

COURT FILE NUMBER

2401-02664

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF LYNX AIR HOLDINGS CORPORATION  
and 1263343 ALBERTA INC. dba LYNX AIR



DOCUMENT

**THIRD REPORT OF FTI CONSULTING CANADA INC., IN  
ITS CAPACITY AS MONITOR OF LYNX AIR HOLDINGS  
CORPORATION and 1263343 ALBERTA INC. dba LYNX  
AIR**

**April 11, 2024**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**MONITOR**

FTI Consulting Canada Inc.  
Suite 1610, 520 Fifth Avenue S.W.  
Calgary, AB T2P 3R7  
Deryck Helkaa / Dustin Olver / Brett Wilson  
Telephone: (403) 454-6031 / (403) 454-6032  
Fax: (403) 232-6116  
E-mail: [deryck.helkaa@fticonsulting.com](mailto:deryck.helkaa@fticonsulting.com)  
[dustin.olver@fticonsulting.com](mailto:dustin.olver@fticonsulting.com)  
[brett.wilson@fticonsulting.com](mailto:brett.wilson@fticonsulting.com)

**COUNSEL**

McCarthy Tétrault LLP  
4000, 421 – 7<sup>th</sup> Avenue SW  
Calgary, AB T2P 4K9  
Sean Collins / Walker MacLeod / Pantelis Kyriakakis / Nathan  
Stewart  
Telephone: (403) 260-3531  
Fax: (403) 260-3501  
E-mail: [scollins@mccarthy.ca](mailto:scollins@mccarthy.ca) / [wmacleod@mccarthy.ca](mailto:wmacleod@mccarthy.ca) /  
[pkiriakakis@mccarthy.ca](mailto:pkiriakakis@mccarthy.ca) / [nstewart@mccarthy.ca](mailto:nstewart@mccarthy.ca)

COURT FILE NUMBER 2401-02664  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF LYNX AIR HOLDINGS CORPORATION  
and 1263343 ALBERTA INC. dba LYNX AIR

DOCUMENT **THIRD REPORT OF FTI CONSULTING CANADA INC., IN  
ITS CAPACITY AS MONITOR OF LYNX AIR HOLDINGS  
CORPORATION and 1263343 ALBERTA INC. dba LYNX  
AIR**

**April 11, 2024**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**MONITOR**

FTI Consulting Canada Inc.  
Suite 1610, 520 Fifth Avenue S.W.  
Calgary, AB T2P 3R7  
Deryck Helkaa / Dustin Olver / Brett Wilson  
Telephone: (403) 454-6031 / (403) 454-6032  
Fax: (403) 232-6116  
E-mail: [deryck.helkaa@fticonsulting.com](mailto:deryck.helkaa@fticonsulting.com)  
[dustin.olver@fticonsulting.com](mailto:dustin.olver@fticonsulting.com)  
[brett.wilson@fticonsulting.com](mailto:brett.wilson@fticonsulting.com)

**COUNSEL**

McCarthy Tétrault LLP  
4000, 421 – 7<sup>th</sup> Avenue SW  
Calgary, AB T2P 4K9  
Sean Collins / Walker MacLeod / Pantelis Kyriakakis / Nathan  
Stewart  
Telephone: (403) 260-3531  
Fax: (403) 260-3501  
E-mail: [scollins@mccarthy.ca](mailto:scollins@mccarthy.ca) / [wmacleod@mccarthy.ca](mailto:wmacleod@mccarthy.ca) /  
[pkiriakakis@mccarthy.ca](mailto:pkiriakakis@mccarthy.ca) / [nstewart@mccarthy.ca](mailto:nstewart@mccarthy.ca)

**THIRD REPORT OF THE MONITOR**

**TABLE OF CONTENTS**

**INTRODUCTION**..... 2  
**PURPOSE** ..... 5  
**TERMS OF REFERENCE**..... 6  
**BACKGROUND INFORMATION** ..... 7  
**CAPE TOWN CONVENTION** ..... 8  
**ACTIVITIES OF THE MONITOR**..... 9  
**STATUS OF OPERATIONS AND BUSINESS** ..... 9  
**STATUS OF THE SISP** ..... 11  
**CASH FLOW STATEMENT**..... 15  
**DETAILS OF SECURED AND POTENTIAL PRIORITY CLAIMS**..... 19  
**RELIEF SOUGHT BY THE APPLICANTS** ..... 22  
**CONCLUSIONS AND RECOMMENDATIONS**..... 24

Appendix “A” – Cash Flow Statement for the period ending June 29, 2024

Appendix “B” – CRA Notice dated March 26, 2024

Appendix “C” – Letter from Koskie Minsky LLP dated April 2, 2024

Appendix “D” – Letter from Counsel to the Greater Toronto Airport Authority dated March 5, 2024

Appendix “E” – Letter from Counsel to various Airport Authorities dated March 28, 2024

## INTRODUCTION

1. On February 22, 2024 (“**Initial Filing Date**”), Lynx Air Holdings Corporation (“**Lynx Holdco**”) and 1263343 Alberta Inc. dba Lynx Air (“**Lynx Opco**”, together with Lynx Holdco, “**Lynx Air**” the “**Applicants**” or the “**Company**”), sought and obtained an initial order (“**Initial Order**”) by the Court of King’s Bench of Alberta (“**Court**”) to commence proceedings (“**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”).
2. The Initial Order, among other things, established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until March 4, 2024, and appointed FTI Consulting Canada Inc. as monitor (the “**Monitor**”) of the Applicants in these CCAA Proceedings;
3. On March 1, 2024, this Honourable Court granted an Amended and Restated Initial Order (the “**ARIO**”) which, among other things, provided the following relief:
  - (a) declared that the Applicants are companies to which the CCAA applies;
  - (b) authorized the Applicants to remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated including all proceeds thereof (the “**Property**”) and continue to carry on business in a manner consistent with the preservation of its business (the “**Business**”) or their Property;
  - (c) extended the Stay of Proceedings, until and including April 15, 2024, (the “**Stay Period**”), all proceedings, and remedies against the Applicants or its business or Property, except as otherwise set forth in the Initial Order or otherwise permitted by law;

- (d) granted a charge in favour of the Monitor, its legal counsel, and the Applicants' legal counsel in respect of their fees and disbursements in the amount of \$500,000 under section 11.52 of the CCAA (the "**Administrative Charge**");
- (e) granted a \$500,000 charge in favour of the Applicants' directors and officers ("**Directors' Charge**") as protection against obligations and liabilities that they may incur as directors and officers against obligations and liabilities that they may incur as directors and or officers of the Applicants after the commencement of these CCAA Proceedings;
- (f) increased the amount available to the Applicants under an interim financing term sheet ("**Term Sheet**") made as of February 21, 2024, with Indigo Northern Ventures LP (the "**Interim Lender**" or "**Indigo**") from approximately \$1.0 million (US\$750,000) to approximately \$5.0 million (as same is denominated in USD, the "**Interim Facility**") and a corresponding increase to the court-ordered priority charge on the Property of the Applicants to secure the Interim Facility (the "**Interim Lender's Charge**");
- (g) granted a charge against the Applicants' Property for a key employee retention plan ("**KERP**") in the maximum amount of \$1.2 million (the "**KERP Charge**"); and
- (h) sealed the Confidential Affidavit of Michael Woodward in accordance with the terms of a restricted court access order granted by the Court; and
- (i) declared pursuant to section 5(5) of the Wage Earner Protection Program Act (Canada), S.C. 2005, c. 47, s.1 ("**WEPPA**"), that the Applicants and their former employees meet the criteria prescribed by section 3.2 of the Wage Earner Protection Program Regulations SOR/2008-222 (the "**WEPP Regulations**") and are individuals to whom the WEPPA applies as of the date of the Initial Order.

4. Also on March 1, 2024, this Honourable Court approved a sale and investment solicitation process (“**SISP**”) and granted an Order (the “**SISP Order**”) authorizing and directing the Applicants and the Monitor to implement the SISP in accordance with the terms thereof (the “**SISP Procedures**”).
5. On April 2, 2024, this Honourable Court granted the following Orders:
  - (a) an Order (the “**Termination Approval Order**”) approving a termination agreement and mutual release (the “**Termination Agreement**”) between The Boeing Company (“**Boeing**”) and Lynx Opco in respect of Purchase Agreement No. PA-04427 (the “**Boeing Purchase Agreement**”);
  - (b) a restricted Court access Order sealing the confidential affidavit of Michael Woodward, sworn March 25, 2024, which contains an unredacted copy of the Termination Agreement;  
and
  - (c) a restricted Court access Order sealing the confidential supplement to the second Report of the Monitor dated March 27, 2024.
6. On April 9, 2024, the Applicants filed and served a notice of application returnable on April 15, 2024, seeking orders:
  - (a) authorizing the Applicants, with the approval of the Monitor, to repay the borrowings to the Interim Lender in an amount equal to the amounts owing to the Interim Lender under the Term Sheet;
  - (b) authorizing the Applicants to make further distributions to Indigo up to an amount equal to the secured obligations and amounts owing by the Applicants under the terms of the note purchase agreement dated December 20, 2018 (the “**Initial Notes**”), and the five bridge

note purchase agreements, as amended (the “**Bridge Notes**” and collectively with the Initial Notes, the “**Secured Obligations**”)

- (c) an extension of the Stay of Proceedings until and including June 28, 2024 (the “**Stay Extension**”);

(the “**April 15 Application**”).

- 7. Electronic copies of all materials filed by the Applicants in connection with the April 15 Application and other statutory materials are available on the Monitor’s website at: <http://cfcanada.fticonsulting.com/lynxair/>.

## **PURPOSE**

- 8. The Monitor has reviewed the Court materials filed by the Applicants in support of the April 15 Application. The purpose of this report (this “**Report**”) is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to the following:
  - (a) the activities of the Monitor since its second report dated March 27, 2024 (the “**Second Report**”);
  - (b) the status of the wind-down of the Applicants’ business and operations;
  - (c) the status of the SISP including discussions with specific contractual counterparties;
  - (d) the Applicants’ actual cash receipts and disbursements for the 2-week period ending on April 6, 2024, as compared to the cash flow statement presented to this Honourable Court attached to the Second Report;

- (e) the Applicants updated cash flow statement (the “**Third CFS**”) for the period of April 7, 2024, to June 28, 2024 (the “**Forecast Period**”) as well as the Monitor’s view on the reasonableness of the Cash Flow Statement and assumptions therein;
  - (f) the details of the secured and potential priority claims against the Applicants’ Property;
  - (g) the proposed distributions (the “**Proposed Distributions**”) to Indigo in respect of the Interim Facility and Secured Obligations; and
  - (h) the Monitor’s conclusions and recommendations with respect to the above.
9. This Report should be read in conjunction with the affidavits of Mike Woodward including the affidavit sworn on February 22, 2024 (the “**First Woodward Affidavit**”) and the affidavit sworn on April 8, 2024 (the “**Fourth Woodward Affidavit**”).

#### **TERMS OF REFERENCE**

10. Capitalized terms used but not defined herein have the same meaning ascribed to them in the First Woodward Affidavit, the Fourth Woodward Affidavit and the ARIIO, as the context may require.
11. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Applicants’ books and records and discussions with various parties (collectively, the “**Information**”).
12. Except as described in this Report:
- (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;



- (b) the Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and
  - (c) future oriented financial information reported or relied on in preparing this Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
13. The Monitor has prepared this Report in connection with the April 15, 2024, Application. This Report should not be relied on for other purposes.
14. Information and advice described in this Report that has been provided to the Monitor by its legal counsel, McCarthy Tétrault LLP (the “**Monitor’s Counsel**”), was provided to assist the Monitor in considering its course of action, is subject to solicitor client privilege, not intended as legal or other advice to, and may not be relied upon by, any other person.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## **BACKGROUND INFORMATION**

16. Detailed information with respect to the Applicants’ business, operations and causes of financial difficulty are described in First Woodward Affidavit.
17. Additional background information on the Applicants and the CCAA Proceedings is available on the Monitor’s Website, including the Fourth Woodward Affidavit.
18. The Applicants’ primary assets, included:
- (a) nine leased Boeing 737 MAX 8 aircraft (the “**Fleet**”) and three leased CFM LEAP-1B25 spare engines (the “**Engine Leases**” and together with the Fleet, the “**Aircraft Leases**”);

- (b) the Boeing Purchase Agreement which included 29 aircraft remaining to be delivered;
- (c) a sale and leaseback agreement between Lynx Opco and BOC Aviation Limited with respect to eight aircraft scheduled to be delivered in 2024 (the “**BOCA Aircraft**”);
- (d) an agreement between Lynx Opco and CFM International, Inc. to purchase four LEAP-1B25 engines (the “**Engine Purchase Agreement**”); and
- (e) other miscellaneous aircraft equipment and parts (the “**Miscellaneous Equipment**”).

(collectively, the “**Assets**”).

- 19. Pursuant to the Aircraft Leases the Applicants are party to lease agreements with six counterparties (the “**Lessors**”).

#### **CAPE TOWN CONVENTION**

- 20. The Monitor is aware of the Cape Town Convention (the “**CTC**”) and its Aircraft Protocol (the “**Protocol**”). The CTC is an international treaty intended to standardize transactions involving movable property including high-value aviation assets, namely airframes, aircraft engines and helicopters which, by their nature, have no fixed location. The Aircraft Leases fall within the CTC and Protocol.
- 21. Canada ratified the CTC in December 2012, and the treaty came into effect on April 1, 2013, including the province of Alberta. Canada has declared applicable Alternative A under Article XI of the Protocol (remedies on insolvency) (“**Alternative A**”). Canada has implemented the treaty, including Alternative A, on a federal level through an Act to implement the CTC on International Interests in Mobile Equipment and the Protocol to the CTC on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment of 14 December 2012 (the “**CTC Implementation Act**”).

22. Alternative A sets out a 60-day waiting period (“**Waiting Period**”) with respect to the Fleet and the Aircraft Leases whereby the Applicants would have 60 days to either:
- (a) cure all defaults and agree to perform future obligations under the Aircraft Leases; or
  - (b) come to a consensual agreement with the Aircraft Lessors.
23. The Applicants’ Waiting Period expires on April 22, 2024.

### **ACTIVITIES OF THE MONITOR**

24. The Monitor’s activities since the Second Report include the following:
- (a) monitoring the Applicants’ finances (including cash flows) and operations;
  - (b) participating in numerous discussions with the Applicants and the Lessors to conduct and carry out the SISP;
  - (c) continuing to administer the WEPPA claims process in consultation with the Applicants human resource and payroll departments;
  - (d) assisting the Applicants in preparing the Third CFS; and
  - (e) responding to inquiries from suppliers and creditors who contacted the Monitor in connection with these CCAA Proceedings.

### **STATUS OF OPERATIONS AND BUSINESS**

#### **Operations**

25. As described in the First Report, upon granting of the Initial Order the Applicants commenced an expedited wind-down of flight operations which included operating scheduled flights for a period

of four days, from the Initial Filing Date to the end of day on February 25, 2024 (the “**Operating Period**”).

26. As of the date of this Report the Applicants continue the wind-down of operations including reconciling final accounts with vendors which provided services during the Operating Period and correspondence with counterparties that held security in the form of deposits and letters of credit to either effectuate the return of the collateral or release the security to vendors.

### **Employees**

27. As of the date of this Report approximately 15 employees remain to assist with the administration of the SISP, the continued wind-down of the business and the administration of the CCAA Proceedings.
28. As described in the Second Report, upon their termination employees were provided with directions on how to receive a copy of their record of employment from Service Canada and made aware of the WEPPA.
29. On March 13, 2024, within the timeline prescribed by the WEPP Regulations, the Monitor provided eligible employees with an instruction letter (“**WEPPA Instruction Letter**”) setting out the Applicants’ calculation of eligible wages owed under WEPPA and instructions on how to submit claims with Service Canada.
30. The following summarizes the Monitor’s status of WEPPA claims administered to date:
  - (a) sent 477 WEPPA Instruction Letters to eligible employees;
  - (b) 432 eligible employees have submitted a proof of claim (“**WEPPA Proofs of Claim**”) to the Monitor in accordance with the WEPPA Instruction Letter and in accordance with the requirements under WEPPA; and

- (c) the Monitor has reviewed the WEPPA Proofs of Claim received to date and has submitted 432 WEPPA Proofs of Claim to Service Canada for processing. The Monitor continues to review and process claims as received from eligible employees.

**Customer Refunds**

31. Elavon Canada Company (“**Elavon**”) is the Company’s credit card processing company. Elavon previously advised that it, in consultation with the Applicants, needed to complete a reconciliation and understand the magnitude of customer refunds and chargebacks prior to releasing any funds to the Applicants. The Applicants estimate that approximately \$3.0 million in revenue was generated in the Operating Period.
32. The Applicants and Elavon attempted to engage with Sabre Corporation (which was the Applicants’ provider of air bookings services) to assist with processing customer refunds, however, to date, Sabre has indicated that it is not willing to engage in these efforts. As a result, it is expected that customers will have to contact their credit card providers to submit chargebacks. This will result in an extended process and increased fees charged to the Applicants.
33. The Applicants, with the assistance of the Monitor, and Elavon continue to engage in discussions to determine if an alternative method can be achieved to refund customers.

**STATUS OF THE SISP**

34. This Honourable Court granted the SISP Order on March 1, 2024. For ease of reference, a summary of the key dates pursuant to the SISP are as follows:

<b>Event</b>	<b>Target Date</b>
Approval of the SISP and Bidding Procedures by the Court	March 1, 2024
Monitor and Lynx Air to create list of Pre-Qualified Known Potential Bidders	March 1, 2024

Monitor to prepare and have available for Potential Bidders the Data Room	By no later than March 4, 2024
Monitor to distribute Teaser and NDAs to Pre-Qualified Known Potential Bidders	By no later than March 8, 2024
Binding Bid Deadline	By no later than April 1, 2024, at 5:00 p.m.
Auction (if required)	By no later than April 5, 2024, at 5:00 p.m.
Definitive documentation	By no later than April 7, 2024
Approval Application – Successful Bid(s), if required	By no later than April 10, 2024
Outside Date - Closing	April 12, 2024

**The Boeing Termination Agreement**

35. On March 21, 2024, the Applicants and Boeing executed the Termination Agreement in respect of the Boeing Purchase Agreement.
36. On April 2, 2024, this Honourable Court granted the Termination Approval Order approving the Termination Agreement and on April 3, 2024, the Applicants received the amount payable under the Termination Agreement from Boeing.

**Aircraft Leases**

37. As described in the Second Report, certain Lessors expressed concern about disclosing the commercial terms of their respective Aircraft Leases to other aircraft lessors. Therefore, it was determined that only airline carriers would be permitted to participate in the SISF with respect to the Aircraft Leases.
38. Since the date of the SISF Order, the Applicants, in consultation with the Monitor, have had ongoing discussions with respective Lessors to determine the Lessors’ requirements to allow them to consent to disclosing their respective agreements.

39. Ultimately, the Lessors advised the Applicants and the Monitor that they intend to recover their respective aircraft pursuant to the CTC and the Protocol. The Applicants and the respective Lessors are currently discussing the details of termination agreements with respect to the Aircraft Leases and returning the aircraft to the Lessors.

**Engine Purchase Agreement and Miscellaneous Equipment**

40. The Engine Purchase Agreement relates to the future purchase of four LEAP-1B25 engines. The Applicants, with assistance of the Monitor, and with the agreement of CFM, have provided access to the Engine Purchase Agreement in the VDR.
41. As of the date of this Report Pre-Qualified Known Potential Bidders are continuing to evaluate the opportunity.
42. The Applicants, in consultation with the Monitor, are also in the process of attempting to monetize the Miscellaneous Equipment.
43. Any transaction or transactions with respect to the Engine Purchase Agreement or Miscellaneous Equipment would be subject to approval of this Honourable Court pursuant to paragraph 11(a) of the ARIO.

**BUDGET TO ACTUAL RESULTS**

44. The Applicants, in consultation with the Monitor, prepared a cash flow statement (the “**Second CFS**”) which was appended to the Second Report.
45. Actual cash flow as compared to those contained in the Second CFS for the two-week period of March 24, 2024, to April 6, 2024, are summarized below.

(C\$ 000s) For the period of March 24, 2024 to April 6, 2024	Budget to Actual 2-Week Period		
	Actual	Forecast	Variance
<b>Receipts</b>			
Revenue	\$ (0)	\$ -	\$ (0)
Other / Recovery of Deposits	96,016	4,068	91,948
<b>Total - Receipts</b>	<b>96,016</b>	<b>4,068</b>	<b>91,948</b>
<b>Disbursements</b>			
Payroll and employee related obligations	(127)	(139)	12
SG&A expense	(76)	(320)	244
Operating costs	(43)	(28)	(15)
Fleet relocation recovery	(17)	-	(17)
Professional fees	(650)	(542)	(108)
PDP Commitment fees	-	-	-
KERP	-	-	-
Airport Improvement Fees	(0)	-	(0)
Maintenance reserves	(85)	(68)	(18)
Interim Facility - Interest and fees	-	(25)	25
Air Travellers Security Charge	-	-	-
Lease payments / deferrals	-	-	-
<b>Total - Disbursements</b>	<b>(998)</b>	<b>(1,121)</b>	<b>123</b>
<b>Net change in cash</b>	<b>95,018</b>	<b>2,946</b>	<b>92,071</b>
Opening cash	2,060	2,060	-
Interim Facility - Draw (repayment)	-	-	-
<b>Ending Cash</b>	<b>\$ 97,078</b>	<b>\$ 5,007</b>	<b>\$ 92,071</b>
<b>Interim Facility</b>			
Opening	\$ 1,013	1,013	\$ -
Draw (repayment)	-	-	-
<b>Ending Interim Facility</b>	<b>\$ 1,013</b>	<b>\$ 1,013</b>	<b>\$ -</b>

46. The variances in actual receipts and disbursements are primarily due to the following:

- (a) Other receipts were higher than anticipated due to the proceeds resulting from the Boeing Termination Agreement, timing of the return of prepayment amounts for the Operating Period and letters of credit or deposits that exceeded the amount owed to such parties and other refunds expected to be collected including fuel tax refunds from the Government of British Columbia;
- (b) lower than anticipated disbursements of approximately \$0.1 million primarily related to the following:



- lower than anticipated SG&A expense which is partially relating to the timing and payment of expenses;
- professional fees were slightly higher than anticipated in the period, however, overall, professional fees have been generally in line with forecast; and
- Interest and fees on the Interim Facility were not paid in the period and are expected to be paid upon the repayment of the Interim Facility.

## CASH FLOW STATEMENT

47. The Applicants, with the assistance of the Monitor, have prepared the Third CFS to set out the liquidity requirements of the Applicants during the Forecast Period. The Third CFS and management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA are attached hereto as Appendix "A". The Third CFS is summarized in the following table:

(C\$ 000s) For the period of April 7, 2024 to June 29, 2024	Forecast 12 Week
	Total
<b>Receipts</b>	
Revenue	\$ -
Other / Recovery of Deposits	3,641
<b>Total - Receipts</b>	<b>3,641</b>
<b>Disbursements</b>	
Payroll and employee related obligations	(483)
WEPP Priority Claim	(1,000)
SG&A expense	(1,808)
Operating costs	(59)
Professional fees	(1,765)
KERP	(1,179)
Maintenance reserves	(14)
Interim Facility - Interest and fees	(180)
Air Travellers Security Charge	(261)
Other and contingency	(2,908)
Lease payments / deferrals	-
<b>Total - Disbursements</b>	<b>(9,658)</b>
<b>Net change in cash</b>	<b>(6,016)</b>

48. The Third CFS indicates that during the Forecast Period (period ending on June 29, 2024), the Applicants will have negative net cash flow of approximately \$6.0 million comprising cash receipts of approximately \$3.6 million less total disbursements of \$9.7 million.
49. The Third CFS is based on the following key assumptions:
- (a) No revenue receipts in the Forecast Period. Reconciliation efforts with Elavon with respect to the post-filing period are ongoing, but the quantum and the timing of collection of the remaining receipts is uncertain;
  - (b) Other receipts include collection of fuel tax rebates for periods prior to the Initial Filing Date, recovery of certain prepayments that were made during the Operating Period after completion of the reconciliation of accounts and recovery of certain deposits on account;
  - (c) Payroll and employee related obligations includes estimated amounts for remaining employees required to assist in the CCAA Proceedings;
  - (d) WEPP Priority Claim (as defined below) based on the calculation of Service Canada's subrogated super-priority claim;
  - (e) SG&A expense includes directors and officers run-off insurance premiums, IT and ongoing software costs to maintain access to the Applicants systems, and other costs associated with the Applicants office required during the CCAA Proceedings;
  - (f) Operating costs relating to remaining amounts expected to be paid for the Operating Period;
  - (g) Professional fees including the Monitor, the Monitor's Counsel, the Applicants' counsel and counsel to the Interim Lender;
  - (h) KERP includes payments to employees as previously approved by this Honourable Court;

- (i) Maintenance reserves owing to the last Lessor for the Operating Period;
- (j) Interest and fees owing on the Interim Facility pursuant to the Term Sheet;
- (k) Air Traveller's Security Charge based on the final reconciliation of amounts owed;
- (l) Other and contingency includes amounts for potential CRA claims, reserve for lower amounts realized from the return of deposits and letters of credit, fuel tax refunds and contingencies;
- (m) the Monitor notes that no amounts are contemplated to be paid to the Aircraft Lessors under the Aircraft Leases during the Waiting Period. The Applicants expect to return the Fleet and Engines Leases to the respective Lessors; and
- (n) the Applicants intend to repay the amounts outstanding under the Interim Facility from cash on hand in accordance with Term Sheet.

**Monitor's Comments on the Cash Flow Statement**

- 50. Section 23(1)(b) of the CCAA states that the Monitor shall, "review the company's cash-flow statement as to its reasonableness and file a report with the court on the Monitor's findings".
- 51. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:
  - (a) the Third CFS has been prepared by management of the Applicants for the purpose described in the notes to the Third CFS, using the probable assumptions and the hypothetical assumptions set out therein; and

- (b) the Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Applicants. Since hypothetical assumptions need not be supported, the Monitor’s procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the Third CFS. The Monitor has also reviewed the information provided by Management in support of the probable assumptions and the preparation and presentation of the Third CFS;
- (c) Based on its review, and as at the date of this Report, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
- the hypothetical assumptions are not consistent with the purpose of the Third CFS;
  - the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Third CFS, given the hypothetical assumptions; or
  - the Third CFS does not reflect the probable and hypothetical assumptions.

52. Since the Third CFS 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, the Monitor expresses no assurance as to whether the Third CFS will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Monitor in preparing this Report.

53. The Third CFS has been prepared solely for the purpose of estimating liquidity requirements of the Applicants during the Forecast Period. The Third CFS should not be relied upon for any other purpose.

**DETAILS OF SECURED AND POTENTIAL PRIORITY CLAIMS**

54. The Monitor is aware of the following secured claims, charges or other claims that are owed by the Applicants, either pursuant to statute, or which have been asserted against the Property.

**Indigo Secured Claims**

55. Indigo has the following secured claims against the Applicants’ Property:
- (a) the amount owing under the Interim Facility in the amount of approximately \$1.0 million which is anticipated to be repaid by the Applicants from cash on hand in accordance with the Term Sheet;
  - (b) the Secured Obligations of approximately \$71.2 million plus accrued interest and fees of \$21.9 million owing under the terms of the Initial Notes and approximately \$42.4 million plus accrued interest and fees owing of approximately \$4.7 million under the terms of the Bridge Notes.

<b>Secured Obligations (C\$ 000s)</b>	
Initial Notes	\$ 71,242
Initial Notes accrued interest	21,877
Bridge Notes	42,426
Bridge Notes accrued interest	4,744
<b>Total - Secured and Priority Claims</b>	<b>\$ 140,289</b>

**Canada Revenue Agency**

56. On March 26, 2024, the CRA delivered a notice to the Applicants that it was completing an audit of GST/GST returns for the period from October 1, 2021, to February 22, 2024. A copy of the notice from the CRA is attached hereto as Appendix “B”.
57. As of the date of the Report the Applicants and the Monitor are not aware of the CRA asserting a deemed trust claim against the Property.

### **Wage Earner Protection Program**

58. As described above, former employees that were terminated during the CCAA Proceedings were not paid severance and/or termination pay. Additionally, employees that were terminated were not paid vacation pay that accrued prior to the Initial Filing Date.
59. The Applicants, in consultation with the Monitor, determined that a total of approximately \$1.4 million was owed to former employees for unpaid vacation and a total of \$1.4 million for severance and termination pay, which are considered eligible wages under the WEPP (the “**WEPP Claims**”).
60. Pursuant to section 81.4(4) of the *Bankruptcy and Insolvency Act*, the WEPP Claims are secured against the Applicants’ current assets to the extent of \$2,000 per employee for wages and compensation (including vacation pay, but excluding severance and termination pay).
61. The Applicants have not yet received a statement from Service Canada asserting a subrogated priority claim (“**WEPP Priority Claim**”) related to the unpaid vacation pay portion of the WEPP Claims. However, the Monitor estimates the WEPP Priority Claim to be approximately \$1.0 million.
62. On April 2, 2024, the Monitor received a letter from Koskie Minsky LLP in its capacity as counsel to CUPE as the bargaining agent for and on behalf of former cabin crew employees that it disagreed with the calculation of the termination and severance pay and that it intended to bring a motion before the Court for an order lifting the Stay of Proceedings. A copy of the letter is attached as Appendix “C”. The Monitor is considering the matters raised by CUPE and anticipates it will reply to CUPE, through its counsel, in the near future.
63. The Monitor notes that the positions articulated by CUPE in the above-noted letter do not impact the quantum of the WEPP Priority Claim inasmuch as severance and termination pay are not included in the definition of ‘compensation’ under 81.4(4) of the *Bankruptcy and Insolvency Act*.

### **Trust Claims for Airport Improvement Fees**

64. On March 5, 2024, the Applicants received notice from counsel to the Greater Toronto Airport Authority (the “GTAA”) asserting a trust claim for unpaid AIF (the “GTAA AIF Claim”) pursuant to an agreement between the Lynx Opco and the GTAA for periods prior to the Initial Filing Date. A copy of the notice is attached as Appendix “D”.
65. On March 28, 2024, the Applicants received notice from counsel to Vancouver Airport Authority, Calgary Airport Authority, Edmonton Regional Airport Authority, Winnipeg Airport Authority Inc. and Halifax International Airport Authority asserting trust claims (the “Airport Authorities AIF Claims” and together with the GTAA AIF Claim, the “AIF Claims”) for unpaid AIF pursuant various agreements for periods prior to the Initial Filing Date. A copy of the notice is attached as Appendix “E”.
66. The Applicants are currently reviewing and determining next steps with respect to the AIF Claims asserted in the notices above and will report to this Honourable Court further when appropriate. The Monitor notes that in the interim the Applicants have maintained sufficient funds for the full amount of outstanding AIF Claims based on its records.

### **Security Opinion**

67. The Monitor’s Counsel reviewed the Note Purchase Agreement, Note Guarantee, Note General Security Agreement, the First through Fifth Bridge Note Guarantee, and the First through Fifth Bridge Note General Security Agreement, and opined that, subject to standard qualifications and assumptions, all reviewed documents constitute legal, valid and enforceable obligations of the applicable obligors thereunder and the security interests governed by the *Personal Property Security Act* (Alberta) have been duly perfected in the Province of Alberta by registration of financing statements with the Alberta Personal Property Registry.

68. Other than the parties referenced above and the Aircraft Lessors, no other party has contacted the Applicants or the Monitor asserting a claim in priority to Indigo and the Monitor is not aware of any other party asserting priority to the Indigo, or any party that would be entitled to do so.

## **RELIEF SOUGHT BY THE APPLICANTS**

### **Proposed Distributions**

69. Given the realization of the Property is substantially complete, the Applicants do not anticipate the recoveries from any remaining transactions will be sufficient to repay the Secured Obligations in full.

70. As detailed above the Applicants currently have approximately \$97.1 million of cash on hand.

71. The Applicants are proposing to reserve certain amounts for:

- (a) the estimated net remaining funds to administer the estate as set out in the Third CFS;
- (b) the AIF Claims, and
- (c) pending resolution or determination such other potential priority claims (the “**Reserve**”).

72. The Proposed Distributions, subject to approval of this Honourable Court, would authorize the Applicants to make distributions, upon receiving the consent of the Monitor, to Indigo up to the amount of the Secured Obligations, without further Order of this Honourable Court.



73. The table below sets out the Proposed Distributions to Indigo, subject to the Reserve. Any residual amounts from the Reserve, up to the amount of the Secured Obligations, are proposed to be distributed to Indigo. The table illustrates that Indigo is anticipated to experience a shortfall on the Secured Obligations of approximately \$57.1 million.

<b>Proposed Distributions (C\$ 000s)</b>	
Opening cash as at April 7, 2024	\$ 97,078
Net change in cash during the Forecast Period	(6,016)
Repayment of Interim Facility	(1,013)
Reserve for AIF Claims	(6,879)
<b>Total - Proposed Distributions</b>	<b>83,170</b>
Secured Obligations	(140,289)
<b>Shortfall</b>	<b>\$ (57,119)</b>

74. The Monitor supports the Applicants’ application to make the Proposed Distributions to Indigo because the Proposed Distributions are being made to Indigo in its capacity as senior secured creditor and its corresponding entitlement to receive the Proposed Distributions.

75. It is projected that Indigo will incur a shortfall of at least \$57.1 million. There are no other secured creditors or claimants with claims against the Applicants that rank in priority to, or potentially in priority, to the secured claim of Indigo (other than, potentially, the WEPP Priority Claim and AIF Trust Claims, both of which have been reserved).

76. The First Woodward Affidavit attaches a copy of a Noteholders’ and Shareholders’ Agreement as Exhibit 37 which has been amended from time to time, up to and including Amendment No. 7 to the Noteholders’ and Shareholders’ Agreement dated as of February 7, 2024 (collectively, the “NSA”).

77. Article 13 of the NSA provides, in certain circumstances, that repayment of Notes requires a *pro rata* repurchase, redemption or purchase for cancellation of all Common Shares. In this regard, the Monitor notes that Lynx, owing to its insolvency, is unable to repurchase, redeem or purchase

for cancellation any of the Common Shares pursuant to the NSA even if the Proposed Distributions are approved by the Court and made by the Applicants.

### **Extending the Stay Period**

78. The Applicants are seeking an extension to the Stay Period up to and including June 28, 2024. The Monitor has considered the Applicants' application for the extension of the Stay of Period, and has the following comments:
- (a) based on the Third CFS the Applicants are projected to have sufficient available liquidity to fund its ongoing obligations and the costs of the CCAA Proceedings during the term of the proposed extension of the Stay of Proceedings after considering the Reserve;
  - (b) there will be no material prejudice to the Applicants' creditors and other stakeholders resulting from the extension of the Stay of Period;
  - (c) the Applicants are continuing to act in good faith and with due diligence; and
  - (d) the proposed extension of the Stay of Period will provide sufficient time for the Applicants to potentially realize more value for the Applicants stakeholders through the continued efforts to monetize the Engine Purchase Agreement and Miscellaneous Equipment.

### **CONCLUSIONS AND RECOMMENDATIONS**

79. The Monitor supports the relief being sought by the Applicants, and recommends this Honourable Court approve:
- (a) the Applicants' request for authorization to make a distribution to the Interim Lender in an amount equal to the amounts owing to the Interim Lender under the Term Sheet;
  - (b) the Applicants' request for authorization to make the Proposed Distributions to Indigo; and

- (c) the Applicants' request for an extension to the Stay of Period up to and including June 28, 2024.

All of which is respectfully submitted this 11th day of April 2024.

FTI Consulting Canada Inc.,  
Licensed Insolvency Trustee in its capacity as  
Monitor of Lynx Air and not in its personal or  
corporate capacity.



Name: Deryck Helkaa, CPA, CA, CIRP, LIT  
Title: Senior Managing Director  
FTI Consulting Canada Inc.



Name: Dustin Olver, CPA, CA, CIRP, LIT  
Title: Senior Managing Director  
FTI Consulting Canada Inc.

Third Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air

## **Appendix “A” – Cash Flow Statement for the period ending June 29, 2024**

Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air  
Consolidated Cash Flow Statement  
For the period of April 7, 2024 to June 29, 2024

(C\$ 000s)													Forecast
For the period of April 7, 2024 to June 29, 2024	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	12 Week
	13-Apr	20-Apr	27-Apr	4-May	11-May	18-May	25-May	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	Total
<b>Receipts</b>													
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other / Recovery of Deposits	220	1,087	1,080	-	-	-	-	-	-	-	-	1,255	3,641
<b>Total - Receipts</b>	<b>220</b>	<b>1,087</b>	<b>1,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,255</b>	<b>3,641</b>
<b>Disbursements</b>													
Payroll and employee related obligations	(30)	(104)	-	(116)	-	(58)	-	(58)	-	(58)	-	(58)	(483)
WEPP Priority Claim	-	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
SG&A expense	(126)	(120)	(120)	(1,347)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(1,808)
Operating costs	(59)	-	-	-	-	-	-	-	-	-	-	-	(59)
Professional fees	-	(695)	-	-	-	(620)	-	-	-	(450)	-	-	(1,765)
KERP	-	-	-	(1,179)	-	-	-	-	-	-	-	-	(1,179)
Maintenance reserves	(14)	-	-	-	-	-	-	-	-	-	-	-	(14)
Interim Facility - Interest and fees	-	-	(180)	-	-	-	-	-	-	-	-	-	(180)
Air Travellers Security Charge	-	-	-	(261)	-	-	-	-	-	-	-	-	(261)
Other and contingency	-	-	-	-	-	-	-	-	-	-	-	(2,908)	(2,908)
Lease payments / deferrals	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total - Disbursements</b>	<b>(229)</b>	<b>(919)</b>	<b>(301)</b>	<b>(2,904)</b>	<b>(12)</b>	<b>(690)</b>	<b>(12)</b>	<b>(70)</b>	<b>(12)</b>	<b>(520)</b>	<b>(12)</b>	<b>(3,978)</b>	<b>(9,658)</b>
<b>Net change in cash</b>	<b>(10)</b>	<b>168</b>	<b>779</b>	<b>(2,904)</b>	<b>(12)</b>	<b>(690)</b>	<b>(12)</b>	<b>(70)</b>	<b>(12)</b>	<b>(520)</b>	<b>(12)</b>	<b>(2,723)</b>	<b>(6,016)</b>
Opening cash	97,078	97,068	97,236	97,003	94,099	94,087	93,397	93,385	93,316	93,304	92,784	92,772	97,078
Interim Facility - Draw (repayment)	-	-	(1,013)	-	-	-	-	-	-	-	-	-	(1,013)
<b>Ending Cash</b>	<b>\$ 97,068</b>	<b>\$ 97,236</b>	<b>\$ 97,003</b>	<b>\$ 94,099</b>	<b>\$ 94,087</b>	<b>\$ 93,397</b>	<b>\$ 93,385</b>	<b>\$ 93,316</b>	<b>\$ 93,304</b>	<b>\$ 92,784</b>	<b>\$ 92,772</b>	<b>\$ 90,049</b>	<b>\$ 90,049</b>
<b>Interim Facility</b>													
Opening	\$ 1,013	\$ 1,013	\$ 1,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013
Draw (repayment)	-	-	(1,013)	-	-	-	-	-	-	-	-	-	(1,013)
<b>Ending Interim Facility</b>	<b>\$ 1,013</b>	<b>\$ 1,013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



Per: Mike Woodward, CFO  
Lynx Air

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LYNX AIR HOLDINGS CORPORATION and 1263343 ALBERTA INC. dba LYNX AIR**

Notes and Assumptions to the Cash Flow Statement

For the period of April 7, 2024, to June 29, 2024 (the “**Forecast Period**”)

---

Disclaimer:

This cash flow statement (the “**Cash Flow Statement**”) has been prepared using unaudited financial information and the Monitor has not attempted to further verify the accuracy or completeness of such information.

The Cash Flow Statement is based on the probable and hypothetical assumption identified below.

Since the Cash Flow Statement is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast Period will vary from the Cash Flow Statement, and such variation may be material. There is no representation, warranty or other assurance that any of the assumptions or estimates used in the Cash Flow Statement will be realized.

**Overview:**

The Cash Flow Statement includes estimated receipts and disbursements of Lynx Air during the Forecast Period. Lynx Air, with the assistance of FTI Consulting Canada Inc., in its capacity as Monitor, have prepared the Cash Flow Statement based primarily on estimated receipts and disbursements related to the CCAA proceedings. Receipts and disbursements are denominated in Canadian dollars (the foreign exchange conversion rate used to convert USD to CAD is 1.35).

1. **Revenue:** Lynx Air and Elavon are working diligently to reconcile the amounts owed during the Operating Period including initiating refunds or chargebacks to customers for cancelled flights. No amounts are anticipated to be collected during the Forecast Period;
2. **Other / Recovery of Deposits:** Other receipts include collection of fuel tax rebates for periods prior to the Initial Filing Date, recovery of certain prepayments that were made during the Operating Period after completion of the reconciliation of accounts and recovery of certain deposits on account;
3. **Payroll and employee related obligations:** includes estimated amounts for remaining employees required to assist in the administration of the CCAA Proceedings
4. **WEPP Priority Claim:** based on the calculation of Service Canada’s subrogated super-priority claim;

5. **SG&A expense:** includes, among other things, directors and officers run-off insurance premiums, information technology and software licenses to maintain access to the Applicants systems, bank fees and other miscellaneous costs;
6. **Operating costs:** remaining operating costs incurred during the Operating Period and reconciliation with vendors for post-filing amounts;
7. **Professional fees:** represents the fees and costs of the Monitor, the Monitor's Counsel, the Applicants' counsel and counsel to the Interim Lender;
8. **KERP:** relates to a retention plan proposed to be paid to key employees and executives for their assistance during the CCAA Proceedings, previously approved by this Honourable Court;
9. **Maintenance reserves:** represents remaining prorated amounts owing under the Aircraft Leases for the period after the Initial Filing Date and during the Operating Period;
10. **Interim Facility – interest and fees:** represents interest payable under the Interim Facility;
11. **Air Travellers Security Charge:** based on the final reconciliation of amounts owed;
12. **Other and contingency:** includes amounts for potential CRA claims, reserve for lower amounts realized from the return of deposits and letters of credit, fuel tax refunds and contingencies;
13. **Lease payments / deferrals:** no amounts are contemplated to be paid to the Aircraft Lessors under the Aircraft Leases during the Waiting Period (other than pro-rated maintenance reserves after the date of the Initial Order); and
14. **Interim Facility:** as at the date of this Report approximately \$1.0 million has been drawn under the Interim Facility and is expected to be repaid, subject to approval from the Court.

Third Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air

## **Appendix “B” – CRA Notice dated March 26, 2024**





Canada Revenue  
Agency

Agence du revenu  
du Canada

PROTECTED B

March 26, 2024

1263343 Alberta Inc.  
3215 12<sup>th</sup> Street NE  
Calgary AB T2E 7S9

Dear Michael Woodward:

**Subject: Computer Audit Assistance – GST Audit**  
**Audit Period – October 1, 2021 to February 22, 2024**  
**Business Number: 84054 1767 RT0001**  
**Case Number: 48644061**

Further to our conversation on March 26, 2024, we are confirming the information required to proceed with the retrieval of your electronic books and records in relation to a GST/HST audit being conducted by Kim McLean (initial letter dated March 21, 2024).

The Excise Tax Act and the Income Tax Act requires every person who keeps records electronically to retain them in an electronically readable format for the retention period as set out for paper books and records. The legislative sections that state as such are as follows:

- Subsection 230(4.1) of the Income Tax Act
- Subsection 286(3.1) of the Excise Tax Act

*Information Circular 78-10R5 Books and Records Retention/Destruction* provides information and guidance in relation to maintaining records. A copy of this Circular is available from our website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

In the context of 1263343 Alberta Inc. recent filing for protection under the Companies' Creditors Arrangement Act (CCAA). This development necessitates a thorough verification of the amounts claimed on your GST/HST returns, specifically focusing on Input Tax Credits (ITCs), which may be subject to eligibility criteria based on the payment status (Paid vs. Unpaid) of the related expenses.

As such, it is your responsibility to provide us with the documents requested below:

- Aged Accounts Payable Listing (AAPL) as of CCAA Filing Date:
  - a. The outstanding AAPL, ideally showing a tax-embedded balance. Our understanding is that most systems can generate this data accordingly.
  - b. This listing should detail transactions on a per-transaction basis rather than summarized by vendor, to enable precise review.
  - c. Each transaction listed must share a common field with the General Ledger

Canada

d. A sample AAPL is attached “**Appendix 1 - Sample Aged Accounts Payable Listing (AAPL)**”

- Trial Balances for Sept. 30/2021, Sept. 30/2022, Sept. 30/2023, and Feb. 22/2024,
- General Ledger Detailed Transaction File for the entire fiscal-years ending Dec Sept. 30/2022, Sept. 30/2023, and stub Oct. 01/2023 – Feb. 22/2024,
- Vendor Master,
- Customer Master,
- Chart of Accounts – including all segments and description,
- Accounts Payable (A/P) Journal Detail Transaction File.

The electronic records you provide to us must contain sufficient detail to form an audit trail from the financial statements/corporate tax return/GST return to the source documents and enable us to determine the correct amount of taxes payable. To assist you in providing electronic books and records that meet these minimum requirements, we have enclosed a document entitled **Appendix 2 - GENERIC REQUEST FOR ELECTRONIC DATA**. Please note that this is for reference only and some of the information will not be applicable to your software and/or company.

To facilitate reconciliation of the electronic data to the GST returns, financial statements and the corporate tax return/s filed, we also request, if available, the following documentation:

- GST/HST Excel Monthly Working Papers supporting how the GST return amounts were derived,
- Adjusting Journal Entries (if not contained in the electronic records), and
- Grouping Schedule/s and/or financial working papers (used for reconciling the trial balance/s to the corporate tax return/s)
- If you utilize a reporting tool to produce year-end financials (i.e. Hyperion, BOARD, Cognos, Adaptive Insights, etc), please provide the following:
  - Comment on how 365 data flows/maps to the reporting tool
  - Soft copy of mapping 365 accounts to reporting tool accounts
  - Soft copy of year-end adjustments made in the reporting tool

A copy of your electronic data may be transferred to CRA using the following:

- “Submit Documents”, which may be accessed through “My Business Account” (MyBA) or “Represent a Client” (RAC). Information on “Submit Documents” may be found on CRA’s website at <https://www.canada.ca/en/revenue-agency/services/e-services/submit-documents-online.html>. “Submit Documents” may be used to securely transmit your electronic data through the Internet to CRA. Please note that you will need to enter the following case number **48644061** before you can successfully send the documents.

If the above option is not possible or convenient, you may consider sending the data via registered mail. It is the CRA’s policy not to solicit taxpayers to send electronic accounting data via external mail. If you choose to send the data by mail or courier, you are solely responsible until the data is received by CRA. You are also responsible to ensure that the

data provided to CRA is a copy of your data, and not the original data files. If you choose to send the data by mail or courier, we strongly recommend that you encrypt and password-protect your data using encryption software with AES256 encryption level (i.e: Winzip). Please contact the undersigned at the number below to provide the encryption password.

Regardless of the method chosen, the data must be received no later than **April 10, 2024**.

We thank you for your co-operation and assistance during this part of the audit. If you have any questions, please call me at 403-836-3974. My team leader, Avinash Chandra, may also be reached at 587-338-9991.

Yours truly,

2024-03-26

 X Scott Winkel

Scott Winkel

Signed by: WINKEL SCOTT

Scott Winkel  
Digital Compliance & Audit Support Division  
Canada Revenue Agency

Enclosures

Telephone: (403) 836-3974  
Fax: (604) 951-5664  
Mailing: Canada Revenue Agency  
Attention: Scott Winkel  
DCASD, HCATSO  
9755 King George Boulevard  
Surrey, BC V3T 5E1

Third Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air

## **Appendix “C” – Letter from Koskie Minsky LLP dated April 2, 2024**



April 2, 2024

**Andrew J. Hatnay**  
Direct Dial: 416-595-2083  
Direct Fax: 416-204-2872  
[ahatnay@kmlaw.ca](mailto:ahatnay@kmlaw.ca)

**Via E-mail**

McCarthy Tétrault LLP  
Suite 4000, 421-7th Avenue S. W.  
Calgary, Alberta T2P 4K9

**Attention: Justin Turc**

Dear Mr. Turc:

**Re: *In the Matter of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air*, Court File No. 2401-02664**

**CUPE Cabin Crew Members Bargaining Unit  
Undercalculation of Cabin Crew Severance Amounts for WEPPA Process  
Our File No. 16407-240298**

We have reviewed your letter dated March 25, 2024 with our clients.

We do not agree with your proposition that the financial liquidity crisis of Lynx Air prior to it seeking protection from its creditors under the CCAA and the sudden mass termination of its 246 cabin crew employees without prior notice nor pay in lieu of notice, disentitle the employees to a claim in respect of mass termination severance under section 212 of the Canada Labour Code, R.S.C. 1985, c. L-2 (the "*Code*"), and thus a claim in respect of that amount under the WEPPA program.

We maintain the Monitor's calculations of each employees' severance claim is too low, and for some employees, the amount of their claims appear to be even below their entitlement under common law notice, which would still apply even if the mass termination provision under the *Code* are ultimately held not to.

The Monitor's exclusion of the mass termination provisions as well as an amount based on common law notice has the effect of depriving the terminated employees of their full entitlements under WEPPA, which the employees urgently need in the circumstances of their job losses.

We also disagree with your statement that the employment data of the Union members is not required to be provided to CUPE to discharge its duty of representation of its members. As we explained in our previous correspondence dated March 12, 2024, cases have held that privacy

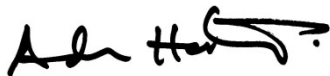
rights of the Union members are partially superseded by the rights of their Union, who those employees chose as their representative. CUPE is entitled to the employment and compensation data of its members, which CUPE requires so it can verify each of their members' severance calculations and ensure that they receive their full entitlement under WEPPA and for any future claims process. The refusal to provide the Union member data is obstructing the Union in its representation of its members.

Given the impasse with the Monitor on the above issues, our client wishes to bring the matter of: (i) the request of the members' employment and compensation data; and (ii) the applicable law to apply to the employees' mass termination entitlements, before the Canada Industrial Relations Board (the regulatory body that administers the *Code*; the "CIRB") for a determination.

We expect that this will require bringing a motion before the Court for an order lifting the CCAA stay of proceedings to facilitate the CIRB hearing. We have contacted the Court office who have advised that the Court has availability over the next few weeks for the lift stay motion.

Please advise that you will not oppose the lift stay motion and if so, the motion can proceed unopposed and efficiently. We will coordinate with you to schedule the hearing before the CIRB.

Yours truly,  
**KOSKIE MINSKY LLP**



Andrew J. Hatnay  
AJH/vdl

cc. Clients  
Abir Shamim, *Koskie Minsky LLP*

## **Appendix “D” – Letter from Counsel to the Greater Toronto Airport Authority dated March 5, 2024**

Osler, Hoskin & Harcourt LLP  
Box 50, 1 First Canadian Place  
Toronto, Ontario, Canada M5X 1B8  
416.362.2111 MAIN  
416.862.6666 FACSIMILE

OSLER

Toronto

March 5, 2024

Shawn Irving  
Direct Dial: 416.862.4733  
sirving@osler.com

Montréal

**Sent by Electronic Mail** (rvandemosselaer@osler.com)

Calgary

Osler, Hoskin & Harcourt LLP  
Suite 2700, Brookfield Place  
225 – 6th Avenue S.W.  
Calgary, Alberta T2P 1N2

Ottawa

Vancouver

New York

Dear Mr. Van de Mosselaer:

**In the Matter of a Plan of Compromise or Arrangement of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air – Airport Improvement Fee Trust**

We act for the Greater Toronto Airports Authority (the “GTAA”). We are aware that on February 22, 2024, Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air (collectively “Lynx Air”) sought and obtained an initial order (as subsequently amended and restated, the “ARIO”) under the *Companies’ Creditors Arrangement Act* (“CCA”).

As you may know, 1263343 Alberta Inc. (dba Lynx Air) and the GTAA are parties to the Greater Toronto Airports Authority Airport Improvement Fee Agreement (the “AIF Agreement”), dated January 1, 2023. The AIF Agreement sets out, among other things, the requirement that the Airport Improvement Fee (“AIF”) charged by the GTAA to Enplaned Passengers (as defined in the AIF Agreement) be collected and held by Lynx Air on behalf of GTAA and remitted back to the GTAA.

Paragraph 2.1.1(c) expressly provides that the AIF collected on behalf of the GTAA by Lynx Air are funds or revenues belonging to the GTAA and not Lynx Air. Moreover, Lynx Air is expressly required to hold the AIF in trust for the benefit of the GTAA. As such, the AIF collected by Lynx Air from Enplaned Passengers represent trust funds that do not form part of the debtor’s Property (as that term is defined in the ARIO) and cannot be distributed to Lynx’s creditors or otherwise used as part of the CCA proceeding. An excerpt of the applicable provisions in the AIF Agreement is attached as Schedule “A”. A full copy of the AIF Agreement, which is confidential, is available upon request.

As of February 21, 2024, Lynx Air is holding CAD \$1,710,148.23 million in AIF (the “AIF Monies”) in trust on behalf of the GTAA. GTAA demands that Lynx Air immediately remit the AIF Monies that remain owing to the GTAA, failing which the GTAA intends to bring a payment motion in the CCA proceeding. In the meantime, we expect that Lynx Air will refrain from taking any steps to deplete or use the AIF Monies in any way.



We look forward to hearing from you.

Sincerely,



Shawn Irving  
Partner

- cc. FTI Consulting Canada Inc. *in its capacity as Monitor of Lynx Air*  
McCarthy Tétrault LLP, *Counsel for the Monitor*  
Julie Treleaven, *Osler, Hoskin & Harcourt LLP (Calgary)*  
Andrea Campbell, *Greater Toronto Airports Authorities*  
Peter Humele, *Greater Toronto Airports Authorities*  
Emma Smith, *Osler, Hoskin & Harcourt LLP (Toronto)*

**SCHEDULE "A"**



## GREATER TORONTO AIRPORTS AUTHORITY AIRPORT IMPROVEMENT FEE AGREEMENT

Toronto-Pearson International Airport  
P.O. Box 6031, Toronto AMF, Ontario, L5P 1B2

**DATE:** January 1, 2023 (the "Effective Date")

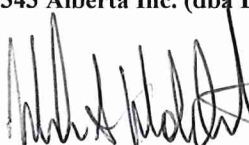
**NAME OF CARRIER:** 1263343 Alberta Inc. (dba Lynx Air)

As of the Effective Date, each of the Greater Toronto Airports Authority ("GTAA") and 1263343 Alberta Inc. (dba Lynx Air) ("Air Carrier") hereby agree as follows with respect to the imposition by GTAA of an Airport Improvement Fee, the collection of Deposits by Air Carrier from certain passengers and the remittance of Deposits by Air Carrier to GTAA as hereinafter set forth.

Greater Toronto Airports Authority

Per:   
Name: John Peellegoda  
Title: Acting Chief Financial Officer

12633343 Alberta Inc. (dba Lynx Air)

Per:   
Name: Michael S. Holditch  
Title: Chief Financial Officer

GTAA to evaluate, consult on and ultimately provide a recommendation to the ACC on the technical suitability of all Reviewable Capital Programs; and

**“Vice President and Chief Financial Officer”** means the GTAA employee holding the position of Vice-President and Chief Financial Officer from time to time and will include any acting Vice-President and Chief Financial Officer and, if the title of the position is changed, the employee who is able to exercise the authority of the Vice President and Chief Financial Officer for the purposes of this Agreement.

- 1.2. Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.
- 1.3. The division of this Agreement into Articles, Sections, Subsections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement.
- 1.4. The words “hereof”, “herein”, “hereunder” and similar expressions used in any Article or Section of this Agreement relate to the whole of this Agreement and not to that Article or Section only, unless otherwise expressly provided.
- 1.5. Wherever in this Agreement the terms “include”, “includes”, “including” or any derivations thereof are used, such term will be interpreted to mean “including, without in any way limiting the generality of the foregoing,” such that any list following such term will not be construed so as to constitute an exhaustive list of the items so listed.
- 1.6. Except as otherwise indicated herein, at all times during the Term of this Agreement, the Parties will act reasonably in exercising their rights or discretions, making requests, making determinations and performing their duties and obligations under and in connection with this Agreement.

## 2. AIRPORT IMPROVEMENT FEE

### 2.1. Imposition and Usage of AIF and Remittance/Collection of Deposits

- 2.1.1 (a) The Parties agree that in general, AIF (specifically excluding amounts to be retained by Air Carrier in respect of the Administration Cost and amounts collected and remitted in respect of HST and other applicable taxes which will be remitted to the relevant authorities) will be used by GTAA for the purpose of Capital Programs and Capital Projects designed in furtherance of the:
  - (i) creation of operational efficiencies that reduce operating cost;
  - (ii) development of operating capacity;
  - (iii) generation of positive cash flow from non-aeronautical revenue sources;  
and
  - (iv) other purposes set forth in Section 2.3 hereof,

and for debt service on any Capital Projects or Programs (which, for clarity, include debt service on any capital projects or programs which have been incurred by GTAA prior to the Effective Date of this Agreement).

- (b) During the Term, GTAA intends to impose an AIF in respect of the Enplaned Passengers carried by air carriers (including Air Carrier) operating from the Airport. In consideration of the retention by Air Carrier of the Administration Cost referred in Section 2.5 of this Agreement, Air Carrier will make every commercially reasonable effort to collect, or cause to be collected, the Deposit for and on behalf of GTAA at the time of the sale of a Ticket to each prospective Enplaned Passenger which will be held as a Deposit by Air Carrier and remitted to GTAA as provided in this Agreement.
- (c) Subject to the terms of Section 2.4.2. of this Agreement, each of the Parties acknowledge and agree that: (i) the Deposits collected on behalf of GTAA by Air Carrier from the prospective Enplaned Passengers are funds properly belonging to GTAA and not Air Carrier; and (ii) the Deposits collected by Air Carrier will be held by Air Carrier in trust for the benefit of GTAA. Notwithstanding and without prejudice to the fact that the Deposits will be collected and held by Air Carrier in trust for GTAA, but subject to the terms of Section 2.4.2. of this Agreement, the Parties each acknowledge that such Deposits collected will be commingled in the accounts of Air Carrier with other funds collected during the normal course of business with no obligation to segregate the Deposits from these other funds, and GTAA will be under no obligation at any time to segregate AIF from any other funds it may have.
- (d) Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge and agree that, as of January 1, 2023, Air Carrier and all of the other Participating Air Carriers shall be permitted to: continue using the same IATA "ticket tax" code (IATA Code: SQ); reflect on their Tickets the current AIF description; and collect and remit the AIF in the manner currently being used by all of the Participating Air Carriers, and same will not constitute a breach of any obligation of this Agreement. The Participating Air Carriers will work with IATA and the other Canadian airports diligently to develop and publish, through the IATA Ticket Tax Box Service, a new IATA "ticket tax" code and description reflecting the collection of Deposits in the manner otherwise provided herein. After the publication of the new IATA "ticket tax" code, and as set-out therein, Air Carrier will: reflect the new IATA-approved description on their Tickets; and collect and remit the Deposits on the Remittance Forms to accordingly reflect the Deposit mechanism provided herein.

**2.1.2.** The obligation to collect and remit Deposits will not apply to Exempt Services provided by Air Carrier. In addition, air carriers who carry less than two thousand (2,000) Enplaned Passengers per calendar year will not be required to collect, hold and remit any Deposits, unless GTAA so elects such air carriers to require such collection, holding and remittance.

**2.1.3.** Any AIF or fee charged by GTAA on Non-Participating Air Carriers in lieu of the AIF imposed by GTAA will be set at a Canadian whole dollar amount per Enplaned Passenger



for Participating Air Carriers or Non-Participating Air Carriers (as the case may be) plus HST and other applicable taxes. In addition, GTAA will also set an AIF in respect of Connecting Passengers for Participating Air Carriers or Non-Participating Air Carriers (as the case may be) which will be set at a Canadian whole dollar amount per Connecting Passenger.

- 2.1.4. GTAA has the right at any time during the Term to increase or decrease the amount of the AIF payable by Enplaned Passengers as set out herein. GTAA has the right at any time during the Term to increase or decrease the amount of the Deposit to be collected, held in accordance with Section 2.1.1.(b) and remitted by Air Carrier, provided that GTAA will provide at least 90 calendar days prior written Notice to the ACC and to the Participating Air Carriers.
- 2.1.5. Regardless of which air carrier sells a Ticket to a prospective Enplaned Passenger or which air carrier designator code is on the Enplaned Passenger's Ticket, the Parties acknowledge and agree that the Participating Air Carrier on whom the Enplaned Passenger actually travels will be the party responsible for the remittance of the Deposit for that prospective Enplaned Passenger in accordance with the other provisions of this Agreement, and, if Air Carrier also sold the Ticket to the prospective Enplaned Passenger, Air Carrier will be responsible for the collection of the Deposit for such Enplaned Passenger.
- 2.1.6. Except as permitted under Section 2.1.2, GTAA will not levy GTAA Rates and Charges, including landing fees and general terminal charges, on any less favourable terms and conditions to Participating Air Carriers and their passengers, having regard to the AIF imposed by GTAA, than are levied on Non-Participating Air Carriers and their passengers, provided that nothing herein will be interpreted or construed so as to limit the unfettered right of GTAA to set GTAA Rates and Charges at such levels as it deems appropriate in its sole discretion or to offer incentive programs from time to time or to set different fees in lieu of AIF rates for Non-Participating Air Carriers than AIF rates for Participating Air Carriers. Air Carrier acknowledges and agrees that the current arrangement (which Air Carrier agrees is compliant with the foregoing) for Non-Participating Air Carriers is that they pay a fee in lieu of the AIF, which is not, and will not be, less than the dollar amount of the AIF, and which is on the basis of the number of seats instead of the number of Enplaned Passengers, and that GTAA may revise such charging and collection methodology in its sole discretion at any time, subject to the limitations stated in this Section 2.1.6.
- 2.1.7. If, as a result of any of the following events (an "**AIF Legislative Initiative**"):
  - (a) any order, directive, legislative initiative, regulatory change and/or binding policy statement issued by a government authority having jurisdiction over the imposition or collection of an AIF by GTAA; or
  - (b) any order or judgment of any court or administrative body of competent jurisdiction,

GTAA is unable to impose an AIF or Participating Air Carriers are unable to collect the Deposits, the obligations of each Party contained in this Agreement will cease, save and except:

- (a) the obligation of Air Carrier to collect Deposits in accordance with Section 2.1.1.(b), up to and including the date upon which the government authority having jurisdiction or the court or administrative body, has issued, promulgated or enacted the AIF Legislative Event (the “**Event Date**”); and
- (b) the obligations of the Parties described in Section 2.5 to the extent of the Deposits collected, held in accordance with Section 2.1.1.(b) and remitted by Air Carrier for the period up to and including the Event Date.

## **2.2. Capital Review Process**

### **2.2.1. Airport Master Plan and Capital Plan**

Upon the execution of this Agreement, GTAA will provide to the TSC the most current version of the Airport Master Plan along with its five-year capital plan for the Airport (the “**Capital Plan**”) which will outline and detail (using written descriptions and illustrations) GTAA’s capital budget over the number of years covered by the Capital Plan, and its planned Capital Programs, including Reviewable Capital Programs. For clarity and certainty, and as applicable, the Capital Plan will include the terms related to any Permitted Transit Funding Amount. The Parties acknowledge that the Capital Plan is and will continue to be an evolving document as GTAA’s strategy and capital plans evolve, and accordingly GTAA will provide the TSC on an annual basis with an updated version of its Capital Plan. GTAA and the TSC may review and discuss the Airport Master Plan and the Capital Plan, provided that nothing herein will be construed so as to give the TSC or any Participating Air Carrier the right of consultation (including the Consultation Process) with GTAA with respect thereto.

### **2.2.2. Reporting**

#### **(a) Reporting on Airport Master Plan and Capital Plan**

GTAA will, on a semi-annual basis (or more frequently if GTAA determines that more frequent reports are warranted to achieve the purposes of this Agreement) provide to the ACC updated information pertaining to:

- (i) Capital Plan impact on debt and debt service levels;
- (ii) Capital Plan impact on operating budget;
- (iii) Amendments to the Capital Plan; and
- (iv) Amendments to the Airport Master Plan.

## **Appendix “E” – Letter from Counsel to Various Airport Authorities dated March 28, 2024**



Karen Fellowes K.C.  
Direct: +1 403 724 9469  
Mobile: +1 403 831 9488  
KFellowes@stikeman.com

March 28, 2024

File No.: 156416.1001

**By Email**

Osler, Hoskin & Harcourt LLP  
Suite 2700, Brookfield Place  
225 - 6 Avenue SW  
Calgary AB  
T2P 1N2

**Attention : Randal Van de Mosselaer**

Dear Mr. Van de Mosselaer:

**Re: In the matter of Lynx Air Holdings Corporation - Airport Improvement Fee arrears**

Please be advised that our office has been retained by the following Canadian airport authorities:

1. Vancouver Airport Authority;
2. Calgary Airport Authority;
3. Edmonton Regional Airport Authority;
4. Winnipeg Airport Authority Inc. and
5. Halifax International Airport Authority

Collectively, the "Airport Authorities".

Each of the Airport Authorities are owed money by 1263343 Alberta Ltd ("Lynx Air") pursuant to various agreements, including a Memorandum of Agreement between the Air Transport Association of Canada, Signatory Air Carriers (including Lynx Air) and the Airport Authorities and others ("the MOA").

Pursuant to the MOA, Lynx Air had an obligation to collect all Airport Improvement Fees ("AIF") charged by the Airport Authorities to Enplaned Passengers, and to remit such AIF collected on behalf of the Airport Authorities. The AIF collected by Lynx Air constitutes monies held in trust for the benefit of the Airport Authorities, by express, implied or constructive trust.

We are still collecting details of the amounts owing, but we are advised that the amount in issue is approximately \$4.1 million. On behalf of the Airport Authorities, we hereby demand return of these trust monies, subject to final confirmation of the exact amounts owing. As you know, pursuant to section 67(1)(a)

of the BIA, trust funds (property held by the bankrupt in trust for any other person) do not form part of the property of the debtor.

We understand that Mr. Shawn Irving of Oslers Toronto office has been engaged by the Greater Toronto Airports Authority ("GTAA") to make a similar claim on behalf of the Toronto Airport. I understand that Mr. Irving wrote to your office on March 5, 2024 but has not yet received a response.

We are copying this letter to the Monitor, and we understand the SISP is ongoing with respect to the exigible assets of Lynx Air. Please be assured that we do not wish to interfere in the SISP process in any way. However, it will be important that no distribution of sale proceeds is made until such time as it becomes clear that there will be sufficient funds to satisfy the trust claims. Given the expedited timelines proposed in the ARIO, we request a meeting with your office and counsel for the Monitor to discuss this issue, including scheduling a Court application (if necessary) and the resulting evidentiary matters.

I look forward to hearing from you at your earliest convenience.

Yours truly,

Stikeman Elliott LLP



Karen Fellowes K.C.  
Senior Counsel

KF/jw

cc: *Sean Irving of Osler, Hoskin & Harcourt LLP, counsel to the Greater Toronto Airports Authority ("GTAA")*  
*Sean Collins, Walker W. MacLeod, Pantelis Kyriakakis and Nathan Stewart of McCarthy Tétrault, counsel to the Monitor*  
*Deryck Helkaa, Brett Wilson and Dustin Olver, of FTI Consulting, the Monitor*