing of a Notice of Intention to Make a Proposal



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of Ontario  
Division No. 09 - Mississauga  
Court No. 32-2613323  
Estate No. 32-2613323

In the Matter of the Notice of Intention to make a  
proposal of:

**Air Georgian Limited**  
Insolvent Person

**KPMG INC.**  
Licensed Insolvency Trustee

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Date of the Notice of Intention: January 31, 2020

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CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

-- AMENDED --

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

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Date: February 05, 2020, 10:20

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

**Canada**

**Appendix “B”**

**Summary of PPSA Registrations against Air Georgian Limited**

**Registrations Pursuant to the  
Personal Property Security Act (Alberta)**

**AGAINST  
AIR GEORGIAN LIMITED  
(File Currency: January 15, 2020)**

|    | <b>Secured Party</b>      | <b>Date of Registration</b> | <b>Collateral Details</b>  |
|----|---------------------------|-----------------------------|--|
| 1. | ATB Financial             | 2019 05 09                  | Inventory, Equipment, Accounts, Other, Motor Vehicle<br>Re-Registration of registration 20140424 1055 1793 5023, reference 695485809<br><b>[NTD: the above noted registration is not in the e-summary]</b>   |
| 2. | Alberta Treasury Branches | 2019 05 09                  | Accounts, Other<br>All present and future accounts, debts and money owed to the Debtors (or any of them) by Regional Express Aviation Ltd. proceeds all goods, documents of title, chattel paper, instruments, money, investment property and intangibles. This is a re-registartion of registration number 20140424 1055 1793 5024, reference file number 695485836<br><b>[NTD: the above noted registration is not in the e-summary]</b> |
| 3. | Apple Canada Inc.         | 2019 01 28                  | Equipment<br>All good which are communication & electronic devices manufactured, distributed or sold by Apple Canada Inc, together with all attachments, accessions, etc. and all proceeds in any form derived directly or indirectly from any dealing with the collateral, etc.   |
| 4. | Air Canada                | 2018 11 14                  | Inventory, Equipment, Accounts, Other<br>General Electric CF34-3 Aircraft Engine bearing manufacturer's serial number 872332 and the engine transportation stand part number 3283B-01 bearing manufacturer's serial number 15197-04  |
| 5. | Royal Bank of Canada      | 2018 08 30                  | Consumer Goods, Other, Motor Vehicle<br>2018 Chevrolet Silverado 1500 (VIN: 1GCUKNEC5JF155962)   |

|     | <b>Secured Party</b>   | <b>Date of Registration</b> | <b>Collateral Details</b>  |
|-----|--|-----------------------------|--|
| 6.  | Georgian Chevrolet Buick GMC Inc.  | 2018 07 09                  | Other, Motor Vehicle<br>2017 GMC Yukon (VIN: 1GKS2CKJ5HR173454)  |
| 7.  | Wells Fargo Trust Company,<br>National Association<br>Export Development Canada<br>AVMAX Aircraft Leasing Inc. | 2018 05 29                  | Inventory, Equipment, Account, Other<br>General Electric model CF34-3B1 engine bearing<br>manufacturers serial number 872998   |
| 8.  | Wells Fargo Trust Company,<br>National Association<br>Export Development Canada<br>AVMAX Aircraft Leasing Inc. | 2018 05 29                  | Inventory, Equipment, Account, Other<br>General Electric model CF34-3B1 engine bearing<br>manufacturer's serial number 873023  |
| 9.  | Delta Air Lines, Inc.  | 2018 03 23                  | Inventory, Equipment, Account, Other<br>General Electric CF34-3A1, aircraft gas turbine engine<br>bearing manufacturer's serial number 807432  |
| 10. | Apple Canada Inc.  | 2018 02 28                  | All goods which are communication & electronic devices<br>manufactured, distributed or sold by Apple Canada Inc.,<br>together with all attachments, accessions, etc. and all<br>proceeds in any form derived directly or indirectly from<br>any dealing with the collateral, etc.              |
| 11. | GM Financial Canada Leasing<br>Ltd.  | 2018 01 03                  | Consumer Goods, Equipment, Other, Motor Vehicle<br>2018 GMC Trucks Yukon 4WD (VIN:<br>1GKS2CKJ1JR107067)   |
| 12. | Air Canada   | 2017 12 18                  | Inventory, Equipment, Accounts, Other<br>General electric CF34-3B1 aircraft engine bearing<br>manufacturer's serial number 801489  |
| 13. | Georgian Chevrolet Buick<br>GMC Inc.   | 2017 05 04                  | Other, Motor Vehicle<br>2016 GMC Savana Cargo (VIN: 1GTW7BFF8G1193502)   |
| 14. | Apple Canada Inc.  | 2017 03 31                  | Equipment<br>All goods which are communication & electronic devices<br>manufactured, distributed or sold by Apple Canada Inc.,<br>together with all attachments, accessions, etc. and all<br>proceeds in any form derived directly or indirectly from<br>any dealing with the collateral, etc. |



|     | <b>Secured Party</b>                                | <b>Date of Registration</b> | <b>Collateral Details</b>  |
|-----|---|-----------------------------|--|
| 15. | Georgian Chevrolet Buick GMC Inc.                   | 2017 01 04                  | Other, Motor Vehicle<br>2016 Mercedes-Benz Sprinter (VIN: WDZBE7DD1GP342137)   |
| 16. | Georgian Chevrolet Buick GMC Inc.                   | 2016 09 01                  | Other, Motor Vehicle<br>2015 Chevrolet Silverado (VIN: 1GCVKREC1FZ153806)  |
| 17. | Xerox Canada Ltd.                                   | 2016 06 21                  | Equipment, Other<br>**no description   |
| 18. | Air Canada  | 2016 06 03                  | Inventory, Equipment, Account, Other<br>Two General Electric model CF34-3B1 jet engines bearing manufacturer's serial number 950508 and 950210<br>Two Honeywell GTCP36-150 auxiliary power units bearing manufacturer's serial numbers P173C and P221C   |
| 19. | Air Canada<br>Celestial Aviation Trading 32 Limited | 2016 05 31                  | Inventory, Equipment, Accounts, Other<br>One 1999 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7327 and Canadian registration marks C-GKEZ<br>Two GE CF34-3B (generic engine model CF34-3) aircraft engines, bearing manufacturer's serial numbers 872529 and 872530 |
| 20. | Air Canada<br>Celestial Aviation Trading 32 Limited | 2016 05 12                  | Inventory, Equipment, Accounts, Other<br>One 1999 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7334 and Canadian registration marks C-GKGC<br>Two GE CF34-3B (generic model CF34-3) aircraft engines, bearing manufacturer's serial numbers 872527 and 872528        |
| 21. | Air Canada  | 2016 04 15                  | Inventory, Equipment, Accounts, Other<br>One general electric model CF34-3B1 jet engine bearing manufacturer's serial number 950508  |

|     | <b>Secured Party</b>                                | <b>Date of Registration</b> | <b>Collateral Details</b>  |
|-----|---|-----------------------------|--|
| 22. | Air Canada<br>Celestial Aviation Trading 32 Limited | 2016 04 14                  | Inventory, Equipment, Accounts, Other<br>One 1999 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7330 and Canadian registration marks C-GKFR<br>Two GE CF34-3B (generic engine model CF34-3) aircraft engines, bearing manufacturer's serial numbers 872547 and 872546 |
| 23. | Air Canada<br>Celestial Aviation Trading 32 Limited | 2016 03 04                  | Inventory, Equipment, Accounts, Other<br>One 1999 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7303 and Canadian registration marks C-GKEP<br>Two GE CF34-3B (generic engine model CF34-3) aircraft engines, bearing manufacturer's serial numbers 872484 and 872485 |
| 24. | Air Canada<br>Celestial Aviation Trading 31 Limited | 2016 02 19                  | Inventory, Equipment, Account, Other<br>One 1998 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7270 and Canadian registration marks C-GKEK<br>Two GE CF34-3B (generic engine model CF3403) aircraft engines, bearing manufacturer's serial numbers 872391 and 872424  |
| 25. | Air Canada<br>Celestial Aviation Trading 31 Limited | 2016 01 27                  | Inventory, Equipment, Account, Other<br>One 1998 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7269 and Canadian registration marks C-GKEJ<br>Two GE CF34-3B (generic engine model CF34-3) aircraft engines, bearing manufacturer's serial numbers 872403 and 872392  |
| 26. | Air Canada<br>Celestial Aviation Trading 31 Limited | 2016 01 14                  | Inventory, Equipment, Accounts, Other<br>One 1998 Bombardier CL-600-2B19 (generic airframe model CRJ-200) airframe, bearing manufacturer's serial number 7277 and Canadian registration marks C-GKEM<br>Two GE CF34-3B (generic engine model CF34-3) aircraft engines, bearing manufacturer's serial numbers 872423 and 872394 |

|     | <b>Secured Party</b>  | <b>Date of Registration</b> | <b>Collateral Details</b>   |
|-----|---|-----------------------------|---|
| 27. | Air Canada Capital Ltd.   | 2015 12 18                  | Equipment, Accounts, Other<br>One 2005 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 8009 and Canadian registration mark C-GOJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950291 and E950270      |
| 28. | Raspro Trust 2005<br>Wilmington Trust Company, as collateral agent  | 2015 12 18                  | Inventory, Equipment, Account, Other<br>One 2005 Bombardier CRJ series model CL-600-2B19 airframe bearing manufacturer's serial number 009 and Canadian registration mark C-GOJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950291 and E950270 |
| 29. | Georgian Aircraft Corp.<br>Integrated Private Debt Funds III L.P., (assigned from Element Financial Corporation)<br>Integrated Private Debt Fund IV L.P. (assigned from Element Financial Corporation)<br>Integrated Private Debt Fund V L.P. (assigned from Element Financial Corporation) | 2015 12 18                  | Inventory, Equipment, Account, Other<br>**Certain aircraft as listed in the amended collateral description  |
| 30. | Georgian Aircraft Corp.<br>Integrated Private Debt Funds III L.P., (assigned from Element Financial Corporation)<br>Integrated Private Debt Fund IV L.P. (assigned from Element Financial Corporation)<br>Integrated Private Debt Fund V L.P. (assigned from Element Financial Corporation) | 2015 12 18                  | Inventory, Equipment, Account, Other<br>**Certain aircraft as listed in the amended collateral description  |

|     | <b>Secured Party</b>   | <b>Date of Registration</b> | <b>Collateral Details</b>   |
|-----|--|-----------------------------|---|
| 31. | Air Canada Capital Ltd.  | 2015 12 10                  | Equipment, Accounts, Other<br>One 2004 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 8004 and Canadian registration mark C-GNJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E95029 and E950264             |
| 32. | Raspro Trust 2005<br>Wilmington Trust Company, as collateral agent | 2015 12 10                  | Inventory, Equipment, Accounts, Other<br>One 2004 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 8004 and Canadian registration mark C-GNJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950279 and E950264 |
| 33. | Air Canada Capital Ltd.  | 2015 12 04                  | Equipment, Accounts, Other<br>One 2005 Bombardier CRJ series 200 model CL-600-2B19 airframe manufacturer's serial number 8017 and Canadian registration mark C-GXJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950313 and E950334                    |
| 34. | Raspro Trust 2005<br>Wilmington Trust Company, as collateral agent | 2015 12 04                  | Inventory, Equipment, Accounts, Other<br>One 2005 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 8017 and Canadian Registration mark C-GXJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950313 and E950334 |
| 35. | Air Canada Capital Ltd.  | 2015 11 12                  | Equipment, Accounts, Other<br>One 2005 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 8018 and Canadian registration mark C-GZJA<br>Two general electric model CF34-3B1 jet engine bearing manufacturer's serial numbers E950315 and E950316             |
| 36. | Raspro Trust 2005<br>Wilmington Trust Company, as collateral agent | 2015 11 12                  | Inventory, Equipment, Accounts, Other<br>One 2005 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 8018 and Canadian registration mark C-GZJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950315 and E950316 |

|     | <b>Secured Party</b>   | <b>Date of Registration</b> | <b>Collateral Details</b>   |
|-----|--|-----------------------------|---|
| 37. | Air Canada Capital Ltd.  | 2015 05 13                  | Equipment, Accounts, Other<br>One 2004 Bombardier CRJ series 200 model CI-600-2B19 airframe bearing manufacturer's serial number 7966 and Canadian registration mark C-GTJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial numbers E950181 and E950064          |
| 38. | Raspro Trust 2005<br>Wilmington Trust Company, as collateral agent   | 2015 05 13                  | Inventory, Equipment, Account, Other<br>One 2004 Bombardier CRJ series 200 model CL-600-2B19 airframe bearing manufacturer's serial number 7966 and Canadian registration mark C-GTJA<br>Two general electric model CF34-3B1 jet engines bearing manufacturer's serial number E950181 and E950064 |
| 39. | AVMAX Aircraft Leasing Inc.  | 2015 01 30                  | Inventory, Equipment, Accounts, Other, Motor Vehicle<br>One general electric CF34-3A1 aircraft engines bearing manufacturer's serial number 807373<br>One general electric CF34-3A1 aircraft engines bearing manufacturer's serial number 807281  |
| 40. | Wells Fargo Bank Northwest,<br>National Association<br>Export Development Canada<br>AVMAX Aircraft Leasing Inc.<br>ATB Financial, as agent | 2014 10 20                  | Inventory, Equipment, Accounts, Other<br>One Bombardier Inc. model CL-600-2B19 bearing manufacturer's serial number 7071 and Canadian registration mark C-FSKM<br>Two general electric model CF34-3A1 engines bearing manufacturer's serial numbers 807258 and 807158                             |
| 41. | Wells Fargo Bank Northwest,<br>National Association<br>Export Development Canada<br>AVMAX Aircraft Leasing Inc.                            | 2014 10 17                  | Inventory, Equipment, Accounts, Other<br>One Bombardier Inc. model CL-600-2B19 bearing manufacturer's serial number 7118 and Canadian registration mark C-FWRT<br>Two general electric model CF34-3A1 engines bearing manufacturer's serial numbers 80790 and 807217                              |
| 42. | Wells Fargo Bank Northwest,<br>National Association<br>Export Development Canada<br>AVMAX Aircraft Leasing Inc.<br>ATB Financial, as agent | 2014 10 17                  | Inventory, Equipment, Accounts, Other<br>One Bombardier Inc. model CL-600-2B19 bearing manufacturer's serial number 7112 and Canadian registration mark C-FWRS<br>Two general electric model CF34-3A1 engines bearing manufacturer's serial numbers 807398 and 807182                             |

|     | <b>Secured Party</b>   | <b>Date of Registration</b> | <b>Collateral Details</b>   |
|-----|--|-----------------------------|---|
| 43. | Wells Fargo Bank Northwest,<br>National Association<br><br>Export Development Canada<br>AVMAX Aircraft Leasing Inc.<br><br>ATB Financial, as agent   | 2014 10 17                  | Inventory, Equipment, Account, Other<br><br>One Bombardier Inc. model CL-600-2B19 bearing manufacturer's serial number 7107 and Canadian registration mark C-FWRR<br><br>Two general electric model CF34-3A1 engines bearing manufacturer's serial numbers 807007 and 807403  |
| 44. | Wells Fargo Bank Northwest,<br>National Association<br><br>Export Development Canada<br>AVMAX Aircraft Leasing Inc.  | 2014 10 17                  | Inventory, Equipment, Accounts, Other<br><br>One Bombardier Inc. model CL-600-2B19 bearing manufacturer's serial number 7096 and Canadian registration mark C-FWJI<br><br>Two general electric model CF34-3A1 engines bearing manufacturer's serial numbers 807211 and 807317   |
| 45. | Wells Fargo Bank Northwest,<br>National Association<br><br>Export Development Canada<br>AVMAX Aircraft Leasing Inc.<br><br>ATB Financial, as agent   | 2014 10 17                  | Inventory, Equipment, Accounts, Other<br><br>One Bombardier Inc. model CL-600 25B19 bearing manufacturer's serial number 7095 and Canadian registration C-FWJF<br><br>Two general electric model CF34-3A1 engines bearing manufacturer's serial numbers 807198 and 807242 bearing manufacturer's serial numbers 807343 and 873168 |
| 46. | Xerox Canada Ltd.  | 2014 09 26                  | Equipment, Other<br><br>**no description  |
| 47. | Georgian Aircraft Corp<br><br>Integrated Private Debt Fund III<br>L.P. (assigned from Element<br>Financial Corporation)<br><br>Integrated Private Debt Fund<br>IV L.P. (assigned from Element<br>Financial Corporation)<br><br>Integrated Private Debt Fund V<br>L.P. (assigned from Element<br>Financial Corporation) | 2013 10 17                  | Inventory, Equipment, Accounts, Other<br><br>**Certain aircraft as listed in the amended collateral description   |

|     | <b>Secured Party</b>   | <b>Date of Registration</b> | <b>Collateral Details</b>   |
|-----|--|-----------------------------|---|
| 48. | <p>Integrated Private Debt Fund III L.P. (assigned from Element Financial Corporation)</p> <p>Integrated Private Debt Fund IV L.P. (assigned from Element Financial Corporation)</p> <p>Integrated Private Debt Fund V L.P. (assigned from Element Financial Corporation)</p>                                | 2013 10 17                  | Inventory, Equipment, Accounts, Other, Motor Vehicle<br>General Security Agreement  |
| 49. | <p>Georgian Aircraft Corp.</p> <p>Integrated Private Debt Fund III L.P. (assigned from Element Financial Corporation)</p> <p>Integrated Private Debt Fund IV L.P. (assigned from Element Financial Corporation)</p> <p>Integrated Private Debt Fund V L.P. (assigned from Element Financial Corporation)</p> | 2013 04 03                  | Inventory, Equipment, Accounts, Other,<br>**Certain aircraft as listed in the amended collateral description  |
| 50. | <p>Integrated Private Debt Fund III L.P. (assigned from Element Financial Corporation)</p> <p>Integrated Private Debt Fund IV L.P. (assigned from Element Financial Corporation)</p> <p>Integrated Private Debt Fund V L.P. (assigned from Element Financial Corporation)</p>                                | 2013 04 03                  | Inventory, Equipment, Accounts, Other, Motor Vehicle<br>General Security Agreement  |
| 51. | 2147437 Ontario Limited  | 2012 09 27                  | <p>Inventory, Equipment, Accounts, Other</p> <p>One Cessna Aircraft Company 2012 Cessna model 680, bearing manufacturer's serial number 680-0335 and Canadian registration mark C-GUPC</p> <p>Two Pratt &amp; Whitney Canada Corp. model PW306C engines, bearing manufacturer's serial numbers PCE-CG0685 and PCE-CG704</p> <p>One Honeywell model number RE100CS auxiliary power unite, part number 3800785-1, bearing serial number P-563</p> |

**Registrations Pursuant to the  
Personal Property Security Act (Alberta)**

**AGAINST  
AIR GEORGIAN LIMITED  
(File Currency: February 19, 2020)**

|     | <b>Secured Parties</b>  | <b>Date of Registration</b> |
|-----|---|-----------------------------|
| 1.  | GEORGIAN AIRCRAFT CORP.<br>INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P. | 2013-APR-03                 |
| 2.  | INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P.                            | 2013-APR-04                 |
| 3.  | INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P.                            | 2013-APR-04                 |
| 4.  | GEORGIAN AIRCRAFT CORP.<br>INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P. | 2013-OCT-18                 |
| 5.  | INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P.                            | 2013-OCT-18                 |
| 6.  | INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P.                            | 2013-OCT-18                 |
| 7.  | 2229275 ALBERTA LTD.  | 2014-APR-24                 |
| 8.  | AVMAX AIRCRAFT LEASING INC.   | 2014-SEP-04                 |
| 9.  | RASPRO TRUST 2005<br>WILMINGTON TRUST COMPANY, AS COLLATERAL AGENT  | 2015-MAY-13                 |
| 10. | RASPRO TRUST 2005<br>WILMINGTON TRUST COMPANY, AS COLLATERAL AGENT  | 2015-NOV-12                 |
| 11. | RASPRO TRUST 2005<br>WILMINGTON TRUST COMPANY, AS COLLATERAL AGENT  | 2015-DEC-04                 |
| 12. | RASPRO TRUST 2005<br>WILMINGTON TRUST COMPANY, AS COLLATERAL AGENT  | 2015-DEC-11                 |
| 13. | RASPRO TRUST 2005<br>WILMINGTON TRUST COMPANY, AS COLLATERAL AGENT  | 2015-DEC-18                 |



|     | <b>Secured Parties</b>   | <b>Date of Registration</b> |
|-----|--|-----------------------------|
| 14. | INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P. | 2015-DEC-18                 |
| 15. | INTEGRATED PRIVATE DEBT FUND V L.P.<br>INTEGRATED PRIVATE DEBT FUND IV L.P.<br>INTEGRATED PRIVATE DEBT FUND III L.P. | 2015-DEC-18                 |
| 16. | 2229275 ALBERTA LTD.   | 2019-APR-26                 |
| 17. | 2229275 ALBERTA LTD.   | 2019-APR-29                 |

## **Appendix “C”**

Letter Agreement dated February 22, 2020

**2229275 ALBERTA LTD.**

February 22, 2020

Air Georgian Limited  
2450 Derry Road East  
Mississauga, Ontario L5S 1B2

Dear Sir/Madam:

Reference is made to the amended and restated commitment letter dated as of August 8, 2018 (the "**Commitment Letter**") between Air Georgian Limited (the "**Borrower**"), as borrower, ATB Financial ("**ATB**"), as lender, Regional Express Aviation Ltd. as guarantor and 1775526 Alberta Ltd. (formerly Avmax Air Inc.), Georgian Aircraft Corp. and Avmax Holdings Inc. as conditional guarantors. The Commitment Letter was assigned by ATB to 2229275 Alberta Ltd. ("**222**" or the "**Lender**"), pursuant to an assignment of debt and security agreement dated as of January 24, 2020 between ATB, as assignor, and 222, as assignee.

The Lender understands that on February 7, 2020 the Borrower filed a Notice of Intention to Make a Proposal (the "**Notice**") under Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") and that, in connection with the ensuing proceedings under the BIA, the Borrower intends to seek an order from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") in the form attached hereto as Schedule "A" (such order, if granted, and subject to such amendments thereto as the Lender may approve in writing, being the "**Order**"). The Lender hereby agrees to make additional advances pursuant to the Commitment Letter in an aggregate amount not exceeding \$800,000 (the "**New Advances**"), provided that:

1. The Order is granted;
2. Each New Advance shall comply with the conditions of the Order and such New Advance and interest accrued thereon shall be entitled to the benefit of the DIP Lender's Charge;
3. All New Advances shall be subject to the prior approval of the Lender, such approval not be to unreasonably withheld;
4. Each New Advance shall bear interest at an annual interest rate of 12% from the date of each New Advance, compounded monthly, until repaid in full;
5. All New Advances must be repaid in full by the earlier of: (a) the completion of a sale or sales for substantially all of the Borrower's assets, (b) April 30, 2020, or (c) such later date as may be agreed to by the Lender in writing (the "**Maturity Date**"); and
6. If the Order is granted, the Borrower, Lender and the other parties to the Commitment Letter will enter into a formal amending agreement giving effect to the provisions of this letter on or before March 1, 2020.


The Borrower shall pay the reasonable legal fees and expenses of the Lender in preparing this letter, documenting the amendment and taking such other steps as may be required to give effect to the provisions of this letter, which expenses may be paid by or as a part of a New Advance.

Any failure of the Borrower to repay the New Advances with accrued interest in full on or before the Maturity Date shall be an Event of Default under the Commitment Letter as amended hereby. The filing of the Notice and the existence of the BIA proceedings resulting therefrom shall not be considered an Event of Default under the Commitment Letter as amended hereby. All other terms and conditions contained in the Commitment Letter shall remain in full force and effect, unamended.

Please acknowledge your acceptance of the foregoing by returning an executed copy of this letter agreement on or before February 22, 2020.

Yours truly,

**2229275 ALBERTA LTD.**


By:   
Cam BINDER

By: \_\_\_\_\_

Accepted this 22<sup>nd</sup> day of February, 2020

**Borrower:**

**AIR GEORGIAN LIMITED**


Per:   
Name: Eric Edmondson  
Title: President & COO

Per: \_\_\_\_\_  
Name:  
Title:

The undersigned guarantors acknowledge receipt of this letter agreement on this \_\_\_ day of February, 2020 and agree that the entering of the letter agreement, the amendment to the facility, the making of the Order and the New Advances and the granting of the security in each case as contemplated thereby shall not invalidate, waive or in any way affect does not invalidate or waive the guarantees provided by the undersigned to the extent enforceable immediately prior to the entering into of this letter agreement provided however that by acknowledging receipt of this letter agreement the undersigned is not waiving any defences that were already available to it with respect to the enforceability of the guarantees prior to the entering into of the letter agreement.

**Guarantor:**


**REGIONAL EXPRESS AVIATION LTD.**

Per:   
Name: Eric Edmondson  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

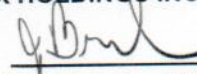
**Conditional Guarantors:**

**1775526 ALBERTA LTD.**

Per:   
Name: John Binder  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

**AVMAX HOLDINGS INC.**

Per:   
Name: John Binder  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

**GEORGIAN AIRCRAFT CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

The undersigned guarantors acknowledge receipt of this letter agreement on this \_\_\_ day of February, 2020 and agree that the entering of the letter agreement, the amendment to the facility, the making of the Order and the New Advances and the granting of the security in each case as contemplated thereby shall not invalidate, waive or in any way affect does not invalidate or waive the guarantees provided by the undersigned to the extent enforceable immediately prior to the entering into of this letter agreement provided however that by acknowledging receipt of this letter agreement the undersigned is not waiving any defences that were already available to it with respect to the enforceability of the guarantees prior to the entering into of the letter agreement.

**Guarantor:**

**REGIONAL EXPRESS AVIATION LTD.**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name: *Daniel J. Revell*

Title: *Vice President*

**Conditional Guarantors:**

**1775526 ALBERTA LTD.**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

**AVMAX HOLDINGS INC.**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

**GEORGIAN AIRCRAFT CORP.**

Per: \_\_\_\_\_

Name: *Daniel J. Revell*

Title: *Vice President*

Per: \_\_\_\_\_

Name:

Title:

The undersigned guarantors acknowledge receipt of this letter agreement on this \_\_\_\_ day of February, 2020 and agree that the entering of the letter agreement, the amendment to the facility, the making of the Order and the New Advances and the granting of the security in each case as contemplated thereby shall not invalidate, waive or in any way affect does not invalidate or waive the guarantees provided by the undersigned to the extent enforceable immediately prior to the entering into of this letter agreement provided however that by acknowledging receipt of this letter agreement the undersigned is not waiving any defences that were already available to it with respect to the enforceability of the guarantees prior to the entering into of the letter agreement.

**Guarantor:**


**REGIONAL EXPRESS AVIATION LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

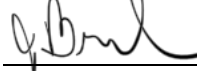
**Conditional Guarantors:**

**1775526 ALBERTA LTD.**

Per:  \_\_\_\_\_  
Name: John Binder  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

**AVMAX HOLDINGS INC.**

Per:  \_\_\_\_\_  
Name: John Binder  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

**GEORGIAN AIRCRAFT CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:



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

THE HONOURABLE \_\_\_\_ ) WEDNESDAY, THE 26TH  
JUSTICE \_\_\_\_\_ ) DAY OF FEBRUARY, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,  
A CORPORATION INCORPORATED UNDER  
THE LAWS OF ONTARIO**

**ORDER**

**THIS MOTION**, made by Air Georgian Limited (the “**Debtor**”) for an order extending the time for filing a proposal, approving and administration charge and certain debtor in possession funding, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Eric Edmondson sworn February 22, 2020 (the “**Affidavit**”) and the [first] report of KPMG Inc. in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) dated February •, 2020 (the “**First Report**”), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee, 2229275 Alberta Ltd. (“**222**”) and those other parties present, as indicated on the counsel slip, no other parties present, although properly served as appears from the affidavit of [NAME] sworn [DATE] filed:

**NOTICE AND SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the First Report is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

## **EXTENSION OF TIME TO FILE A PROPOSAL**

2. **THIS COURT ORDERS** that pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“**BIA**”), the time for the Debtor to file a proposal with the Official Receiver be and is hereby extended to March 13, 2020.

## **ADMINISTRATION CHARGE**

3. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and the Debtor’s counsel shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Debtor’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”), which charge shall not exceed an aggregate amount of \$200,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 8 and 10 hereof.

## **DIP FINANCING**

4. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to borrow monies (“**Post-Filing Advances**”) from 222 (in such capacity, the “**DIP Lender**”) pursuant to the ATB Facility and the ATB Debt and Security (as both terms are defined in the First Report) as assigned to 222 pursuant to the Assignment Agreement (as defined in the First Report) in order to finance the Debtor’s day to day operations and restructuring proceedings substantially in accordance with the cash flow budget attached as Appendix “\_\_\_” to the First Report (the “**Cash Flow**”).

5. **THIS COURT ORDERS** that notwithstanding the terms of the ATB Facility and the ATB Debt and Security,

- (a) The Debtor may request weekly or bi-weekly Post-Filing Advances in amounts consistent with its funding requirements under the Cash Flow;
- (b) All Post-Filing Advances shall be subject to the consent of the Proposal Trustee;

- (c) All Post-Filing Advances and any other amounts secured by the DIP Lender's Charge shall be repayable in full with interest at the rate of 12% per annum (calculated from the date of advance to the date of repayment on the earlier of (a) the completion of a sale or sales for substantially all of the Debtor's assets and (b) April 30, 2020.

6. **THIS COURT ORDERS** that pursuant to Section 50.6 of the BIA, the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall secure only advances made to the Debtor under the ATB Facility after this Order is made as well as any accrued and unpaid interest and professional fees of counsel to the DIP Lender.

7. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order or the provisions of Section 69 of the BIA:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge;
- (b) in keeping with the ATB Facility and the ATB Debt and Security (together, the "**Facility Documents**"), and the DIP Lender's Charge, the DIP Lender will be entitled, on 3 business days' notice to the Debtor and Proposal Trustee, to make demand, accelerate payment and give other notices; provided however that the DIP Lender must apply to this Court on 5 business days' notice to the Debtor and the Proposal Trustee to exercise any other its rights and remedies against the Debtor or the Property under or pursuant to the Facility Documents and DIP Lender's Charge including, without limitation, to cease making advances to the Debtor and set off and/or consolidate any amounts owing by the DIP Lender to the Debtor against the obligations of the Debtor to the DIP Lender under the Facility Documents or the DIP Lender's Charge, or for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Debtor and for the appointment of a trustee in bankruptcy of the Debtor; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Debtor or the Property.

## **VALIDITY AND PRIORITY OF CHARGES**

8. **THIS COURT ORDERS** that the priorities of the Administration Charge and DIP Lender's Charge, as among them, shall be as follows:

- (a) First: Administration Charge (to the maximum amount of \$200,000); and
- (b) Second: DIP Lender's Charge.

9. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge and the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

10. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and the Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person but subject to subsections 14.06(7) and 81.3(1) of the BIA and any properly perfected purchase money security interests in existence and priority to advances already made under the Facility Documents as at the time of this Order (the "**Permitted Priority Encumbrances**").

11. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Debtor also obtain the prior written consent of the beneficiaries of the applicable Charges or further Order of this Court.

12. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way

by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance in connection thereof shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party; and
- (b) the payments made by the Debtor pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

13. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Debtor’s interest in such real property leases.

#### **GENERAL**

14. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at [www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial]) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: [www.kpmg.com/ca/airgeorgian](http://www.kpmg.com/ca/airgeorgian).

**MISCELLANEOUS**

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

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IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,  
A CORPORATION INCORPORATED UNDER  
THE LAWS OF ONTARIO

Estate No.: No. 32-2613323

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
**Proceeding commenced TORONTO**

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**ORDER**

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**GOLDMAN SLOAN NASH & HABER LLP**

480 University Avenue, Suite 1600

Toronto ON M5G 1V2

Fax: 416-597-3370

**Jennifer Stam (LSO #46735J)**

Tel: 416-597-5017

Email: [stam@gsnh.com](mailto:stam@gsnh.com)

Lawyers for the Debtor, Air Georgian Limited

## **Appendix “D”**

February 1, 2020 Cash Flow Forecast and Associated Reports



District of: Ontario  
Division No. 09 - Toronto  
Court No. 32-2613323  
Estate No. 32-2613323

-- FORM 29 --  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of  
Air Georgian Limited  
of the City of Mississauga, in the Province of Ontario

The attached statement of projected cash flow of Air Georgian Limited, as of the 1st day of February 2020, consisting of forecast receipts and disbursements for the five-week forecast period to the week ending March 6, 2020, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:  management or  the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

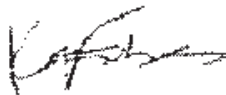
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 10th day of February 2020.

KPMG Inc. - Licensed Insolvency Trustee

Per:



---

Katherine Forbes - Licensed Insolvency Trustee  
333 Bay Street - Suite 4600  
Toronto ON M5H 2S5  
Phone: (416) 777-8500 Fax: (416) 777-3364

District of: Ontario  
Division No. 09 - Toronto  
Court No. 32-2613323  
Estate No. 32-2613323

\_FORM 29\_ - Attachment  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of  
Air Georgian Limited  
of the City of Mississauga, in the Province of Ontario

Purpose:

The Company's forecast receipts and disbursements for the five-week forecast period to the week ending March 6, 2020

Projection Notes:

Please see the notes attached to the Company's cash flow forecast.

Dated at the City of Toronto in the Province of Ontario, this 10th day of February 2020.

KPMG Inc. - Licensed Insolvency Trustee

Per:



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Katherine Forbes - Licensed Insolvency Trustee  
333 Bay Street - Suite 4600  
Toronto ON M5H 2S5  
Phone: (416) 777-8500 Fax: (416) 777-3364

District of: Ontario  
Division No. 09 - Toronto  
Court No. 32-2613323  
Estate No. 32-2613323

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Air Georgian Limited  
of the City of Mississauga, in the Province of Ontario


The Management of Air Georgian Limited, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 1st day of February 2020, consisting of forecast receipts and disbursements for the five-week forecast period to the week ending March 6, 2020.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 10th day of February 2020.

  
\_\_\_\_\_  
Air Georgian Limited  
Debtor

*SCOTT MONSEN, VP FINANCE & CFO*  
\_\_\_\_\_  
Name and title of signing officer

\_\_\_\_\_  
Name and title of signing officer

District of: Ontario  
Division No. 09 - Toronto  
Court No. 32-2613323  
Estate No. 32-2613323

FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Air Georgian Limited  
of the City of Mississauga, in the Province of Ontario

Purpose:

The Company's forecast receipts and disbursements for the five-week forecast period to the week ending March 6, 2020

Projection Notes:


Please see the notes attached to the Company's cash flow forecast.

Dated at the City of Toronto in the Province of Ontario, this 10th day of February 2020.

  
Air Georgian Limited

**AGL - Cash Flow Forecast**  
**For the period February 1, 2020 to March 20, 2020**  
**\$CAD**

| Week number<br>Week ending         | Notes | Forecast<br>1<br>7-Feb-20 | Forecast<br>2<br>14-Feb-20 | Forecast<br>3<br>21-Feb-20 | Forecast<br>4<br>28-Feb-20 | Forecast<br>5<br>6-Mar-20 | Forecast<br>Total  |
|------------------------------------|-------|---------------------------|----------------------------|----------------------------|----------------------------|---------------------------|--------------------|
| Receipts                           | 2     | -                         | 441,899                    | -                          | -                          | -                         | 441,899            |
| Disbursements                      |       |                           |                            |                            |                            |                           |                    |
| Lease payments                     | 3     | (131,196)                 | -                          | -                          | -                          | (131,196)                 | (262,392)          |
| Office, maintenance and other      | 4     | (118,424)                 | (13,531)                   | (13,531)                   | (13,531)                   | (69,462)                  | (228,480)          |
| Payroll and benefits               | 5     | (441,149)                 | (194,351)                  | (129,082)                  | (176,747)                  | (117,390)                 | (1,058,719)        |
| Interest on borrowings             | 6     | -                         | -                          | -                          | (34,049)                   | -                         | (34,049)           |
| Direct asset return costs          | 1     | -                         | (120,000)                  | -                          | -                          | -                         | (120,000)          |
| Restructuring Professional Fees    | 7     | (73,450)                  | (62,150)                   | (62,150)                   | (62,150)                   | (33,900)                  | (293,800)          |
| <b>Total Disbursements</b>         |       | <b>(764,220)</b>          | <b>(390,032)</b>           | <b>(204,763)</b>           | <b>(286,478)</b>           | <b>(351,948)</b>          | <b>(1,997,440)</b> |
| <b>NET CASH FLOW</b>               |       | <b>(764,220)</b>          | <b>51,867</b>              | <b>(204,763)</b>           | <b>(286,478)</b>           | <b>(351,948)</b>          | <b>(1,556,541)</b> |
| Opening cash balance               |       | 909,605                   | 145,386                    | 197,253                    | 2,490                      | 6,012                     | 909,605            |
| Net cash flow                      |       | (764,220)                 | 51,867                     | (204,763)                  | (286,478)                  | (351,948)                 | (1,556,541)        |
| Senior secured debt                | 8     | -                         | -                          | 10,000                     | 290,000                    | 300,000                   | 600,000            |
| DIP drawdown                       | 9     | -                         | -                          | -                          | -                          | 50,000                    | 50,000             |
| <b>Closing cash balance</b>        |       | <b>145,386</b>            | <b>197,253</b>             | <b>2,490</b>               | <b>6,012</b>               | <b>4,064</b>              | <b>4,064</b>       |
| <b>Funding</b>                     |       |                           |                            |                            |                            |                           |                    |
| Opening senior secured debt        |       | 5,304,480                 | 5,304,480                  | 5,304,480                  | 5,314,480                  | 5,604,480                 | 5,304,480          |
| Drawdowns                          |       | -                         | -                          | 10,000                     | 290,000                    | 300,000                   | 600,000            |
| <b>Closing senior secured debt</b> |       | <b>5,304,480</b>          | <b>5,304,480</b>           | <b>5,314,480</b>           | <b>5,604,480</b>           | <b>5,904,480</b>          | <b>5,904,480</b>   |
| Opening DIP balance                |       | -                         | -                          | -                          | -                          | -                         | -                  |
| Drawdowns                          |       | -                         | -                          | -                          | -                          | 50,000                    | 50,000             |
| <b>Closing DIP balance</b>         |       | <b>-</b>                  | <b>-</b>                   | <b>-</b>                   | <b>-</b>                   | <b>50,000</b>             | <b>50,000</b>      |

  
 Air Georgian Limited - Debtor  
**SCOTT MOWLSEN, VP FINANCE & CFO**  
 Name and title of signing officer

To be read in conjunction with the notes to the cash flow forecast

**Air Georgian Limited.**

**Critical Assumptions – Cash Flow Forecast for the period February 1, 2020 to March 6, 2020**

February 10, 2020

**Assumptions**

1. These notes and assumptions form an integral part of Air Georgian Limited (“**AGL**” or the “**Company**”) cash flow projections (the “**Cash Flow**”) for the period February 1, 2020 to March 6, 2020 (the “**Period**”), and should be read in conjunction with the Cash Flow. This represents management’s best estimate of the Company’s projected payments in the Period. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variances could be material.

All figures are presented in Canadian dollars. US dollar have been translated to Canadian dollars at the rates noted within the Cash Flow.

2. The Company entered into an agreement with Air Canada dated February 7, 2020 (the “**Interim Reimbursement Agreement**”), pursuant to which the Company has agreed to prepare certain leased aircraft for return to the lessors for the period through February 14, 2020, and, Air Canada has agreed to reimburse the Company for costs associated with the return of the leased aircraft, plus a markup. Cash receipts in the Period are composed of amounts associated with the Interim Reimbursement Agreement.

The Cash Flow excludes certain accounts receivable due from Air Canada prior to or during the Period, related to its capacity service agreement which terminated on January 31, 2020 (the “**Transition Agreement**”). Transition Agreement receivables are excluded from the Period as it is expected that collections may be delayed, based on verbal feedback from Air Canada, although Air Canada has not formally provided notice of any disputed amount.


3. The Company has various leases, including office and aircraft hangar premises leases, and aircraft leases. The Cash Flow includes lease payments for the head office, hangar, and one aircraft required to maintain operational capabilities (and going concern value) during the Period.
4. The Company anticipates disbursing \$0.3M in administrative expenses, including certain maintenance expenses required to maintain the aircraft, directors’ and officers’, general and property insurance policy premiums, and aircraft insurance.
5. The Company anticipates its headcount to reduce over the following weeks through the end of the Period, while maintaining operational capabilities.
6. Interest on borrowings represents payments for post-filing interest on the Company’s existing debt.
7. Restructuring professional fees include fees and disbursements for i) the Proposal Trustee (KPMG Inc.), ii) legal counsel to the Proposal Trustee (Chaitons LLP), and iii) legal counsel to the Company (Goldman, Sloan, Nash and Haber LLP).
8. 229275 Alberta Inc. (the “**Lender**”) is the Company’s existing secured lender. The Lender has notified the Company that it will advance an additional \$0.6M to the Company, as required, pursuant to the existing credit agreement in order to fund the proposal proceedings.
9. The Cash Flow projects that additional funding will be required to fund the proposal proceedings beginning in the week ending March 6, 2020. The Company plans to seek the Court’s approval for interim financing prior to the expiration of the stay on March 1, 2020.

**Appendix “E”**

Cash Flow Forecast for the Period February 15, 2020 to March 13, 2020

**AGL - Cash Flow Forecast**  
**For the period February 15, 2020 to March 13, 2020**  
**\$CAD**

| Week number<br>Week ending      | Forecast         | Forecast         | Forecast         | Forecast         | Forecast<br>Total  |
|---------------------------------|------------------|------------------|------------------|------------------|--------------------|
|                                 | 1<br>21-Feb-20   | 2<br>28-Feb-20   | 3<br>6-Mar-20    | 4<br>13-Mar-20   |                    |
| Receipts                        | 173,305          | -                | -                | -                | 173,305            |
| Disbursements                   |                  |                  |                  |                  |                    |
| Lease payments                  | (968)            | -                | (71,532)         | -                | (72,500)           |
| Office, maintenance and other   | (59,748)         | (3,531)          | (57,136)         | (3,531)          | (123,947)          |
| Payroll and benefits            | (17,500)         | (186,445)        | (164,421)        | (155,412)        | (523,778)          |
| Interest on borrowings          | -                | (34,037)         | -                | -                | (34,037)           |
| Direct asset return costs       | (155,499)        | -                | -                | -                | (155,499)          |
| Restructuring Professional Fees | -                | (176,149)        | (45,200)         | (93,225)         | (314,574)          |
| <b>Total Disbursements</b>      | <b>(233,715)</b> | <b>(400,162)</b> | <b>(338,290)</b> | <b>(252,168)</b> | <b>(1,224,335)</b> |
| <b>NET CASH FLOW</b>            | <b>(60,410)</b>  | <b>(400,162)</b> | <b>(338,290)</b> | <b>(252,168)</b> | <b>(1,051,030)</b> |
| Opening cash balance            | 260,817          | 200,407          | 10,245           | 11,956           | 260,817            |
| Net cash flow                   | (60,410)         | (400,162)        | (338,290)        | (252,168)        | (1,051,030)        |
| Senior secured debt             | -                | 210,000          | 340,000          | 50,000           | 600,000            |
| DIP drawdown                    | -                | -                | -                | 200,000          | 200,000            |
| Closing cash balance            | 200,407          | 10,245           | 11,956           | 9,787            | 9,787              |
| <b>Funding</b>                  |                  |                  |                  |                  |                    |
| Opening senior secured debt     | 5,304,480        | 5,304,480        | 5,514,480        | 5,854,480        | 5,304,480          |
| Drawdowns                       | -                | 210,000          | 340,000          | 50,000           | 600,000            |
| Closing senior secured debt     | 5,304,480        | 5,514,480        | 5,854,480        | 5,904,480        | 5,904,480          |
| Opening DIP balance             | -                | -                | -                | -                | -                  |
| Drawdowns                       | -                | -                | -                | 200,000          | 200,000            |
| Closing DIP balance             | -                | -                | -                | 200,000          | 200,000            |

  
 Air Georgian Limited - Debtor  
 Scott Mousell, VP Finance & CFO  
 Name and title of signing officer