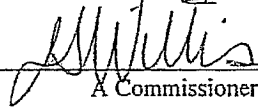


This is Exhibit "A" referred to in
the Affidavit of
MARK WILLIAMS

sworn before me this 21st day of April, 2010

A handwritten signature in cursive script, appearing to read "M. Williams", is written over a horizontal line.

A Commissioner, etc.

Jolanta Bialy

From: Percy Gyara [Percy_Gyara@Skyservice.com]
Sent: Wednesday, October 7, 2009 3:23 PM
To: Jolanta Bialy
Cc: Barbara Syrek
Subject: RE: Skyservice Airlines - Air Carrier: Security Deposit Or Prepayment Requirement

Hi Jolanta

As per my email in Apr09, GTAA requires deposit and prepayment for AIF and landing fees \$ 678,000. We have to prepay 30 days of AIF and 15 days of landing fees. Please arrange to transfer this funds by 22nd October as I need to pay by 25th October.

Thanks in advance for all your help.

Percy Gyara , CGA, CPA
Controller



31 Fasken Drive
Toronto, Ontario M9W 1K6
Phone: (416) 679-5879
Fax: (416) 679-5913
E-mail: percy_gyara@skyservice.com

P Please consider the environment before printing this email

NOTICE OF CONFIDENTIALITY: This material is intended for the use of the individual to whom it is addressed and may contain information that is privileged, proprietary, confidential and exempt from disclosure. If you are not the intended recipient or the person responsible for delivering the material to the intended recipient, you are notified that dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please contact the sender immediately via e-mail and destroy this message accordingly.

From: Percy Gyara
Sent: April 2, 2009 5:04 PM
To: Jolanta Bialy
Cc: Barbara Syrek
Subject: FW: Skyservice Airlines - Air Carrier: Security Deposit Or Prepayment Requirement

Hello Jolanta

Attached please find a letter from GTAA which states that they will requiring a deposit for AIF and landing fees. As you don't have any operations in the summer, this will not affect you but I just wanted to inform you that we will need some kind of deposit from you in the winter season. Amount to be determined based on the schedule.

Please let me know if you have any questions or concerns.

Thanks

Percy Gyara , CGA, CPA
Controller





Greater Toronto Airports Authority

March 20, 2009

Finance

Percy Gyara
Skyservice Airlines Inc
31 Fasken Drive
Toronto ON M9W 1K6

Silena Betti, CGA
Manager, Accounting Operations
Tel: 416.776.7114
Fax: 416.776.5551

Dear Mr. Gyara:

Re: Toronto Pearson International Airport
Financial Security for Airport Improvement Fees and Aeronautical Fees

The Greater Toronto Airports Authority (GTAA) in consultation with the Air Carrier Consultative Committee (ACC) at Toronto Pearson International Airport ("Toronto Pearson") is implementing new financial security requirements in respect of airport improvement fees ("AIF"), landing fees and general terminal charges (all such fees and charges are collectively referred to as the "Fees") to reduce the financial risk to the GTAA and to the air carriers operating at Toronto Pearson. Attached for your information is an extract from the Minutes of the ACC meeting held on February 24, 2009 relating to this matter.

The financial security consists of the air carriers either prepaying an estimate of the Fees or providing a security deposit to the GTAA. Each air carrier operating at Toronto Pearson must either prepay an estimate of the Fees for each payment period or provide a security deposit. The attached Schedule "A" to this letter describes the prepayment and security deposit requirements in more detail. Air carriers providing security deposits may provide the required amount by a letter of credit or cash, or a combination of letter of credit and cash. The GTAA will pay interest on the cash portion of a security deposit as provided in the attached Schedule "A". We ask that you complete the attached Schedule "A" (indicate the option you have selected with a check mark) and return it to the GTAA by April 30, 2009.

Initially, after the GTAA receives the completed Schedule "A" from the air carrier, the GTAA will determine and advise the air carrier of the actual prepayment amount or security deposit, as applicable, based on its anticipated summer 2009 operational schedule. The GTAA may revise the applicable prepayment amount or security deposit from time to time depending on changes in the air carrier's operational schedule.

Greater Toronto Airports Authority
Toronto Pearson International Airport

P.O. Box 6031, 3111 Convair Drive
Toronto AMF, Ontario, Canada L5P 1B2

P [416] 776-3000
F [416] 776-7748
www.GTAA.com





It is important to note the following dates when the financial security requirements become effective:

A. Prepayment of Fees

For air carriers prepaying the Fees, the first prepayment is due on May 25, 2009. With respect to AIF, the first prepayment amount covers the period June 1 – June 30, 2009 and for landing fees and general terminal charges the first prepayment amount covers the period June 1 - June 15, 2009. Thereafter, the prepayments are due five (5) business days before each successive 30 day period for AIF and 15 day period for landing fees and general terminal charges.

B. Security Deposit

For air carriers paying security deposits (either letter of credit, cash, or combination), the GTAA must receive the applicable amount by May 29, 2009.

An air carrier may request to switch from prepayment to providing a security deposit, and vice versa, once per calendar year. If the GTAA approves such request it will inform the air carrier of the amount of the prepayment or security deposit, as applicable. However, at all times the air carrier must either be prepaying the Fees or have provided a security deposit to the GTAA.

Should you have any questions or require clarification please contact Teresa Fielding at teresa.fielding@gtaa.com.

Yours truly,

A handwritten signature in cursive script that reads "Silena Betti".

Silena Betti, CGA
Manager, Accounting Operations

c: Jackie Smalec - Skyservice
Larry Shack - Skyservice



Schedule "A"

Air Carrier _____

Aeronautical Revenue (Landing Fees and General Terminal Charges)

Option	Details*	Indicate Option Selected
1. Security Deposit (a) Cash Deposit **	45 days	
(b) Letter of Credit	45 days	
2. Prepayment***	15 days	

AIF Revenue

Option	Details	Indicate Option Selected
1. Security Deposit (a) Cash Deposit **	30 days	
(b) Letter of Credit	30 days	
2. Prepayment***	30 days	


*Based on the average daily forecasted activity for each season: Winter (November 1 to March 31) and Summer (April 1 to October 31). The GTAA may revise the prepayment amount or security deposit if there are changes in the air carrier's forecasted operational activity.

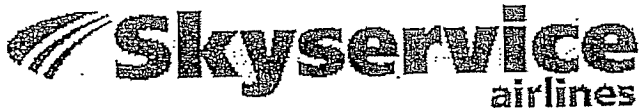
** GTAA to pay interest as set by the 180 day CIBC Bank deposit rate

*** Carrier pays an estimate of the aeronautical activity 5 business days prior to the activity period and balance of invoice within 30 days of invoice date. The GTAA will periodically review and reconcile actual flight operations at Toronto Pearson with the prepayment amounts and security deposit and reserves the right to change the prepayment amounts and security deposit accordingly.

This is Exhibit "B" referred to in
the Affidavit of
MARK WILLIAMS

sworn before me this 27th day of April, 2010


A Commissioner, etc.



31 Fasken Drive
 Etobicoke Ontario M9W 1K6
 CANADA

INVOICE

Invoice Number REV-005130
 Date 3/17/2010
 Payment Terms NET0
 Customer ID SIGVAC1C

G.S.T. Registration: 13529 1458 RT0002
 H.S.T. Registration: 13529 1458 RT0002
 Q.S.T. Registration: 1012236286 TQ0001

Signature Vacations - Revenue
 1685 Tech Ave
 Mississauga ON L4W 0A7

Attention: Susana McCullough

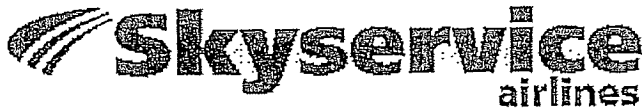
Description	Quantity	Amount
Flights for the period of Mar 27 - Apr 2, 2010 This invoice includes meals for \$19,237.66	1	\$3,189,731.34
Subtotal		\$3,189,731.34
GST		\$0.00
TOTAL - CAD		\$3,189,731.34

Thank you for choosing Skyservice Airlines

Any questions or concerns, please call:

Shavir Mistry
 Phone: (416) 679 5893
 Email: shavir@mistry@skyservice.com

Please make cheques payable to Skyservice Airlines Inc.
 Wire transfer funds to: c/o HSBC Bank Canada
 885 West Georgia Street, Suite 200, Vancouver, BC V6C 3G1
 Transf: 10270, Account: 217436-001



31 Fasken Drive
 Etobicoke Ontario M9W 1K6
 CANADA

CREDIT NOTE

Credit Note No. REVCRD-001472
 Date 3/23/2010
 Payment Terms
 Customer ID SIGVAC1C

Signature Vacations - Revenue

1685 Tech Ave
 Mississauga ON L4W 0A7

Attention: Susana McCullough

G.S.T. Registration: 13529 1458 RT0002
 H.S.T. Registration: 13529 1458 RT0002
 Q.S.T. Registration: 1012236286 TQ0001

Description	Quantity	Amount									
Credit for YYZ-CUN-YYZ flights on Mar 26 & Apr 2, 2010	1.00	\$119,609.86									
<table border="0" style="width: 100%;"> <tr> <td style="width: 20%;">March 26</td> <td style="width: 40%; text-align: right;">59,804.43</td> <td style="width: 40%;"></td> </tr> <tr> <td>Apr 2</td> <td style="text-align: right;">59,804.43</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">119,609.86</td> <td></td> </tr> </table>	March 26	59,804.43		Apr 2	59,804.43			119,609.86			
March 26	59,804.43										
Apr 2	59,804.43										
	119,609.86										
Subtotal		\$119,609.86									
GST		\$0.00									
TOTAL CAD		\$119,609.86									

Thank you for choosing Skyservice Airlines

Any questions or concerns, please call:

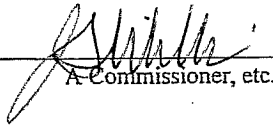
Shavir Mistry
 Phone: (416) 679 5893
 Email: shavir_mistry@skyservice.com

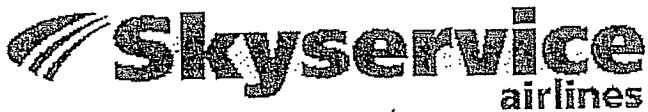
Please make cheques payable to Skyservice Airlines Inc.
 Wire transfer funds to: c/o HSBC Bank Canada
 885 West Georgia Street, Suite 200, Vancouver, B.C. V6C 3G1

Transit: 10270 Account: 217435-001

This is Exhibit "C" referred to in
the Affidavit of
MARK WILLIAMS

sworn before me this 27th day of April, 2010


A Commissioner, etc.



31 Fasken Drive
 Etobicoke Ontario M9W 1K6
 CANADA

INVOICE

Invoice Number REV-005146
 Date 3/23/2010
 Payment Terms NET0
 Customer ID SIGVAC1C

Signature Vacations - Revenue

1685 Tech Ave
 Mississauga ON L4W 0A7

Attention: Susana McCullough

G.S.T. Registration: 13529 1458 RT0002
 H.S.T. Registration: 13529 1458 RT0002
 Q.S.T. Registration: 1012236286 TQ0001

Description	Quantity	Amount
Flights for the period of Apr 3 -9, 2010 This invoice includes meals for \$14,770.73	1	\$2,449,083.04
Subtotal		\$2,449,083.04
GST		\$0.00
TOTAL CAD		\$2,449,083.04

Thank you for choosing Skyservice Airlines

Any questions or concerns, please call:

Shavir Mistry
 Phone: (416) 679 5893
 Email: shavir_mistry@skyservice.com

Please make cheques payable to Skyservice Airlines Inc.
 Wire transfer funds to: c/o HSBC Bank Canada
 885 West Georgia Street, Suite 200, Vancouver, BC V6C 3G1

Transit: 10270 - Account: 247480-001

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC., of the City of Toronto, in the Province of Ontario
AND IN THE MATTER OF AN APPLICATION pursuant to Section 9 of the *Airport Transfer (Miscellaneous Matters) Act*, S.C. 1992, c.5 (Application by the Greater Toronto Airports Authority)
AND IN THE MATTER OF AN APPLICATION pursuant to Section 9 of the *Airport Transfer (Miscellaneous Matters) Act*, S.C. 1992, c.5 (Application by the Ottawa Macdonald-Cartier International Airports Authority)
AND IN THE MATTER OF AN APPLICATION pursuant to Section 56 of the *Civil Air Navigation Services Commercialization Act*, S.C. 1996, Chapter 20, as amended (Application by NAV Canada)

Court File No. CV-10-8647-00CL
Court File No. CV-10-8651 00CL
Court File No. CV-10-8657-00CL
Court File No. CV-10-8658-00CL

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at Toronto

AFFIDAVIT of MARK WILLIAMS

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario M5L 1A9

Steven J. Weisz, LSUC #32102C
Tel: 416-863-2616

Catherine Beagan-Flood LSUC #43013U
Tel: 416-863-2269

Christopher Burr, LSUC #55172H
Tel: 416-863-3301
Fax: 416-863-2653

Lawyers for Sunwing Tours Inc.

TAB 2

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.,
Of the City of Toronto, in the Province of Ontario

SUPPLEMENTAL AFFIDAVIT OF MARK WILLIAMS

Sworn October 11, 2011

I, Mark Williams, of the Town of Oakville, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of Sunwing Airlines Inc., a wholly owned subsidiary of Sunwing Travel Group Inc. ("**Sunwing Group**"), which is in turn the 100% shareholder of Sunwing Tours Inc. ("**Sunwing**"). Prior to working for Sunwing, I was the President of the debtor, Skyservice Airlines Inc. ("**Skyservice**"), from January, 2003 until April, 2004. As such, I have knowledge of the matters hereinafter deposed to, except where such knowledge is based on information and belief, in which case I verily believe it to be true and have stated the source of such information.
2. This affidavit is sworn in response to the Tenth Report of the Receiver, dated June 2, 2011 (the "**Tenth Report**") and as a supplement to my Affidavit sworn April 27, 2010 (the "**April Affidavit**"), both of which have been filed in connection with these proceedings.

A. Sunwing's Trust Claim

3. Sunwing is an operator of package tours and charter flights in Canada, and was in that capacity a customer of Skyservice. The details of Sunwing's business and its relationship to Skyservice are set out in paragraphs 3 through 28 of the April Affidavit.

4. As discussed in the April Affidavit, the Skyservice insolvency and ensuing receivership came as a complete surprise to Sunwing, not least because Sunwing believed that it was funding Skyservice's operating costs in advance. At its core, the business relationship between Sunwing and Skyservice was a "cost plus, no risk" arrangement, allocating all economic risk to Sunwing. This is the same arrangement that Skyservice had with its other major customer, Thomas Cook.

5. In the first hours and days following the appointment of the Receiver, Sunwing was forced to take extraordinary steps to ensure its business was interrupted as minimally as possible by Skyservice's surprise insolvency, which required the full attention of Sunwing's personnel.

6. Recognizing that Sunwing had pre-paid substantial amounts to Skyservice for flights that Skyservice would not provide, Sunwing notified the Receiver on April 2, 2010, two days after its appointment, of its proprietary trust claim to funds held by the Receiver (the "**April 2 Letter**"). A copy of the April 2 Letter is attached hereto as **Exhibit "A"**, and is attached to the Tenth Report as Appendix B.

7. Once Sunwing's immediate operational interruptions caused by Skyservice's receivership were mitigated, Sunwing was able to focus its attention on the trust claim it had originally made in the April 2 Letter. This included the negotiation and execution of the Sunwing Letter Agreement (as defined in Paragraph 12 of the Tenth Report, and attached thereto as Appendix D).

8. After correspondence back and forth between Sunwing, its counsel, the Receiver and the Receiver's counsel, Sunwing's trust claim was ultimately refined and crystallized in a letter to the Receiver's counsel dated December 24, 2010 (the "**December Letter**"). A copy of the December Letter is attached hereto as Exhibit "**B**", and is attached to the Tenth Report as Appendix H.

9. As set out in the December Letter, Sunwing has made a proprietary trust claim to the following amounts:

- (a) \$2,329,473.00, pursuant to an actual trust (the “**Actual Trust Claim**”);
- (b) \$3,513,450.08, pursuant to a constructive trust (including the above amount) (the “**Constructive Trust Claim**”); and
- (c) any amounts paid by Sunwing on account of obligations Skyservice owed to third parties that were not in fact used for such purpose, or Sunwing’s proportionate share thereof, pursuant to a Quistclose trust (the “**Quistclose Trust Claim**”).

10. Following subsequent correspondence with the Receiver, it became clear that there were no amounts that would fall into the Quistclose Trust Claim category, and Sunwing accordingly no longer makes such claim. The Actual Trust Claim and the Constructive Trust Claim are therefore the only trust claims being made by Sunwing at this time.

B. Sunwing and Skyservice Ordinary Course Operations and Payments

The Commercial Agreement

11. As discussed in paragraph 7 of the April Affidavit, Sunwing and Skyservice are party to a commercial agreement dated June 11, 2006 (as amended, the “**Commercial Agreement**”), which sets out the terms and conditions pursuant to which Sunwing and Skyservice enter into individual charter agreements for charter flight services (each, a “**Charter Agreement**”). The Commercial Agreement, lightly redacted, is attached to the Tenth Report as Appendix I.

12. The Commercial Agreement was originally between First Choice Canada Inc. (“**First Choice**”) and Skyservice, and was inherited by Sunwing when Sunwing merged with First Choice. Accordingly, I was not involved with the negotiation or execution of the Commercial Agreement, however I am very familiar with it as a result of dealings between Sunwing and

Skyservice after my appointment as President of Sunwing. I am also very familiar with the general structure of the Commercial Agreement as a result of serving as President of Skyservice.

13. The mechanics of the Commercial Agreement are set out in paragraphs 10 through 18 of the April Affidavit. Generally speaking, the Commercial Agreement allocates all of the financial risk of the Sunwing/Skyservice business relationship to Sunwing by providing that all of Skyservice's costs *and* its profit are paid in advance by Sunwing.

Payments on account of specific flights

14. The Receiver has characterized the weekly payments made by Sunwing under the Commercial Agreement as though they are instalment payments made against the fixed annual budget. At paragraph 27 of the Tenth Report, the Receiver states that "Sunwing agrees that the invoice amounts were determined based on a formula... and not based on specific costs for specific flights, and that costs invoiced included costs not divisible by flight."¹ This is not a correct statement of the payment structure between Sunwing and Skyservice.

15. As set out in the April Affidavit at paragraphs 15 through 18, it is correct that invoices for each weekly period of flying were calculated in accordance with an annual budget, however this is not at all inconsistent with payments being made on account of individual flights. Indeed, as the Commercial Agreement specifically provides, the monthly invoiced amounts were invoiced "on a fixed and a per seat mile basis as set out in Appendix 8 according to the planned flying programme set out in the relevant Charter Agreement."² The Commercial Agreement provided for this payment structure so that Skyservice could allocate its anticipated costs between its customers – not because payments were disconnected from flights provided.

¹ Tenth Report, para. 27

² Commercial Agreement, s. 5.1.2

16. The Charter Agreements also provide that the weekly payments owed by Sunwing “shall be based on the ‘Charter Fee’ (as defined therein) for the number of ‘Rotations’ (as defined therein) scheduled to be flown in the ensuing week,”³ and then adjusted the following month to reflect actual Rotations, to the extent that the scheduled Rotations did not match the actual Rotations. Accordingly, the amounts invoiced were tied to the flights anticipated. If an amount was invoiced and paid for an anticipated flight that did not actually fly, the amount would be credited to Sunwing in the next following adjustment.

17. The invoiced weekly amounts therefore varied from week to week, depending on the seat miles anticipated for the week invoiced. Fewer seat miles would result in lower invoices, and vice versa – this is because the amounts paid by Sunwing were directly linked to the flights provided.

18. Moreover, the invoices relevant to Sunwing’s Actual Trust Claim and Constructive Trust Claim are explicit in the “description” field that they are for “Flights for the period of Mar 27 – Apr 2, 2010” and “Flights for the period of Apr 3-9, 2010”. The invoices, originally attached to the April Affidavit as Exhibits B and C are reattached to this Affidavit as **Exhibit “C”**.

19. Nevertheless, the Receiver argues in paragraph 26(iv) of the Tenth Report, and elsewhere, that because the weekly amounts paid included certain costs that could not be allocated to specific flights, such as ground crew costs and overhead costs, the entire payment cannot be characterized as a payment for the specific flights. This position does not make commercial sense to me. To the contrary of the Receiver’s characterization, the pricing and payment arrangement was in place so that Skyservice could appropriately allocate all of its costs of operating flights to its customers and to ensure that payments from its customers were adequate to cover its risks and costs.

³ Charter Agreement, s. 4.2

20. Sunwing was buying flights from Skyservice. The way in which Skyservice applied the weekly “purchase price” to its own in-house costs – be they ground crew costs for specific flights or paper for Skyservice’s printers – was of no consequence to Sunwing, and does not change the fact that invoices were rendered and payments were made for specific flights.

21. In addition, payments were made in advance for specific flights in order to satisfy regulatory requirements. Section 43(3) of the Regulations Respecting Air Transportation (SOR/88-58), made under the *Canadian Transportation Act* (the “**Regulations**”) requires that Sunwing, a “tour operator”, pay Skyservice, an “air carrier” (as such terms are defined in the Regulations), the full contract price for air transportation at least seven days before the commencement of a tour flight.

22. In order to comply with the Regulations, there must be a price attributable to a flight.

23. The Charter Transportation Agreements entered into between Skyservice and First Choice (now Sunwing), as filed with the Canadian Transport Agency by Skyservice (each a “**Charter Transportation Agreement**”), state that the contract was made subject to, among other things, section 43(3) of the Regulations, and provide that “payment for each rotation will be payable (7) days prior to departure.”

24. Each Charter Transportation Agreement provides a schedule of flights to a particular destination for a particular time period. One such Charter Transportation Agreement (lightly redacted) is attached hereto as **Exhibit “D”**.

25. Each Charter Transportation Agreement provides the price payable for the flights scheduled therein and such price is a direct result of the flights scheduled. The payment for each scheduled flight was required by the Regulations to be made at least seven days in advance of the departure of the flight, however in practice it was often paid more than seven days in advance.

C. Losses Incurred by Sunwing as a Result of Receivership

26. Sunwing suffered numerous and varied damages and loss as a direct result of Skyservice's receivership and corresponding breach of the Commercial Agreement and Charter Agreements, among other things.

27. As set out in detail in the Proof of Claim filed with the Receiver by Sunwing in Skyservice's claims process, Sunwing has determined that its aggregate losses as a result of Skyservice's receivership total CDN\$18,997,905 and US\$1,956,188 (these amounts include the amounts in respect of which Sunwing claims a trust). These amounts have not yet been finally assessed by the Receiver.

D. The Letter of Credit

28. The Receiver posits at Paragraph 112 of the Tenth Report that it appears the Commercial Agreement and certain regulations were structured to provide Sunwing with a remedy for the failure of Skyservice to provide pre-paid flights, in the form of the "Skyservice LC" (as defined in paragraph 107 of the Tenth Report).⁴ The implication made by the Receiver appears to be that the Skyservice LC was put in place instead of or to the exclusion of a trust remedy. This entirely mischaracterized the purpose of the Skyservice LC.

29. As the Tenth Report correctly sets out, the Skyservice LC was required to be posted by Skyservice in order for it to operate pursuant to the Regulations. The Skyservice LC is a consumer protection device mandated by regulation to ensure that if an airline like Skyservice becomes insolvent and the charterer cannot finance the emergency remedial steps (as Sunwing did, in fact, do), there is sufficient liquidity available to protect passengers who may be caught in the middle. The Skyservice LC is for the benefit of the travelling public, not Sunwing.

⁴ Tenth Report, at para. 112

30. Skyservice provided the Skyservice LC as required by law, however posting such security on Skyservice's own credit would be fundamentally contrary to the cost-plus, no risk business relationship between Skyservice and Sunwing. The Skyservice LC was accordingly backstopped by a second letter of credit, drawn on the credit of First Choice and subsequently on the credit of TUI Travel PLC ("TUI Travel"), Sunwing's 49% shareholder (the "FCC LC", as also referred to in the Tenth Report at paragraph 109). The FCC LC ensured that Skyservice was never exposed to economic risk as a result of a drawdown on the Skyservice LC.

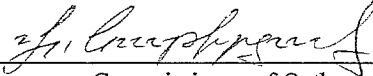
31. Were Sunwing to have drawn down on the Skyservice LC, as the Receiver seems to suggest it should have, it would have triggered a corresponding drawdown on the FCC LC; a drawdown for which TUI Travel would ultimately be liable. Accordingly, taking Sunwing and TUI Travel as a single economic unit, Sunwing drawing on the Skyservice LC would have been economically equivalent to paying itself with its own money – which is effectively what Sunwing did anyway when it financed the mitigation of its own losses with its own cash.

32. At the time of Skyservice's receivership, Sunwing and TUI Travel's partnership was in its early stages. Sunwing would never have drawn down on the Skyservice LC – triggering a liability for TUI Travel and poisoning the young partnership – unless there was no way it could otherwise finance the remedial steps necessary to protect its passengers.

33. The Skyservice LC was not optional or voluntary, it was not negotiated security, and but-for the FCC LC backstop, the Skyservice LC was inconsistent with the cost-plus, no risk business model of Skyservice. The Skyservice LC existed to satisfy regulatory requirements under the *Canada Transportation Act*, and was effectively put into place by First Choice and subsequently TUI Travel, at TUI Travel's risk.

This is Exhibit "A" referred to in
the Affidavit of
Mark Williams

sworn before me this 11th day of October, 2011



Commissioner of Oaths

**VLADIMIR SHATIRYAN
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO,
WHILE A STUDENT-AT-LAW.
EXPIRES MAY 10, 2013.**

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

April 2, 2010

McCarthy Tetrault LLP
Suite 5300, TD Bank Tower
Toronto Dominion Centre
66 Wellington Street West
Toronto, ON M5K 1E6

Linc Rogers
Dir: 416-863-4168
linc.rogers@blakes.com

Reference: 76074/2

Re: Receivership of Skyservice Airlines Inc. ("Skyservice")

Attention: James Gage

As you are aware, we are counsel to Sunwing Tours Inc. ("Sunwing").

This letter is to advise you that the Receiver is holding funds, in its capacity as Receiver of Skyservice, over which Sunwing asserts an interest, including without limitation a proprietary interest.

Sunwing's business relationship with Skyservice historically involved Sunwing making certain prepayments and deposits to Skyservice for charter services, fuel costs, airport and landing fees and levies, Serviceair services and tourist card charges. The aggregate paid by Sunwing in this regard on account of services not provided by Skyservice is at least CDN\$7,200,000, subject to further confirmation by Sunwing.

Prepayments for services were received by Skyservice for the express purpose of funding the applicable flights and associated costs. The prepayment funds are subject to Sunwing's interest, including without limitation a proprietary or trust interest, do not form part of the Skyservice estate and are not subject to any court ordered charges or other security. Any interest in the prepayments and deposits that has passed to the Receiver is irrevocably impressed with Sunwing's interest.

As a result of Skyservice's receivership, the March 31 – April 9 flight services for which the prepayments were made cannot and will not be provided by Skyservice. Sunwing will seek the necessary relief to assert its interest and the return of these funds. We trust that you will not take any steps to disburse these funds without first obtaining a court order on at least seven days notice to Sunwing, so that we can seek appropriate direction from the Court. We are currently seeking instructions with respect to bringing a motion for the return of the funds, and will be in contact with additional information in furtherance of this claim.

Sunwing's claim to the funds set out herein is without prejudice to, and shall not limit, any other claims it may have to such funds.

Yours very truly

per Linc Rogers

cc: N. Meakin, FTI Consulting Canada Inc.
H. Merideth, McCarthy Tetrault
S. Weisz, Blakes
C. Cerqueira, Blakes

This is Exhibit "B" referred to in
the Affidavit of
Mark Williams

sworn before me this 11th day of October, 2011



Commissioner of Oaths

VLADIMIR SHATIRYAN
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO,
WHILE A STUDENT-AT-LAW.
EXPIRES MAY 10, 2013.



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON, M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

December 24, 2010

Via Email

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Toronto Dominion Centre
66 Wellington Street West
Toronto, ON M5K 1E6

Steven J. Weisz
Dir: 416-863-2616
steven.weisz@blakes.com

Reference: 76074/2

Dear Ms. Meredith:

Re: Receivership of Skyservice Airlines Inc. ("Skyservice")
Re: Claims to funds by Sunwing Tours Inc. ("Sunwing")

Further to our letter of May 12, 2010, and your letter of December 7, 2010, this letter is to advise you of the particulars of Sunwing's claims to the funds held by FTI Consulting Canada Inc., in its capacity as receiver of Skyservice (the "Receiver").

1. Background

As you know, Sunwing and Skyservice are party to a commercial agreement dated June 11, 2006 (as amended, the "Commercial Agreement"). The Commercial Agreement sets out the terms and conditions pursuant to which Sunwing and Skyservice enter into individual agreements (the "Charter Agreements") for the charter of flight services during the term of the Commercial Agreement.

As you also know, the charter flights are a cost-plus arrangement under which Sunwing pre-pays Skyservice a "Charter Fee". In the ordinary course of business, Skyservice would submit invoices to Sunwing reflecting charges for scheduled charter flights in a subsequent weekly period. In addition to the ordinary course scheduled prepayments for charter flights, at Skyservice's explicit request, Sunwing would provide Skyservice with funds for amounts owing to third parties including fuel suppliers, airport authorities and other third party suppliers and service providers.

When Skyservice ceased operations on March 31, 2010, without notice to Sunwing, Sunwing had made prepayments to Skyservice in respect of charter flights scheduled on and after March 31, 2010. Such flights were not provided by Skyservice, and Sunwing claims a proprietary interest in all such payments. Further, to the extent that the payments made by Sunwing to Skyservice on the basis that they would be forwarded to third parties were not actually forwarded to the appropriate third parties, or such payments were made to third parties and have been or will be refunded to Skyservice because they were not applied by such third parties as they were intended, such funds should rightfully be returned to Sunwing and Sunwing claims a proprietary interest in such unremitted or refunded amounts. As set out in detail below, Sunwing's proprietary interest in such payments is based on the existence of (a) an actual trust, (b) a constructive trust, and/or (c) a quistclose trust.



2. Actual Trust: March 29 Segregation Of Funds - \$2,329,473.00

Invoice REV-005146, dated March 23, 2010 (the "March 23 Invoice"), was issued by Skyservice to Sunwing in the amount of \$2,449,083.04, and on its face represents the charter fee for flights for the period of April 3 to April 9, 2010. Sunwing paid the March 23 Invoice on March 26, 2010. As a result of Skyservice's receivership, none of the charter flights pre-paid for under the March 23 Invoice were provided.

We understand from correspondence with the Receiver that on March 26, 2010, Skyservice applied \$2,329,473.00 in "partial" payment of the March 23 Invoice. As discussed in part 3 of this letter, Sunwing disputes that only "partial" payment was made on account of the March 23 Invoice; however for the purposes of this Part 2, it appears clear that Sunwing and Skyservice are in agreement that payment of at least \$2,329,473.00 was made.

We further understand from correspondence with the Receiver that on March 29, 2010, in anticipation of the receivership, Skyservice identified payments that had been made to it that related entirely to future flying that Skyservice was contracted to perform but that its management knew it would not provide. We understand that this review identified four amounts, totalling \$2,731,802.76, made up of: (a) \$2,329,473.00 in respect of the payment Sunwing made on March 26, 2010 on account of the March 23 Invoice (the "Trust Monies"); and (ii) three other amounts paid to Skyservice by third parties. We understand that Skyservice then transferred all of these amounts to a separate bank account known internally as the "In Flight Collections Account".

We have not been provided with details of the other amounts, in addition to the amounts paid by Sunwing, that were identified by Skyservice management and segregated in the In Flight Collections Account. Further information about these amounts is material to Sunwing's claim, and accordingly we hereby request (a) an accounting of all amounts deposited into the In Flight Collections Account, and (b) to the extent any funds were paid out of the In Flight Collections Account to third parties, details of the quantum and recipient of such payments, together with an explanation for the distribution(s).

The identification and segregation of the Trust Monies by Skyservice on March 29, 2010, in anticipation of the receivership, evidences the intention of Skyservice to establish a trust for the benefit of Sunwing. Case law is clear that certainty of intention to establish a trust need not be evidenced by a trust document or oral communication; the intention of the settlor to create a trust can be inferred from conduct and surrounding circumstances.¹ The actions of Skyservice in identifying and segregating the Trust Monies demonstrate that from March 29, 2010 forward, Skyservice's intention was to not use those funds for its own purposes, but to hold them in trust for Sunwing. Moreover, such manifest intention to hold the Trust Monies in trust supercedes any provisions of the Commercial Agreement or Charter Agreements to the contrary. Skyservice's act of segregating the Trust Monies created greater duties on Skyservice to Sunwing than those provided for in the agreements.

Further, with respect to the "three certainties" necessary to found a trust, the beneficiary or object of the trust, being Sunwing; and the quantity of the Trust Monies or subject of the trust, being \$2,329,473.00, were manifest by Skyservice by virtue of its segregation of the Trust Monies on March 29, 2010.

¹ D.W.M. Waters, *Law of Trusts in Canada*, 3rd ed., (Toronto: Carswell, 2005) at 133; *Arkay Casino Management & Equipment (1985) v. Alberta (Attorney General)*, 1998 CarswellAlta 771 (Alta. Q.B.) at para. 43; *McEachren v. Royal Bank*, [1991] 2 W.W.R. 702 (Alta. Q.B.) at para. 104; *Randall v. Nicklin*, 1984 CarswellNB 216 (N.B. C.A.) at paras. 23-24.

The requisite elements of a trust, being certainty of intention, object and subject, are therefore evident with respect to the Trust Monies. A trust exists, and we hereby request that the Receiver pay over \$2,329,473.00 to Sunwing forthwith.

3. Constructive Trust: Payments For Flights That Were Not Provided - \$3,513,450.08

As outlined above, in accordance with the Commercial Agreement and the Charter Agreements, Skyservice invoiced Sunwing in relation to each one-week period in which Sunwing flights were to take place. Such invoices were delivered to Sunwing and payment was due from Sunwing the week before the corresponding flights took place.

On March 17, 2010, invoice REV-005130 was issued to Sunwing in the amount of \$3,189,731.34 (the "March 17 Invoice") and was explicitly for flights in respect of the period March 27 to April 2, 2010. \$1,064,367.04 of the amount charged was for flights on March 31 to April 2, as accounted for below. The March 17 invoice was paid in full by Sunwing on March 19, 2010. The March 23 invoice was issued to Sunwing on March 23, 2010 in the amount of \$2,449,083.04 for flights in respect of the period April 3 to April 9, 2010. The March 23 invoice was paid in full by Sunwing on March 26, 2010.

As a result of Skyservice's receivership, none of the charter flights scheduled on and after March 31, 2010, were provided. Sunwing therefore claims the aggregate amount of \$3,513,450.08, being the total amount paid by Sunwing for flights that were not provided, on the grounds that such amount is impressed with a constructive trust for Sunwing's benefit as a result of Skyservice being unjustly enriched in the same amount.

Unjust Enrichment

As a result of Skyservice's acceptance of Sunwing's payments under the March 17 Invoice and March 23 Invoice, Skyservice was clearly enriched by \$3,513,450.08. Skyservice, having paid the money and received nothing in return, was correspondingly deprived of the same amount. In the ordinary course Sunwing would not be deprived for having made payment to Skyservice because Sunwing would receive the flights that it paid for.

Due to the March 31 appointment of the Receiver and, more specifically, the resulting failure of Skyservice to provide the flights pre-paid for, however, Skyservice's enrichment and Sunwing's corresponding deprivation lack all juristic reason or justification. It is Sunwing's position that Skyservice invoiced Sunwing and accepted payment from Sunwing knowing that it would not provide the flights for which the two invoices were rendered. Indeed, based on the Affidavit of Karim Nensi filed by Thomas Cook Canada, Ltd. ("Thomas Cook") with the receivership application, Skyservice's officers and directors had informed Skyservice's counsel of their intention to resign on March 29, 2010 (at the latest). That is just six days after the issuance of the March 23 Invoice and three days after receipt of payment for the March 23 Invoice. Sunwing's position is that Skyservice was not caught unaware by Thomas Cook's action, and that it had knowledge of the impending receivership well in advance of March 31, 2010, including on March 17, March 19, March 23 and March 26, 2010, when the March 17 Invoice was issued and paid and the March 23 Invoice was issued and paid, respectively. Moreover, by knowingly invoicing and accepting payment for flights that Skyservice knew it would not be able to provide, Skyservice cannot rely on the adjustment mechanism that would

rectify, in the normal course, Skyservice's enrichment and Sunwing's corresponding deprivation; Skyservice cannot point to remedial contractual provisions that it knew would be of no effect to avoid liability for its unjust enrichment.

Issuance of invoices and acceptance of "pre-payments" with the undisclosed certainty that the flights for which the invoices and pre-payments relate would not be provided is inequitable and vitiates any juristic reason for an enrichment that would in the ordinary course exist by virtue of the Commercial Agreement and Charter Agreements.

The case law is clear that a remedy for unjust enrichment is restitution via the imposition of a constructive trust.²

Quantification of Constructive Trust Claim

The amounts paid by Sunwing pursuant to the March 17 Invoice and the March 23 Invoice are clearly attributable to certain, specific flights and indeed, in the case of the amounts claimed herein by Sunwing, to the flights that were not provided. Pursuant to the relationship between Sunwing and Skyservice, the amounts of invoices were determined based on a complex formula involving an annual budget, and in all likelihood the amounts received by Skyservice on account of such invoices were used by Skyservice for costs incurred, some of which are not divisible by flight by Skyservice after their receipt (such as general overhead costs). However, how the charges for flights were calculated and how Skyservice handled the funds after receipt are matters of internal management and are irrelevant to the determination of whether or not the amounts paid are attributable to specific flights.³ Whether Skyservice used money received from Sunwing to operate the specific flights for which it was paid, or applied some or all of such amounts to general costs, such as the overhead costs of Skyservice's office, has no bearing on whether or not the money was paid in respect of specific flights – in this case, the specific flights that were not provided.

The March 17 Invoice and the March 23 Invoice are explicitly, on their face, for flights scheduled March 27 to April 2 and April 3 to April 9, respectively. In the ordinary course, where flights actually provided in a given week did not match the scheduled number of flights, adjustments were made to subsequent invoices; this would only be possible to the extent that actual amounts are allocable to certain, specific flights. Furthermore, it appears that Skyservice was able to and did attribute charges to particular flights: we understand from previous correspondence, for example, that Skyservice records show that the invoiced amount relating to the period from March 31 to April 2, 2010, is \$944,949.94. Therefore, it is Sunwing's position that the amounts paid with respect to the flights scheduled for March 31 to April 9, 2010 can be easily identified and allocated to the flights not provided.

We understand that there may be some dispute as to the amount that Sunwing paid for the flights not provided. It is Sunwing's position that the amount relating to flights that were not provided for the period March 31 to April 2, 2010 is \$1,064,367.04. The attached spreadsheet illustrates how Sunwing's allocation is determined.

² *Becker v. Pettus*, (1980), 117 D.L.R. (3d) 257 (S.C.C.).

³ For example, see *R. v. Lowden*, (1981) 15 Alta. L.R. (2d) 250; aff'd [1982] S.C.R. 60, where a travel agent received funds from a client for purchasing an airline ticket but used such funds for other purposes.



Regarding payment for the March 23 Invoice, we understand that Skyservice received a single payment from Sunwing on March 26, 2010 in the amount of \$2,685,435.58 (the "March 26 Payment").

The March 26 Payment related to two invoices; the March 23 Invoice and invoice SALES00000817 dated March 26, 2010 for passenger taxes between March 8 and March 14, 2010 in the amount of \$255,969.25 (the "Passenger Tax Invoice"). We understand that Skyservice applied the March 26 Payment as full payment of the Passenger Tax Invoice and the remainder of \$2,329,466.33 as partial payment of the March 23 Invoice. However, we understand that a credit note, REVCRD-001472, in the amount of \$119,609.86 (the "Credit Note") was applied in payment of the difference between the amount of the March 26 Payment and the total amount due under the March 23 Invoice and the Passenger Tax Invoice.

The Credit Note was issued to Sunwing from Skyservice to account for previous overpayments made by Sunwing to Skyservice. The Credit Note represented a cash amount of \$119,609.86, to be applied by Sunwing against any amount owing to Skyservice, and was in fact applied against amounts owing under the March 23 Invoice. For the purposes of establishing a constructive trust, Sunwing's payment of \$2,685,435.58 in addition to Sunwing's application of the Credit Note is no different than if Sunwing had paid \$2,805,045.44 in cash.

Therefore, it is Sunwing's position that the March 26 Invoice was paid in full, in the amount of \$2,449,083.04.

Requested Remedy

We hereby request that the Receiver pay over \$3,513,450.08 to Sunwing forthwith. This amount reflects the payments made by Sunwing on account of flights that were not provided, specifically: (i) the portion of the payment made on account of the March 17 Invoice that is attributable to flights scheduled March 31 to April 2, 2010, being \$1,064,367.04; and (ii) the payment made on account of the March 23 Invoice, attributable to flights scheduled April 3 to April 9, 2010, being \$2,449,083.04.

We note that this \$3,513,450.08 requested is duplicative of the \$2,329,473.00 (being the Trust Monies) requested in Part 2 of this letter, which are subject to both an actual trust, as discussed in Part 2 of this letter, and to a constructive trust, as discussed in this Part 3.

4. Quistclose Trust: Third Party Payments – Unknown Quantum

In addition to the prepayments made under the Commercial Agreement and the Charter Agreements in respect of flights to be provided by Skyservice, Sunwing also provided substantial payments to Skyservice, at Skyservice's explicit request, to be paid over by Skyservice to specific third parties. In this regard, the following payments (the "Sunwing Third Party Payments") were made by Sunwing to Skyservice on the following specified dates:

Intended Third Party Payee	Amount of Payment	Date Paid
GTAA	\$678,000	October 22, 2009
Imperial Oil	\$2,400,000	November 25, 2009
Servisair deposit	\$390,000	December 23, 2009
Tourist Cards (CAN)	\$237,000	October 9, 2009
Tourist Cards (US)	US\$213,000	October 9, 2009

As demonstrated by the attached correspondence between Skyservice and Sunwing, each of the above payments were made by Sunwing for a specific purpose, which purpose was explicitly set out in the request from Skyservice. Skyservice therefore had notice of such purpose, and the purpose was abundantly clear: the money was to be paid over to the specified third party. It can furthermore be gathered from the attached correspondence that the intention of the parties was for Skyservice to hold the Sunwing Third Party Payments and apply them only to the specified third party debts or obligations for which they were requested. Purpose of payment, knowledge of such purpose by the recipient and an intention that the money be used only for such purpose are the three requirements for a quistclose trust, and the Sunwing Third Party Payments were therefore subject to a quistclose trust immediately upon their delivery to Skyservice.⁴

We understand from your letter of December 7, 2010, that Skyservice made payment to the Intended Third Party Payees listed above in amounts in excess of the amount of the Sunwing Third Party Payments within a reasonable time after such amounts were received by Skyservice from Sunwing.

In addition to the Sunwing Third Party Payments, we assume that Skyservice received funds for the purpose of making payments to the Intended Third Party Payees listed above from parties other than Sunwing, including from Thomas Cook (the "Other Third Party Payments"). To the extent that Skyservice failed to pay the sum of such Other Third Party Payments and the Sunwing Third Party Payments to the third parties for whom they were intended, some or all of the unpaid amounts are held by Skyservice in trust, and Sunwing's portion thereof is hereby requested by Sunwing. Sunwing is not able to quantify this claim at this time because the amount of the claim is dependant upon records of Skyservice revealing the amount of the Third Party Payments received by Skyservice. Such information is not available to Sunwing; however, we trust it is available to the Receiver and hereby request the details thereof.

⁴ See, for example, *Citib Over Maple Bay Investments Ltd., Re*, 2010 CarswellBC 726 (B.C.S.C.), which reviews the Canadian jurisprudence on quistclose trusts generally.

In addition, to the extent that Skyservice has received or is owed a refund from the Intended Third Party Payees on account of the Sunwing Third Party Payments made by Sunwing to Skyservice and thereafter paid by Skyservice to the Intended Third Party Payee, the portion of such Sunwing Third Party Payments refunded is held by Skyservice in trust, and is hereby requested by Sunwing. Sunwing is not able to quantify this claim at this time because the amount of the claim is dependent upon records of Skyservice revealing the amount of the refunds, if any. Such information is not available to Sunwing; however, we trust it is available to the Receiver and hereby request the details thereof

5. Damages Claim

In our letters to you dated May 12, 2010 and April 2, 2010 wherein we assert certain financial and trust claims on behalf of Sunwing, claims for costs and damages, including costs of replacing flight services, inventory write-offs, customer protection and compensation and loss of revenues were included. Our May 12, 2010 letter estimated these claims to be CDN\$4,900,000, and they have since been determined to substantially exceed that amount as set out in the proof of claim filed with the Receiver on behalf of Sunwing on August 27, 2010 (the "Proof of Claim").

Without limiting the claims made in this letter, and without prejudice to anything in the Proof of Claim, we wish to clarify Sunwing does not claim a trust with respect to these miscellaneous damages and costs, except to the extent there is any overlap between the damages and the trust claims set out in this letter, in which case Sunwing asserts its trust claim in full over any overlapping amount.

6. Determination of Trust Claim

We understand that the Receiver may seek the assistance of the Superior Court of Justice in determining Sunwing's trust claim. Sunwing does not object to the inclusion of this letter and its attachments and in any materials filed by the Receiver with the Court for that purpose, and reserves the right to include this letter and its attachments in any responding materials filed by Sunwing.

The facts underlying Sunwing's claim do not appear to be materially in dispute. We trust that in the event the Receiver seeks the Court's assistance to determine Sunwing's claim, we will be given an opportunity to develop an agreed statement of facts to expedite and focus any issue that may remain following your consideration of this letter.

Please do not hesitate to contact me should you have any questions.

Yours very truly,

Steven J. Weisz

12434733.2

Jolanta Bialy

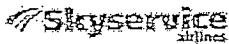
From: Percy Gyara [Percy_Gyara@Skyservice.com]
Sent: Wednesday, October 7, 2009 3:23 PM
To: Jolanta Bialy
Cc: Barbara Syrek
Subject: RE: Skyservice Airlines - Air Carrier Security Deposit Or Prepayment Requirement

Hi Jolanta

As per my email in Apr09, GTAA requires deposit and prepayment for AIF and landing fees \$ 678,000. We have to prepay 30 days of AIF and 15 days of landing fees. Please arrange to transfer this funds by 22nd October as I need to pay by 25th October.

Thanks in advance for all your help.

Percy Gyara , CGA, CPA
Controller



31 Fasken Drive
Toronto, Ontario M9W 1K6
Phone: (416) 679-5879
Fax: (416) 679-5913
E-mail: percy.gyara@skyservice.com

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From: Percy Gyara
Sent: April 2, 2009 5:04 PM
To: Jolanta Bialy
Cc: Barbara Syrek
Subject: FW: Skyservice Airlines - Air Carrier Security Deposit Or Prepayment Requirement

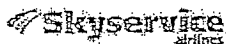
Hello Jolanta

Attached please find a letter from GTAA which states that they will requiring a deposit for AIF and landing fees. As you don't have any operations in the summer, this will not affect you but I just wanted to inform you that we will need some kind of deposit from you in the winter season. Amount to be determined based on the schedule.

Please let me know if you have any questions or concerns.

Thanks

Percy Gyara , CGA, CPA
Controller





Greater Toronto Airports Authority

March 20, 2009

Percy Gyara
Skyservice Airlines Inc
31 Fasken Drive
Toronto ON M9W 1K6

Finance

Silena Beltz, CGA
Manager, Accounting Operations
Tel: 416.776.7114
Fax: 416.776.5551

Dear Mr. Gyara:

Re: Toronto Pearson International Airport
Financial Security for Airport Improvement Fees and Aeronautical Fees.

The Greater Toronto Airports Authority (GTAA) in consultation with the Air Carrier Consultative Committee (ACC) at Toronto Pearson International Airport ("Toronto Pearson") is implementing new financial security requirements in respect of airport improvement fees ("AIF"), landing fees and general terminal charges (all such fees and charges are collectively referred to as the "Fees") to reduce the financial risk to the GTAA and to the air carriers operating at Toronto Pearson. Attached for your information is an extract from the Minutes of the ACC meeting held on February 24, 2009 relating to this matter.

The financial security consists of the air carriers either prepaying an estimate of the Fees or providing a security deposit to the GTAA. Each air carrier operating at Toronto Pearson must either prepay an estimate of the Fees for each payment period or provide a security deposit. The attached Schedule "A" to this letter describes the prepayment and security deposit requirements in more detail. Air carriers providing security deposits may provide the required amount by a letter of credit or cash, or a combination of letter of credit and cash. The GTAA will pay interest on the cash portion of a security deposit as provided in the attached Schedule "A". We ask that you complete the attached Schedule "A" (indicate the option you have selected with a check mark) and return it to the GTAA by April 30, 2009.

Initially, after the GTAA receives the completed Schedule "A" from the air carrier, the GTAA will determine and advise the air carrier of the actual prepayment amount or security deposit, as applicable, based on its anticipated summer 2009 operational schedule. The GTAA may revise the applicable prepayment amount or security deposit from time to time depending on changes in the air carrier's operational schedule.

Greater Toronto Airports Authority
Toronto Pearson International Airport

P.O. Box 6031, 9111 Caspar Drive
Toronto, ON M9W 1B2, Canada L5P 1B2

P: (416) 776-3500
F: (416) 776-7745
www.gtaa.com



March 20, 2009
Page 2 of 3



It is important to note the following dates when the financial security requirements become effective:

A. Prepayment of Fees

For air carriers prepaying the fees, the first prepayment is due on May 25, 2009. With respect to AIF, the first prepayment amount covers the period June 1 - June 30, 2009 and for landing fees and general terminal charges the first prepayment amount covers the period June 1 - June 15, 2009. Thereafter, the prepayments are due five (5) business days before each successive 30 day period for AIF and 15 day period for landing fees and general terminal charges.

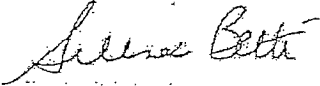
B. Security Deposit

For air carriers paying security deposits (either letter of credit, cash, or combination), the GATA must receive the applicable amount by May 29, 2009.

An air carrier may request to switch from prepayment to providing a security deposit, and vice versa, once per calendar year. If the GATA approves such request it will inform the air carrier of the amount of the prepayment or security deposit, as applicable. However, at all times the air carrier must either be prepaying the Fees or have provided a security deposit to the GATA.

Should you have any questions or require clarification please contact Teresa Fielding at teresa.fielding@gtaa.com.

Yours truly,


Silena Betti, CGA
Manager, Accounting Operations

c Jackie Smalec - Skyservice
Larry Shack - Skyservice



Schedule "A"

Air Carrier _____

Aeronautical Revenue (Landing Fees and General Terminal Charges)

Option	Details*	Indicate Option Selected
1. Security Deposit	45 days	
(a) Cash Deposit **		
(b) Letter of Credit	45 days	
2. Prepayment***	15 days	

AIF Revenue

Option	Details	Indicate Option Selected
1. Security Deposit	30 days	
(a) Cash Deposit **		
(b) Letter of Credit	30 days	
2. Prepayment***	30 days	

*Based on the average daily forecasted activity for each season: Winter (November 1 to March 31) and Summer (April 1 to October 31). The GTAA may revise the prepayment amount or security deposit if there are changes in the air carrier's forecasted operational activity.

** GTAA to pay interest as set by the 180 day CIBC Bank deposit rate

*** Carrier pays an estimate of the aeronautical activity 5 business days prior to the activity period and balance of invoice within 30 days of invoice date. The GTAA will periodically review and reconcile actual flight operations at Toronto Pearson with the prepayment amounts and security deposit and reserves the right to change the prepayment amounts and security deposit accordingly.

Jolanta Biely

From: Jolanta Biely
Sent: Monday, November 23, 2009 2:50 PM
To: Percy Gyara
Cc: Abdul Khan; Deborah D'Souza; Giulija Geraci
Subject: RE: Imperial Oil deposit

Hello Percy,

Please note that we will provide you with \$2.4m Cad funds to cover Imperial Oil Deposit for WQ9/10 season on Nov 25.
Thanks, Jolanta

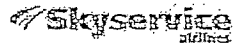
From: Percy Gyara [mailto:Percy_Gyara@Skyservice.com]
Sent: Thursday, November 12, 2009 2:33 PM
To: Jolanta Biely
Subject: Imperial Oil deposit

Hi Jolanta

I have to provide this deposit on or before 30th Nov. Can you please transfer US\$ 2.2M being your portion of the deposit by 26th Nov so that I have enough turnaround time.

Thanks

Percy Gyara, CGA, CPA
Controller



31 Fasken Drive
Toronto, Ontario M9W 1K6
Phone: (416) 679-5879
Fax: (416) 679-5913
E-mail: percy_gyara@skyservice.com

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Jolanta Bialy

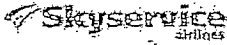
From: Percy Gyara [Percy_Gyara@Skyservice.com]
Sent: Monday, December 21, 2009 12:06 PM
To: Jolanta Bialy
Subject: Déposit for Servisair

Hi Jolanta

As discussed can you please transfer \$390K as deposit by this Wednesday. I will return the deposit at the end of our winter flying possibly in the first week of May10.

Thanks

Percy Gyara , CGA, CPA
Controller



31 Fasken Drive
Toronto, Ontario M9W 1K6
Phone: (416) 679-5879
Fax: (416) 679-5913
E-mail: percy.gyara@skyservice.com

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Jolanta Bialy:

From: Percy Gyara [Percy_Gyara@Skyservice.com]
Sent: Wednesday, October 7, 2009 3:04 PM
To: Jolanta Bialy
Cc: Barbara Syrek
Subject: Tourist Card Deposit

Hi Jolanta

We need to place the order for Tourist card for the upcoming season and would request the following deposit from you as soon as possible.

€\$ - 237,000

US\$ - 213,000

Please let me know once the transfer of funds take place.

Thanks

Percy Gyara , CGA, CPA
Controller




31 Fasken Drive
Toronto, Ontario M9W 1K6
Phone: (416) 679-5879
Fax: (416) 679-5913
E-mail: percy_gyara@skyservice.com

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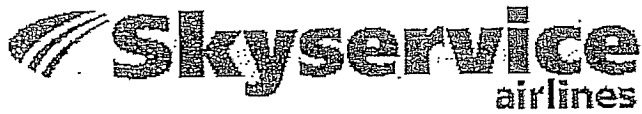
This is Exhibit "C" referred to in
the Affidavit of
Mark Williams

sworn before me this 11th day of October, 2011



Commissioner of Oaths

**VLADIMIR SHATIRYAN
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO,
WHILE A STUDENT-AT-LAW.
EXPIRES MAY 10, 2013.**



31 Fasken Drive
 Etobicoke Ontario M9W 1K6
 CANADA

INVOICE

Invoice Number REV-005130
 Date 3/17/2010
 Payment Terms NET0
 Customer ID SIGVAC1C

Signature Vacations - Revenue

1685 Tech Ave
 Mississauga ON L4W 0A7

Attention: Susana McCullough

G.S.T. Registration: 13529 1458 RT0002
 H.S.T. Registration: 13529 1458 RT0002
 Q.S.T. Registration: 1012236286 TQ0001

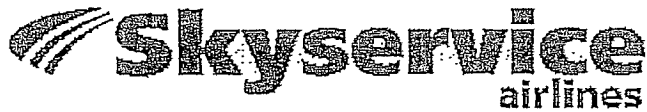
Description	Quantity	Amount
Flights for the period of Mar 27 - Apr 2, 2010 This invoice includes meals for \$19,237.68	1	\$3,189,731.34
Subtotal		\$3,189,731.34
GST		\$0.00
TOTAL - CAD		\$3,189,731.34

Thank you for choosing Skyservice Airlines

Any questions or concerns, please call:

Shavir Mistry
 Phone: (416) 679 5893
 Email: shavir_mistry@skyservice.com

Please make cheques payable to Skyservice Airlines Inc.
 Wire transfer funds to: c/o HSBC Bank Canada
 885 West Georgia Street, Suite 200, Vancouver, BC V6C 3G1
 Transit 10270, Account 217436-001



31 Fasken Drive
 Etobicoke Ontario M9W 1K6
 CANADA

CREDIT NOTE

Credit Note No. REVCRD-001472
 Date 3/23/2010
 Payment Terms
 Customer ID SIGVAC1C

Signature Vacations - Revenue

1685 Tech Ave
 Mississauga ON L4W 0A7

Attention: Susana McCullough

G.S.T. Registration: 13529 1458 RT0002
 H.S.T. Registration: 13529 1458 RT0002
 Q.S.T. Registration: 1012236286 TQ0001

Description	Quantity	Amount						
Credit for YYZ-CUN-YYZ flights on Mar 26 & Apr 2, 2010	1.00	\$119,609.86						
<table style="margin-left: 20px;"> <tr> <td>March 26</td> <td>59,804.43</td> </tr> <tr> <td>Apr 2</td> <td>59,804.43</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">119,609.86</td> </tr> </table>	March 26	59,804.43	Apr 2	59,804.43		119,609.86		
March 26	59,804.43							
Apr 2	59,804.43							
	119,609.86							

Thank you for choosing Skyservice Airlines

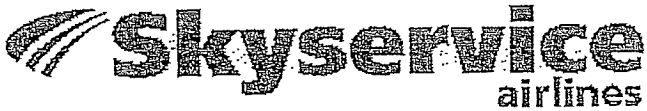
Subtotal	\$119,609.86
GST	\$0.00
TOTAL CAD	\$119,609.86

Any questions or concerns, please call:

Shavir Mistry
 Phone: (416) 679 5893
 Email: shavir_mistry@skyservice.com

Please make cheques payable to Skyservice Airlines Inc.
 Wire transfer funds to: c/o HSBC Bank Canada
 885 West Georgia Street, Suite 200, Vancouver, B.C. V6C 3G1

Transit: 16270 Account: 217438-001



31 Fasken Drive
 Etobicoke Ontario M9W 1K6
 CANADA

INVOICE

Invoice Number REV-005146
 Date 3/23/2010
 Payment Terms NET0
 Customer ID SIGVAC1C

Signature Vacations - Revenue

1685 Tech Ave
 Mississauga ON L4W 0A7

Attention: Susana McCullough

G.S.T. Registration: 13529 1458 RT0002
 H.S.T. Registration: 13529 1458 RT0002
 Q.S.T. Registration: 1012236286 TQ0001

Description	Quantity	Amount
Flights for the period of Apr 3 -9, 2010 This invoice includes meals for \$14,770.73	1	\$2,449,083.04
<i>Thank you for choosing Skyservice Airlines</i>		Subtotal \$2,449,083.04
		GST \$0.00
		TOTAL CAD \$2,449,083.04

Any questions or concerns, please call:

Shavir Mistry
 Phone: (416) 679 5893
 Email: shavir_mistry@skyservice.com

Please make cheques payable to Skyservice Airlines Inc.
 Wire transfer funds to: c/o HSBC Bank Canada
 885 West Georgia Street, Suite 200, Vancouver, BC V6C 3G1

Transit 19270 Account 247496-001

This is Exhibit "D" referred to in
the Affidavit of
Mark Williams

sworn before me this 11th day of October, 2011



Commissioner of Oaths

**VLADIMIR SHATIRYAN
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO,
WHILE A STUDENT-AT-LAW.
EXPIRES MAY 10, 2013.**

APPENDIX "A"

This Appendix is made pursuant to a Charter Agreement between:

SKYSERVICE AIRLINES INC. & First Choice Canada Inc./ Premier Choix Canada Inc.
c/o/b SKYSERVICE (hereinafter called "Charterer")
(hereinafter called "Carrier")

The terms and conditions hereinafter set out shall be considered to be part of the said Agreement.

PAYMENT REQUIREMENTS

- a) Payments for a charter flight made to any person to whom the Carrier, directly or indirectly, has paid a commission or has agreed to pay a commission with respect to such flight, shall be considered payment to the Carrier.
- b) After the charter contract has been signed by the Charterer and accepted by the Carrier, payment of the charter price and other charges shall be made in accordance with the following:
 - i) the charter price for each return flight in a contract will be paid 7 days before the departure of the outbound portion of each flight in that series.
 - ii) All airport taxes and other taxes applicable to the complete capacity contracted by the Charterer shall be paid by the Charterer to the Carrier 7 days before the departure of each return flight. The Carrier will refund to the charterer all taxes that may have been overpaid, 7 days after each return flight completed.

NOTE: For the purpose of definition, the word "series" as it relates to this rule, shall mean all charter contracts outstanding, at any point in time, entered into between the Charterer and the Carrier.


IN WITNESS WHERE OF, the parties hereto have executed this appendix to the Charter Agreement described above on this 25th day of January, 2010



Witness



Skyservice Airlines Inc.
c/o/b Skyservice
Ann Sybydlo, Manager, Government & Regulatory Affairs



Witness



First Choice Canada Inc./ Premier Choix Canada Inc.
Christina Groth, Vice President of Aviation and Operations

SKYSERVICE AIRLINES LTD
CHARTER TRANSPORTATION AGREEMENT (SCHEDULE A)

Contract #: FC CUN #3074
 Routing: YYZ/CUN/YYZ

Charter Type: ABC/ITC
 Day of Operation: Fridays

Date	Flight Itinerary	FC	# seats contracted	TTL	#ROTATION
05-Feb-10	YYZ/CUN		180	180	1
05-Feb-10	CUN/YYZ		180	180	
12-Feb-10	YYZ/CUN		180	180	1
12-Feb-10	CUN/YYZ		180	180	
19-Feb-10	YYZ/CUN		180	180	1
19-Feb-10	CUN/YYZ		180	180	
26-Feb-10	YYZ/CUN		180	180	1
26-Feb-10	CUN/YYZ		180	180	
05-Mar-10	YYZ/CUN		180	180	1
05-Mar-10	CUN/YYZ		180	180	
12-Mar-10	YYZ/CUN		180	180	1
12-Mar-10	CUN/YYZ		180	180	
19-Mar-10	YYZ/CUN		180	180	1
19-Mar-10	CUN/YYZ		180	180	
26-Mar-10	YYZ/CUN		180	180	1
26-Mar-10	CUN/YYZ		180	180	
02-Apr-10	YYZ/CUN		180	180	1
02-Apr-10	CUN/YYZ		180	180	
09-Apr-10	YYZ/CUN		180	180	1
09-Apr-10	CUN/YYZ		180	180	
16-Apr-10	YYZ/CUN		180	180	1
16-Apr-10	CUN/YYZ		180	180	
23-Apr-10	YYZ/CUN		180	180	1
23-Apr-10	CUN/YYZ		180	180	
					12

Proposed Arrival and Departure Times

Feb.05 - Apr.23/10		SEAT ALLOCATION: ABC: 20	
5G3074	YYZ	0620	ITC: 180
	CUN	0930	TOTAL: 180
5G3075	CUN	1020	
	YYZ	1505	

CHARTER TRANSPORTATION AGREEMENT -- SCHEDULE B

CHARTERER: First Choice Canada Inc./ Premier Choix Canada Inc.
 #3074

CONTRACT NO.: FC CUN

CALCULATION OF CHARTER PRICE

TARIFF REFERENCE

CTA NO. 1	Page(s)	86	(ABC)	20	(ITC)	160	(2/5/2010 To 4/23/2010)
		92	(ABC)		(ITC)		(To)
		94	(ABC)		(ITC)		(To)

MILEAGE REFERENCE

IAL MANDAL: YYZ/CUN/YYZ 3232 miles

LIVE:

YYZ/CUN/YYZ 38784 miles

SEAT ALLOCATION:

ABC 240
 ITC 1920
 TOTAL 2160

COMPUTATION (ITC)

<u>R/T MILEAGE</u>			<u>RATE</u>		<u># OF SEATS</u>		<u>ROTATIONS</u>		<u>TOTAL</u>
(Live)	3232	X	██████	centsX	180	X	12	=	██████
	3232	X	██████	centsX				=	

TOTAL CHARTER PRICE
 ████████

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at Toronto

**SUPPLEMENTAL AFFIDAVIT of
MARK WILLIAMS**

BLAKE, CASSELS & GRAYDON LLP

Barristers and Solicitors
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario M5L 1A9

Steven J. Weisz, LSUC #32102C
Tel: 416-863-2616

Chris Burr, LSUC #55172H
Tel: 416-863-3301
Fax: 416-863-2653

Lawyers for Sunwing Tours Inc.

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.

**PRE-APPOINTMENT REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS PROPOSED RECEIVER**

INTRODUCTION

1. FTI Consulting Canada Inc. ("FTI" or the "Proposed Receiver") has been informed that Thomas Cook Canada Inc. ("TCCI" or the "Applicant") intends to make an application under s. 243(1) of the *Bankruptcy and Insolvency Act* ("BIA") and s.101 of the *Courts of Justice Act* for an order (the "Order") appointing FTI as receiver (the "Receiver") of Skyservice Airlines Inc. ("Skyservice" or the "Company"). The proceedings to be commenced by the Applicant will be referred to herein as the "Receivership Proceedings".
2. FTI is a licensed trustee within the meaning of section 2 of the BIA. FTI Consulting has provided its consent to act as Receiver (consent is attached as Appendix "A").
3. The purpose of this report is to inform the Court on the following:
 - Relevant background information on Skyservice;
 - An independent review of the security held by TCCI and Gibralt Capital Corporation, the indirect controlling shareholder of Skyservice ("Gibralt");

- The Proposed Receiver's conclusions.
4. In preparing this report, the Proposed Receiver has relied upon unaudited financial information of the Company, the Company's books and records, certain financial information prepared by the Company and discussions with the Company's management. The Proposed Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposed Receiver expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
 5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of Karim Nensi of Thomas Cook, sworn March 30, 2010, and filed in support of the application for the Order (the "Nensi Affidavit").

RELEVANT BACKGROUND INFORMATION

6. Skyservice operates chartered aircraft services to various destinations in Canada, the United States, the Caribbean, Mexico and Europe.
7. Skyservice is a wholly-owned subsidiary of 6761551 Canada Inc. which in turn is 94% owned by Gibraltar, a Vancouver-based private equity investment company.
8. As of March 31, 2010, the Company employs 1,088 employees, the majority of which are located in Mississauga, Ontario. Of the 1,088 employees, approximately 74% are unionized.
9. The table below shows the breakdown of headcount by location of their permanent residence:

Location	Unionized	Non Unionized	Total Employees
Ontario	513	255	768
Quebec	62	6	68
Manitoba	52	6	58
Alberta	80	11	91
British Columbia	63	5	68
Saskatchewan	33	0	33
Florida	2	0	2
Total	805	283	1,088

10. Skyservice's management ("Management") has advised that all employees have been paid for services performed through to March 31, 2010 including all wages owing as well as any outstanding vacation pay accrued as of that date.
11. Approximately fifty Skyservice employees are currently located outside of Canada. All are Canadian citizens working temporarily outside of Canada. The majority of these employees hold open return tickets. However, some do not. Accordingly, the proposed Order before this Honourable Court contemplates allowing the Receiver to fund the costs incurred by such employees in returning to Canada. It is estimated that these costs will total approximately \$50,000.
12. Skyservice owns an office building at 31 Fasken Drive, Toronto, Ontario. Additionally, it owns two hangars adjacent to the Pearson International Airport. The Company leases maintenance and warehousing facilities at 7611 Bath Road, Mississauga, Ontario and at Pearson International Airport. Outside of the Greater Toronto Area, Skyservice leases office space in the Montreal airport and leases maintenance space at the following airports: Montreal, Ottawa, Winnipeg, Calgary, Edmonton, Vancouver and Saskatoon.

13. The Company derives approximately 98% of its revenues from its two largest customers, TCCI and TUI Travel PLC ("TUI"), operating through their subsidiaries Signature Vacations ("Signature") and Sunquest respectively.
14. The Company owns 100% of a subsidiary in the United Kingdom. Management has informed us that the only asset of this subsidiary is a bank account with a current balance of approximately \$5,000.

FTI's ROLE

15. On January 22, 2010, FTI was engaged to perform, among other things, weekly cash flow and payables reporting to the original Lenders. On February 19, 2010, FTI began providing weekly cash flow and payables reporting directly to TCCI, subsequent to the purchase by TCCI of the remaining secured debt of the Senior Lenders. In accordance with the Amended and Restated Credit Agreement, Skyservice was required to retain FTI to monitor the cash and payables position of the Company. FTI did not participate in any negotiations with creditors or customers throughout its engagement.

DETERIORATION OF BUSINESS

16. In September 2009, TUI acquired a 25 percent voting interest and 49 percent equity stake in Sunwing, a competing charter airline. Subsequent to the acquisition, TUI informed the Company that it would be transferring its Signature flights to Sunwing once the early termination date of October 31, 2012 was reached. The current contract between Skyservice and TUI ends October 31, 2013.
17. Management has advised that, with the prospective loss of TUI's business the Company's cost structure is unsustainable and would need to change significantly in order to meet TCCI cost requirements. Without either TUI or TCCI business, or the business of replacement tour operators (which business has not been sourced), Skyservice is unable to continue operations.

Demand for Repayments

18. On March 30, 2010, Gibralt issued a demand for repayment of the Gibralt secured debt. We are advised that a payment has been made to Gibralt in accordance with this demand in the amount of approximately \$7.1 million. In addition approximately \$1.6 million which has been held by a law firm was released to Gibralt under the terms of a forbearance agreement between the Company and its original Lenders.
19. On March 30, 2010, TCCI issued a demand for repayment of the TCCI secured debt. The Company has not made any repayments in response to the demand for payment.

THE PROPOSED COURSE OF ACTION

An Orderly Shutdown

20. Due to the fact that Skyservice is ultimately expected to lose both of its major customers which have accounted historically for 98% of their revenue and the recent demands by Gibralt and TCCI, Skyservice will not be able to both repay the Secured Debt and continue operations.
21. A court appointed Receiver is proposed in order to ensure an orderly wind-down of Skyservice's business, to allow for an orderly realization on its assets for the benefit of its creditors and to protect the interest its stakeholders.
22. The Receiver will terminate the majority of the employees on behalf of Skyservice. The Proposed Receiver plans to have approximately fifty employees continue their employment with Skyservice for an interim period in order to assist in the winding up of the business.

TRAVEL DISRUPTION

23. The Proposed Receiver has been informed by TCCI that all TCCI travel from April 1st onwards has been rescheduled to other aircraft. The Proposed Receiver does not believe that TUI travel has been rescheduled yet as they may not have prepared for the potential of Skyservice ceasing operations. TUI has the following flights scheduled over the next week, the number of passengers is Management's estimation; exact numbers are not available at this time;

• March 31 st	1 flight	190 people outbound	180 people inbound
• April 1 st	5 flights	970 people outbound	970 people inbound
• April 2 nd	6 flights	1200 people outbound	1200 people inbound
• April 3 rd	9 flights	1800 people outbound	1800 people inbound
• April 4 th	7 flights	1400 people outbound	1400 people inbound
• April 5 th	6 flights	1200 people outbound	1200 people inbound
• April 6 th	3 flights	600 people outbound	600 people inbound

24. It is the Proposed Receiver's understanding that a tour operator such as TUI or TCCI that meets the definitions of "travel wholesaler" or "travel agent" under the *Travel Industry Act* (Ontario) is required to pay the costs of trip completion for customers who have purchased their trip through an Ontario travel agency and whose travels cannot be completed. Accordingly, although some passengers may be subject to inconvenience, none should be stranded outside of Canada, or be forced to forego their vacation plans without access to compensation, or alternative vacation arrangements.

SECURITY REVIEW

25. As indicated in the Nensi Affidavit, registrations against Skyservice pursuant to personal property security legislation across Canada ("PPSA Legislation") are very extensive.
26. Subject to the discussion below, the Proposed Receiver has not reviewed the security or other agreements subject to such registrations or any of the underlying transactions, but would do so in the ordinary course of the receivership to the extent it became necessary or appropriate to do so.

(A) Thomas Cook Security

27. The Proposed Receiver was provided with copies of various security and other agreements in respect of the secured claims of TCCI that it acquired from Roynat Inc., as agent (the "Original Agent") for certain lenders (the "Original Lenders") pursuant to an assignment and assumption agreement dated as of February 12, 2010 (the "Assignment Agreement").
28. The Proposed Receiver's counsel has reviewed certain of those security agreements, including:
 - (a) A general security agreement dated October 19, 2007 between a predecessor of Skyservice and the Original Agent (the "Thomas Cook GSA"), which, among other things, provides for the grant of a security interest in all of the property of Skyservice, real and personal, as security for all present and future obligations of Skyservice owing to the Original Lenders;

- (b) A debenture dated October 19, 2007 granted by a predecessor of Skyservice in favour of the Original Agent (the "Office Building Debenture") which, among other things, provides for the grant of a charge and mortgage over all owned and after acquired real and leasehold property of Skyservice, including the real property municipally known as 31 Fasken Drive, Toronto (but specifically excluding the leasehold property located at 6932 Vanguard Drive, Mississauga, Hangars 6 and 6A at Pearson International Airport) (the "Office Building and Other Lands"), as security for all present and future obligations of Skyservice owing to the Original Lenders;

- (c) A debenture dated October 19, 2007 granted by a predecessor of Skyservice in favour of the Original Agent (the "Hangar Debenture") which, among other things, provides for the grant of a charge and mortgage over the leasehold property and all buildings, erections, fixed machinery and fixed equipment at the property municipally known as 6932 Vanguard Drive, Mississauga (which includes Hangars 6 and 6A at Pearson International Airport) (the "Hangar Lands"), as security for all present and future obligations of Skyservice owing to the Original Lenders;

- (d) A tri-party agreement dated October 19, 2007 among Greater Toronto Airports Authority ("GTAA"), a predecessor of Skyservice and the Original Agent ("Tri-Party Agreement") in respect of the consent by the GTAA and other agreements relating to the charge of the GTAA Lease dated November 1, 2000 (the "GTAA Lease") pursuant to the Hangar Debenture;

- (e) An acknowledgement and confirmation agreement dated October 19, 2007 given by Skyservice (as successor by amalgamation) to the Original Agent whereby Skyservice ratified, confirmed, acknowledged and agreed to be bound by all obligations, indebtedness and liabilities of the grants of security made by its predecessors, being Skyservice Airlines Inc. and 6756140 Canada Inc.
29. The Proposed Receiver's counsel has confirmed to the Proposed Receiver that, subject to customary opinion assumptions and qualifications (including with respect to the existence and validity of the debt secured by the security and with respect to preferences and other forms of impeachable transactions):
- (a) The Thomas Cook GSA is properly registered in Ontario, British Columbia and Alberta pursuant to the applicable PPSA Legislation, creates a valid security interest in the personal property of Skyservice located in those provinces and is enforceable against Skyservice under Ontario law (the law stated to be governing law of the Thomas Cook GSA); and
 - (b) The Office Building Debenture creates a valid charge of Skyservice's interest in the Office Building and Other Lands in favour of TCCI and is enforceable against Skyservice under Ontario law.
30. The Proposed Receiver's counsel is still reviewing the Hangar Debenture and related documents. The Proposed Receiver can report on the same during the course of the receivership.
31. The Proposed Receiver notes that registrations have also been made by TCCI under applicable PPSA Legislation in Saskatchewan and Manitoba, but the Proposed Receiver has not at this stage employed local counsel to provide a formal opinion on the effectiveness of those registrations.

(B) Gibraltr Security

32. The Proposed Receiver was provided with copies of certain security and other agreements in respect of the secured claims of Gibraltar.
33. The Proposed Receiver's counsel has reviewed certain of those security agreements, including:
- (a) A general security agreement dated October 19, 2007 between a predecessor of Skyservice and Gibraltar (the "Gibraltar GSA"), which, among other things, provides for the grant of a security interest in all of the property of Skyservice, real and personal, as security for all present and future obligations of Skyservice owing to Gibraltar.
 - (b) A charge/mortgage of land dated and registered December 4, 2009 against Skyservice in favour of Gibraltar (the "Gibraltar Charge") which, among other things, provides for the grant of a charge and mortgage over the property municipally known as 31 Fasken Drive, Toronto (as the "Gibraltar Charged Lands"), as security for the payment of all present and future indebtedness and liabilities of Skyservice to Gibraltar.
34. The Proposed Receiver's counsel has confirmed to the Proposed Receiver that, subject to customary opinion assumptions and qualifications (including with respect to the existence and validity of the debt secured by the security and with respect to preferences and other forms of impeachable transactions):
- (a) The Gibraltar GSA is properly registered in Ontario, British Columbia and Alberta pursuant to the applicable PPSA Legislation, creates a valid security interest in the personal property of Skyservice located in those provinces and is enforceable against Skyservice under Ontario law (the law stated to be governing law of the Gibraltar GSA);

- (b) The Gibralt Charge creates a valid charge of Skyservice's interest in the Gibralt Charged Lands in favour of Gibralt and is enforceable against Skyservice under Ontario law (the law stated to be governing law of the Gibralt Charge).


CONCLUSION

35. The Proposed Receiver is of the view that the relief requested by the Applicant is necessary, reasonable and justified. The Proposed Receiver is also of the view that an orderly shutdown of the Company's operations will help maximize the recoveries for the Company's unsecured creditors and senior lenders.
36. Accordingly, the Proposed Receiver respectfully supports the Applicant's request for the appointment of a receiver by this Honourable Court.
37. The Proposed Receiver has received an indemnity from TCCI a copy of which is provided as Appendix "B".

The Proposed Receiver respectfully submits to the Court this Pre-Filing Report.

Dated this 30th day of March, 2010.

FTI Consulting Canada Inc.
The Proposed Receiver of
Skyservice Airlines Inc.



Paul Bishop
Senior Managing Director

Appendix A

FTI Consulting Inc. consent to act as Receiver

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE RECEIVERSHIP OF
SKYSERVICE AIRLINES INC.**

BETWEEN:

THOMAS COOK CANADA INC.

Applicant

- and -

SKYSERVICE AIRLINES INC.

Respondent

CONSENT TO ACT AS RECEIVER

FTI CONSULTING CANADA INC. hereby consents to act as receiver pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and as receiver pursuant to Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended, of Skyservice Airlines Inc.

DATED this 31st day of March, 2010.

FTI CONSULTING CANADA INC.

By: 

Name: Paul Bishop

Title: Senior Managing Director

Appendix B

TCCI indemnity of FTI Consulting Inc.



March 30, 2010

FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Mr. Paul Bishop, Senior Managing Director

Dear Sirs/Mesdames:

Re: Skyservice Airlines

Thomas Cook Canada Inc. (along with its successors and assigns, "Thomas Cook") has asked FTI Consulting Canada Inc. ("FTI") to act, and FTI has agreed to act, as the court-appointed receiver of all the assets, undertakings and properties of Skyservice Airlines Inc. ("Skyservice") if so appointed pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) in form and substance satisfactory to FTI.

In consideration of FTI agreeing to do so, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- I. Thomas Cook unconditionally guarantees the payment of, and undertakes and agrees to pay promptly upon request (provided that there are insufficient available funds in the estate of Skyservice), the fees and disbursements (including the fees and disbursements of FTI's legal counsel, on a solicitor-client basis) ("Fees and Disbursements") which may be incurred by FTI in connection with the Skyservice receivership proceedings, including without limitation, in respect of preparation for the proceedings, excluding any Fees and Disbursements incurred on the following matters (the "Excluded Matters"):
 - (a) operating the business of Skyservice (as distinct from any steps taken in connection with the wind-down of the business of Skyservice and realization on assets, which are not Excluded Matters); and
 - (b) any proceedings to challenge the indebtedness owed or owing by Skyservice or security held by Thomas Cook or Gibraltar Capital Corporation (as distinct from any steps taken to review such security, the debt secured thereby and transactions giving rise thereto in preparation for the receivership application by Thomas Cook or in the ordinary course of the receivership, which are not Excluded Matters).

2. Thomas Cook agrees to indemnify and save harmless each of FTT, its affiliates and their respective officers, directors, partners, employees and agents (the "FTI Parties"), from and against:
- (a) any and all costs, charges, liabilities, damages, demands, obligations, debts, judgments, fines, claims, settlement payments and expenses (including all Fees and Disbursements) incurred directly or indirectly arising out of, based upon, or otherwise in connection with FTT's engagement as receiver, the Skyservice receivership proceedings, or any other proceedings to which any of the FTI Parties is made a party by reason of FTT's engagement or activities as receiver or by reason of anything alleged to have been done, omitted or acquiesced in by FTT as receiver (collectively, "Claims"), save and except for Claims that arise as a result of the wilful misconduct or gross negligence of such FTI Party or arise from the Excluded Matters; and
 - (b) any and all costs and expenses (including Fees and Disbursements) incurred in connection with any attempt to enforce this letter agreement.
3. Thomas Cook agrees that any payments under this letter agreement will be made free and clear of and without set-off, counterclaim, restrictions or conditions of any nature and that the above agreements and obligations are continuing liabilities of Thomas Cook that will survive FTT's termination or discharge as receiver of Skyservice.

Yours very truly,

THOMAS COOK CANADA INC.

Per: 

Title: Karim Nassi - CEO.

I/We have authority to bind the Corporation.

Acknowledged and Agreed by

FTI Consulting Canada Inc.

Per: 

Paul Bishop
Senior Managing Director

TAB 4

Court File No. CV-10-8647-00CL

Skyservice Airlines Inc.

SECOND REPORT OF THE RECEIVER

June 10, 2010

Court File No. CV-10-8647-00CL

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

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.

Between

THOMAS COOK CANADA INC.

Applicant

- and -

SKYSERVICE AIRLINES INC.

Respondent

**SECOND REPORT TO THE COURT SUBMITTED BY
FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS RECEIVER**

INTRODUCTION

1. On March 31, 2010 (the “**Date of Receivership**”), FTI Consulting Canada Inc. was appointed as receiver (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Property**”) of Skyservice Airlines Inc. (“**Skyservice**” or the “**Company**”) pursuant to the order of the Honourable Mr. Justice Gans (the “**Receivership Order**”) granted upon the application of Thomas Cook Canada Inc. (“**TCCF**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act (Canada)* (the “**BIA**”) and section 101 of the *Courts of Justice Act (Ontario)*.

2. The Receiver's first report dated April 14, 2010 (the "**First Report**") was filed in support of the Receiver's motion for, among other things, approval for the Receiver to enter into aircraft return agreements, the aircraft return indemnity agreements and the responsible person agreements with lessors and others to govern the return of aircrafts leased by Skyservice and related arrangements (the "**Aircraft Return Protocol**"). Pursuant to an Order made in the receivership proceedings dated April 15, 2010, Mr. Justice Morawetz approved the Aircraft Return Protocol (the "**Aircraft Return Order**").

3. The purpose of this, the Receiver's Second Report, is to inform the Court of the following:

- (i) The activities of the Receiver since April 14, 2010, the date of the Receiver's First Report;
- (ii) Receipts and disbursements for the period from March 31 through May 28, 2010;
- (iii) The return of the ten aircraft under the Aircraft Return Protocol;

and to request the granting by this Honourable Court of:

- (iv) An order approving the payment of the Break-Fee, as hereinafter defined, in the circumstances set out in the agreement of purchase and sale, as amended, between Skyservice Airlines Inc., acting by its Receiver, and 2157565 Ontario Inc. dated May 25, 2010 (the "**Fasken Agreement**") in respect of Skyservice's premises located at 31 Fasken Drive, Toronto (the "**Fasken Property**");
- (v) An order approving the marketing plan and sales process proposed by the Receiver for the sale of Fasken Property and the chattels located therein, as contemplated in the Fasken Agreement (the "**Fasken Marketing Process**"); and

- (vi) An order authorizing the Receiver to enter into and implement the Liquidation Services Agreement dated June 9, 2010 (the “LSA”) between the Receiver and Century Services Inc. (“Century”).

TERMS OF REFERENCE

- 4. In preparing this report, the Receiver has relied upon unaudited financial information of Skyservice, Skyservice’s books and records, certain financial information prepared by Skyservice and discussions with Skyservice’s employees. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. 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.
- 5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order or the Receiver’s First Report.

ACTIVITIES SINCE THE DATE OF THE RECIEVER'S FIRST REPORT

CASH

6. The Receiver has continued to work with the Company's banks to finalize matters with respect to the pre-receivership accounts. On the Date of Receivership, the Receiver froze all Skyservice accounts and transferred funds to the Receiver's accounts. All foreign currency amounts were converted to Canadian Dollars on transfer. The Receiver has agreed to a small holdback by the banks to cover any additional charge-backs that may occur. As reported in the Receiver's First Report, Sunwing has asserted a claim, including a potential proprietary or trust "interest", over funds held by the Receiver, which claim is yet to be determined.

ACCOUNTS RECEIVABLE

7. The Receiver continues to collect outstanding receivables. Skyservice's books and records show total estimated receivables of approximately \$17.3 million as at Filing Date. However, approximately \$15.5 million is due from parties that could potentially have as yet unquantified counter-claims and potential rights of set off. Collections to date total approximately \$620,000.

INSURANCE

8. The Receiver's insurance advisor reviewed the Company's insurance coverage existing as at the Receivership Date and the Receiver has obtained replacement or additional coverage where considered appropriate. The aircraft insurance policies have now expired or were terminated following the return of the aircraft to the Lessors as described later in this report.

INVENTORY AND EQUIPMENT

9. At the Date of Receivership, Skyservice had inventory and equipment at various locations in Canada, with the majority being located at the Toronto premises, in addition to minor amounts of inventory located in the United Kingdom, the United Arab Emirates, Cuba, the Dominican Republic and Mexico. Inventory and equipment has been consolidated in Toronto where cost effective to do so. Certain other inventory and equipment has been sold locally. The costs of realization and practical difficulties may make the realization of certain inventory and equipment at remote locations unfeasible.

THIRD PARTY ASSET CLAIMS

10. The Receiver has received claims for ownership of assets in the possession of Skyservice from 22 different companies to date. All documentation provided by the companies has been forwarded to the Receiver's legal counsel for review. The Receiver is working with the parties with valid ownership to their assets to return the goods to them. To date the Receiver has accepted the claims of 11 parties.

CLAIMS UNDER SECTION 81.1 OF THE BIA ("30-DAY GOODS CLAIMS")

11. The Receiver received three small 30-day good claims pursuant to section 81.1 of the BIA. Two of the claims have been allowed and the goods in question have been returned. The third claim was disallowed and the disallowance was not disputed within the statutory timeframe.

EMPLOYEES

12. On the Date of Receivership, Skyservice had 1,088 full- or part-time employees. Since the Date of Appointment the Receiver, on behalf of the Company, has issued 1,054 letters of termination. Skyservice continues to retain 34 people to assist with the Receivership, including certain employees specifically identified on the Aircraft Maintenance Organization certificate (“AMO”) issued to Skyservice by Transport Canada. The AMO has been maintained as it was required in order to perform maintenance on registered aircraft prior to their return to Lessors and is required to certify parts and tools, which certification is expected to increase asset realizations.

TRUST FUNDS

13. On March 25, 2010, prior to the Date of receivership, Skyservice forwarded \$7.4 million to its legal counsel, Cassels Brock & Blackwell LLP (“Cassels”), to be held in trust for certain amounts that may be owing to employees, amounts that may be owing pursuant to the *Workers Compensation Act*, (Manitoba) and amounts that may be owing in respect of the Air Travellers Security Charge (“ATSC”).
14. The Receiver understands from Cassels that approximately \$6.3 million was paid out of the trust funds prior to the appointment of the Receiver. Since the Date of Receivership, the Receiver has consented to Cassels making additional payments totalling approximately \$0.9 million from the trust funds.
15. Based on the information provided by Cassels, current trust fund balances are summarized as follows:

	Employee	WCB	ATSC	Total
	\$000	\$000	\$000	\$000
Initial Amount	6,300	4	1,100	7,404
Pre-receivership Payments	5,218	4	1,053	6,275
Post-receivership Payments	858	0	0	858
Current Balance	224	0	47	271

16. The Receiver intends to assist Cassels in the determination of any final amounts that are payable from the trust funds and discuss arrangements for the release of any surplus with Cassels. To the extent that it is determined that an Order of the Court is necessary or advisable in respect of the foregoing, the matter will be the subject of a subsequent motion.

WEPPA

17. In accordance with the *Wage Earners Protection Program Act* (Canada) (“WEPPA”), the Receiver provided the required information to individuals within 45 days of the Receivership. The Receiver will be providing the required information to Service Canada by June 15, 2010 or such later date as agreed to by Service Canada in accordance with the provisions of WEPPA.
18. The Receiver has also posted information pertaining to WEPPA on its website, and continues to respond to inquiries via email and phone as the messages are received.

UNIONS

19. The Receiver has been in contact with representatives of each of the four unions that represent employees of Skyservice: the Skyservice Cabin Crew Association (“SCCA”), the Skyservice Pilots’ Association (“SkyPAC”), Canadian Airlines Dispatchers Association (“CALDA”) and the Canadian Auto Workers (“CAW”).

20. The Receiver has been in discussions with SCCA and SkyPAC, and has responded to specific requests for training and safety information. The Receiver has photocopied and prepared the information requested and will release the information upon payment from each of SCCA and SkyPAC as reimbursement to the Receiver for costs incurred to reasonably respond to the specific union requests.

LEASED PREMISES

21. As at the Date of Receivership, the Company had leased premises at Mississauga, Montreal, Ottawa, Calgary, Winnipeg, Vancouver, Edmonton and Saskatoon. The Receiver reviewed the leases and concluded that there was no realizable value.
22. The lease for the Mississauga training facility was disclaimed effective April 15, 2010. The remaining real property leases were disclaimed by May 15, 2010.

CRA AUDITS

23. CRA has completed audits in respect of the Company's pre-receivership GST filings, ATSC amounts and airport improvement fees ("AIF"). No significant issues were identified.

WEBSITE AND RECEIVER CONTACTS

24. The Receiver has established a website at <http://cfcanada.fticonsulting.com/skyservice> at which the Receiver will post periodic updates on the progress of the receivership, together with copies of court orders, motion materials and reports filed in the receivership. In addition, the Receiver has created a dedicated email address, skyservice.receiver@fticonsulting.com, and a dedicated telephone number, 1-888-679-5969, which creditors, employees, interested parties and other stakeholders can use to contact the Receiver.

SALES OF ASSETS TO DATE

25. Pursuant to the Receivership Order, the Receiver is empowered and authorized by the Court to market and sell the Property or any part or parts thereof, provided that any individual transaction may not exceed \$750,000 and that the aggregate consideration for all such transactions may not exceed \$3,000,000. To date, the Receiver has completed sales of tourist cards, alcoholic beverages and perishable products for aggregate consideration of \$92,000.

ESCROW AMOUNTS

26. Skyservice was acquired by its current owners pursuant to statutory plan of arrangement in 2007. Consideration in respect of the transaction was paid almost entirely in cash with several contingent amounts (totalling approximately \$17.2 million) placed in escrow at the time. Portions of the escrow funds have been released throughout the last few years, upon satisfaction of specific requirements set out in the applicable agreements with the selling shareholders (the “Vendor”). As of May 25, 2010, there is approximately \$7.2 million currently in the escrow accounts.
27. The remaining escrowed amounts are subject to claims by Skyservice that relate to:
- (i) Breaches of representations and warranties; and
 - (ii) Financial performance thresholds from 2008.
28. The Receiver has been in discussions with representatives of the Vendor regarding the escrowed funds and Skyservice claims, and is in the process of determining next steps toward resolving the disputes and the treatment of the remaining escrowed funds.

RECEIPTS AND DISBURSEMENTS FOR MARCH 31 TO MAY 28, 2010

29. The excess of receipts over disbursements for the period from March 31, 2010 to May 28, 2010 (the "Period"), totalled approximately \$8.6 million, as summarized below:

	\$000
Receipts	
Cash	8,852
Sales	92
Collections under Aircraft Return Agreements	2,448
Accounts Receivable	620
Miscellaneous	122
Total Receipts	12,134
Disbursements	
Occupancy Costs	34
Payroll	1,059
Operating Costs	268
Legal & Professional	2,033
GST	107
Total Disbursements	3,501
Excess of Receipts over Disbursements	8,633

30. In addition to the foregoing, the Receiver currently estimates that it has incurred approximately \$600,000 in accrued obligations, primarily in respect of payroll-related costs, legal and professional fees and other miscellaneous operating costs.

RETURN OF AIRCRAFT

31. As described in the Receiver's First Report, Skyservice had ten leased aircraft located in Canada on the Date of Receivership.
32. Since the date of the First Report, the Receiver and its legal counsel have been working closely with representatives of the aircraft Lessors and their legal counsel to return the aircraft to the Lessors, including:
- (i) Negotiating and executing the Aircraft Return Agreements, Aircraft Return Indemnity Agreements and Responsible Person Agreements;

- (ii) Collecting amounts owing under the Aircraft Return Agreements;
- (iii) Compiling aircraft records, historical technical compliance reports, substantiating airframe, engine and component times and their Airworthiness Directive status;
- (iv) Providing documentation supporting hard time component certifications to substantiate aircraft airworthiness status and enable an assessment of the outstanding maintenance programme requirements necessary to obtain a valid certificate of airworthiness; and
- (v) Providing the documentation required at lease termination.

33. All ten aircraft were returned to the Lessors by April 30, 2010 and have now been deregistered by Skyservice. Pursuant to the Aircraft Return Agreements, the Receiver collected \$856,000 in deposits in respect of return costs and approximately \$1.592 million in respect of accounts receivable showing as owing by the Lessors on the Skyservice books and records. These amounts were collected, subject to agreement with the Lessors on the actual amounts owing in each case.

THE FASKEN AGREEMENT AND THE BREAK-FEE

34. As described in the Receiver's First report, Skyservice owns the Fasken Property, which served as Skyservice's head office and is located at 31 Fasken Drive in the city of Toronto, Province of Ontario. Prior to the Date of Receivership, Skyservice had obtained a number of listing proposals from real estate agents for the listing of the Fasken Property, although no listing agreement had been signed. Following its appointment, the Receiver was contacted by a number of parties who expressed an interest in acquiring the Fasken Property. In addition, the Receiver was contacted by several real estate agents who offered their services to market the Fasken Property.

35. In mid-April 2010, the Receiver invited each of the interested parties to submit expressions of interest to the Receiver by April 30, 2010. The Receiver also invited each of the real estate agents who had expressed an interest in marketing the property to submit listing proposals to the Receiver by April 30, 2010.
36. Having reviewed the listing proposals and expressions of interest received, the Receiver determined that realizations for the sale of the Fasken Property may be maximized by undertaking a “stalking horse” sales process. To that end, the Receiver has caused Skyservice to enter into, subject to Court Approval and subject to the right to seek higher offers, the Fasken Agreement. The key terms of the Fasken Agreement, a copy of which is attached hereto as Appendix A, are summarized as follows:
- (i) A purchase price of \$5.3 million for the purchased assets, being the Fasken Property and the chattels located therein. A deposit of \$750,000 has been paid by the Purchaser and the balance of the purchase price has been placed in escrow with the Purchaser’s solicitors;
 - (ii) The Vendor has the right to solicit higher offers under a “stalking-horse” process for 45 days from the date of the Process Order (as defined below);
 - (iii) If the Purchaser is not the successful bidder in the marketing process, they shall be paid a break-fee of \$160,000 (the “**Break-Fee**”) from the proceeds of the sale of the purchased assets; and
 - (iv) Closing is to occur within 60 days of the Process Order.
37. The Purchaser has waived its due diligence condition and the Fasken Agreement is now conditional only upon:

- (i) the Vendor obtaining an order of the Court, in form and content satisfactory to it, acting reasonably (the “**Process Order**”) by June 10, 2010 (subsequently amended to June 16, 2010), authorizing the Vendor to enter into the Fasken Agreement, to conduct the marketing process contemplated by Section 4(a) of the Fasken Agreement and to pay the Break-Fee in accordance with Section 4(a) of the Fasken Agreement;
- (ii) The Purchaser being the successful bidder in the marketing process; and
- (iii) The granting of an approval and vesting order.

38. The Receiver believes that the Fasken Agreement is beneficial and as a “stalking-horse” in the proposed marketing process, it will enable the Receiver to achieve the highest and best realization for the Fasken Property and other purchased assets. Furthermore the Receiver is of the view that the Break-Fee is reasonable and warranted in the circumstances. Accordingly, the Receiver respectfully seeks approval of the Break-Fee.

THE FASKEN MARKETING PROCESS

39. Both the Purchaser and the Receiver recognize that there may be parties that are prepared to pay a higher price for the Fasken Property than the purchase price under the Fasken Agreement. Accordingly, the Receiver proposes that a marketing of the Fasken Property to be followed by an auction if other “qualified bidders” are identified. Pursuant to the Fasken Agreement, the Purchaser has agreed to this approach.
40. The Receiver now seeks approval of a marketing process in respect of the Fasken Property (the “**Fasken Marketing Process**”) as follows:

- (i) A list of potential buyers (“**Potential Buyers**”) has been identified through independent research and parties who have contacted the Receiver. Potential Buyers will be approached and the opportunity to acquire the Fasken Property introduced;
- (ii) Major commercial real estate brokerage companies will also be advised of the opportunity;
- (iii) An advertisement will be placed in the national edition of the Globe and Mail as soon as practicable following Court approval of the Fasken Marketing Process;
- (iv) Interested parties will be provided with detailed information regarding the Fasken Property to enable them to perform due diligence;
- (v) Interested parties and the real estate brokerage companies will be advised that a commission of up to 1.5% will be paid to a licensed real estate agent (the “**Agent**”) representing the ultimate purchaser of the Fasken Property (the “**Fasken Purchaser**”), but only upon the closing of the sale and from the proceeds of sale;
- (vi) Interested parties will be required to submit a binding offer with a net purchase price exceeding \$5,560,000 (i.e. the purchase price under the Fasken Agreement plus the Break-Fee), after deduction of any applicable Agent’s commission, with a deposit of at least 15% of the gross purchase price, and otherwise on the same or better terms than the Fasken Agreement using a template agreement (the “**Fasken Template Agreement**”) that will be provided by the Receiver and will be based on the Fasken Agreement. Offers must be submitted by no later than 5:00 p.m. Toronto Time, Friday July 30, 2010 (the “**Fasken Bid Deadline**”). The Receiver will determine in its sole discretion if an offer constitutes a superior offer.

(vii) In the event that a Superior Offer is received by the Receiver from a party other than the Purchaser under the Fasken Agreement (a “**Qualified Bidder**”), the Receiver will conduct an auction (the “**Fasken Auction**”), the specific mechanics, terms, and conditions of which will be set by the Receiver substantially as follows:

- (a) The Fasken Auction, if any, will be conducted by the Receiver, commencing at 10 a.m. Toronto time on or around the date that is 3 business days after the Fasken Bid Deadline or such other date as the Receiver may determine in its sole discretion and may be conducted by e-mail;
- (b) Bidding will proceed in windows of approximately fifteen minutes each (a “**Bid Window**”) or such other time periods as the Receiver may determine in its sole discretion. At the start of each Bid Window, the Receiver will communicate to each Qualified Bidder then participating in the Fasken Auction (the “**Fasken Participating Bidders**”) the details of the current best offer, but not the identity of the leading bidder;
- (c) During each Bid Window, Fasken Participating Bidders may submit a bid which is at least \$50,000 (after deduction of any applicable Agent’s commission) higher than the then current leading bid (a “**Revised Bid**”);
- (d) A Fasken Participating Bidder that does not submit a Revised Bid on terms (aside from price) acceptable to the Receiver during any given Bid Window (other than the final Bid Window) will be eliminated from the Fasken Auction and will not be permitted to submit any further bids;

- (e) If no Fasken Participating Bidder submits a Revised Bid during any given Bid Window or if only one Fasken Participating Bidder submits a Revised Bid during any Bid Window, the Fasken Auction will be concluded whereupon the Receiver will enter into a binding agreement of purchase and sale with the Fasken Participating Bidder that submitted the leading bid prior to that final Bid Window on terms (aside from price) acceptable to the Receiver and seek Court approval thereof at the earliest reasonable opportunity; and
- (f) If no Fasken Qualifying Bid is submitted by the Fasken Bid Deadline, the Fasken Marketing Process will end and the Receiver will seek the approval of the Court to complete the transaction contemplated in the Fasken Purchase Agreement.

41. The Receiver believes that the Fasken Marketing Process should achieve the highest and best realization of the Fasken Property and related assets in the circumstances and respectfully requests that this Honourable Court approve the Fasken Marketing Process.

THE LSA

42. Since the Date of Receivership, the Receiver has been contacted by numerous parties expressing interest in the Skyservice inventory of parts and equipment (the "P&E Assets"). Given the nature of the P&E Assets and the degree of interest, the Receiver has concluded that the most efficient and effective way of realizing on the P&E Assets will be through a liquidation auction conducted by a professional liquidator as agent for the Receiver.

43. To that end, the Receiver contacted a number of liquidators and requested that they submit proposals for the liquidation of the P&E Assets by no later than April 23, 2010. Four proposals were received by that date (the “**Initial Proposals**”).
44. The Receiver reviewed the Initial Proposals and determined that there was no clear leading proposal. The liquidators were therefore given the opportunity to improve their proposals, with revised proposals to be submitted by April 30, 2010. Four revised proposals (the “**Revised Proposals**”) were submitted by that date.
45. A summary of the Revised Proposals has been prepared by the Receiver and has been designated as confidential Appendix B to this report. The Receiver is of the view that disclosure of the financial terms of the Revised Proposals may be detrimental to the realization process and is therefore seeking a Sealing Order in respect of Appendix B. Accordingly, Appendix B has not been attached hereto, pending the Court’s decision on the Receiver’s request.
46. The Receiver assessed the four Revised Proposals based on their terms and projected recovery to the Receiver under various assumptions of gross proceeds of realization. The Revised Proposals were comparable in terms of potential recoveries, but the proposal submitted by Century provided the highest net minimum guarantee. Accordingly, the Monitor proceeded to negotiate a definitive liquidation services agreement with Century. The LSA, a copy of which (without schedules) is attached hereto as Appendix C with the financial terms redacted, was executed on June 9, 2010.
47. The Receiver is of the view that approval and implementation of the LSA will provide for the most efficient and effective method of realizing on the P&E Assets. Accordingly, the Receiver seeks approval by this Honourable of the LSA.

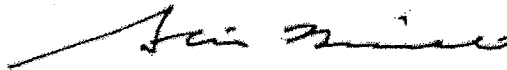
The Receiver respectfully submits to the Court this, its Second Report.

Dated this 10th day of June, 2010.

FTI Consulting Canada Inc.
in its capacity as receiver of
Skyservice Airlines Inc.
and not in its personal or corporate capacity



Nigel D. Meakin
Senior Managing Director



for Jamie T Engen
Managing Director