

COURT FILE NUMBER

2401-02664

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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



DOCUMENT

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

May 15, 2024

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CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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

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FOURTH REPORT OF THE MONITOR

TABLE OF CONTENTS

INTRODUCTION..... 2
PURPOSE 5
TERMS OF REFERENCE..... 6
BACKGROUND INFORMATION 8
ACTIVITIES OF THE MONITOR..... 9
STATUS OF OPERATIONS AND BUSINESS 9
STATUS OF THE SISP 13
CASH FLOW STATEMENT..... 20
RELIEF SOUGHT BY THE APPLICANTS..... 23
CONCLUSIONS AND RECOMMENDATIONS..... 23

Appendix “A” – Letter from Koskie Minsky LLP dated April 19, 2024

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

INTRODUCTION

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

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

4. Also on March 1, 2024, this Honourable Court approved a sale and investment solicitation process (“**SISP**”) and granted an Order (the “**SISP Order**”) authorizing and directing the Applicants and the Monitor to implement the SISP in accordance with the terms thereof (the “**SISP Procedures**”).

5. On April 2, 2024, this Honourable Court granted the following Orders:
 - (a) an Order (the “**Termination Approval Order**”) approving a termination agreement and mutual release (the “**Termination Agreement**”) between The Boeing Company (“**Boeing**”) and Lynx Opco in respect of Purchase Agreement No. PA-04427 (the “**Boeing Purchase Agreement**”);
 - (b) a restricted Court access Order sealing the confidential affidavit of Michael Woodward, sworn March 25, 2024, which contains an unredacted copy of the Termination Agreement;
and
 - (c) a restricted Court access Order sealing the confidential supplement to the second Report of the Monitor dated March 27, 2024.

6. On April 15, 2024, this Honourable Court granted the following Orders:
 - (a) authorizing the Applicants, with the approval of the Monitor, to repay the borrowings to the Interim Lender in an amount equal to the amounts owing to the Interim Lender under the Term Sheet;
 - (b) authorizing the Applicants to make further distributions to Indigo up to an amount equal to the secured obligations and amounts owing by the Applicants under the terms of the note purchase agreement dated December 20, 2018 (the “**Initial Notes**”), and the five bridge note purchase agreements, as amended (the “**Bridge Notes**” and collectively with the Initial Notes, the “**Secured Obligations**”); and

- (c) extending the Stay Period up to and including June 28, 2024.
7. On May 14, 2024, the Applicants filed and served a notice of application returnable on May 21, 2024, seeking orders:
- (a) authorizing and approving (the “**BOCA AVO**”) the transaction (the “**BOCA Transaction**”) contemplated by the asset purchase and sale agreement between Lynx Opco and BOC Aviation (Cayman) Limited (“**BOCA**”) dated May 13, 2024 (the “**BOCA APA**”);
 - (b) authorizing and approving (the “**AERO AVO**”) the transaction (the “**AERO Transaction**”) and together with the BOCA Transaction, the “**Transactions**”) contemplated by an asset purchase and sale agreement between Lynx Opco and AERO3 Inc. (“**AERO**”) dated May 10, 2024 (the “**AERO APA**”); and
 - (c) an order (the “**Restricted Court Access Order**”) sealing the Confidential Affidavit of Michael Woodward, sworn May 13, 2024 (the “**Confidential Woodward Affidavit**”).
- (the “**May 21 Application**”).
8. Electronic copies of all materials filed by the Applicants in connection with the May 21 Application and other statutory materials are available on the Monitor’s website at: <http://cfcanada.fticonsulting.com/lynxair/>.

PURPOSE

9. The Monitor has reviewed the Court materials filed by the Applicants in support of the May 21 Application. The purpose of this report (this “**Report**”) is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to the following:

- (a) the activities of the Monitor since its third report dated April 11, 2024 (the “**Third Report**”);
- (b) the status of the wind-down of the Applicants’ business and operations;
- (c) the status of the SISP including the Applicants’ request for approval of the Transactions;
- (d) the termination of the Applicants nine leases associated with the Boeing 737 MAX 8 aircrafts;
- (e) the Applicants’ actual cash receipts and disbursements for the 5-week period ended May 11, 2024, as compared to the cash flow statement presented to this Honourable Court attached to the Third Report;
- (f) the Applicants updated cash flow statement (the “**Fourth CFS**”) for the period of May 12, 2024, to June 29, 2024 (the “**Forecast Period**”) as well as the Monitor’s view on the reasonableness of the Cash Flow Statement and assumptions therein; and
- (g) the Monitor’s conclusions and recommendations with respect to the above.

10. This Report should be read in conjunction with the affidavit of Mike Woodward sworn on May 13, 2024 (the “**Fifth Woodward Affidavit**”).

TERMS OF REFERENCE

11. Capitalized terms used but not defined herein have the same meaning ascribed to them in the Fifth Woodward Affidavit and the ARIO, as the context may require.

12. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Applicants' books and records and discussions with various parties (collectively, the "**Information**").
13. Except as described in this Report:
- (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;
 - (b) the Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and
 - (c) future oriented financial information reported or relied on in preparing this Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
14. The Monitor has prepared this Report in connection with the May 21 Application. This Report should not be relied on for other purposes.
15. Information and advice described in this Report that has been provided to the Monitor by its legal counsel, McCarthy Tétrault LLP (the "**Monitor's Counsel**"), was provided to assist the Monitor in considering its course of action, is subject to solicitor client privilege, not intended as legal or other advice to, and may not be relied upon by, any other person.
16. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND INFORMATION

17. Detailed information with respect to the Applicants' business, operations and causes of financial difficulty are described in Affidavit of Mike Woodward sworn on February 22, 2024.
18. Additional background information on the Applicants and the CCAA Proceedings is available on the Monitor's Website, including the Fifth Woodward Affidavit.
19. The Applicants' primary assets, included:
 - (a) nine leased Boeing 737 MAX 8 aircraft (the "**Fleet**") and three leased CFM LEAP-1B25 spare engines (the "**Engine Leases**" and together with the Fleet, the "**Aircraft Leases**");
 - (b) the Boeing Purchase Agreement which included 29 aircraft remaining to be delivered;
 - (c) a sale and leaseback agreement between Lynx Opco and BOC Aviation Limited with respect to eight aircraft scheduled to be delivered in 2024 (the "**BOCA Aircraft**");
 - (d) an agreement between Lynx Opco and CFM International, Inc. to purchase four LEAP-1B25 engines (the "**Engine Purchase Agreement**");
 - (e) ancillary aircraft equipment, including wheels and brakes compatible with the Fleet (the "**Wheels and Brakes**"); and
 - (f) other buyer furnished equipment installed or to be installed on the BOCA Aircraft (the "**BFE**"),

(collectively, the "**Assets**").
20. Pursuant to the Aircraft Leases the Applicants are party to lease agreements with six counterparties (the "**Lessors**").

ACTIVITIES OF THE MONITOR

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

STATUS OF OPERATIONS AND BUSINESS

Operations

22. Upon granting of the Initial Order the Applicants commenced an expedited wind-down of flight operations which included operating scheduled flights for a period of four days, from the Initial Filing Date to the end of day on February 25, 2024 (the "**Operating Period**").
23. As of the date of this Report the Applicants continue the wind-down of operations including reconciling final accounts with vendors which provided services during the Operating Period and correspondence with counterparties that held security in the form of deposits and letters of credit to either effectuate the return of the collateral or release the security to vendors.

Employees

24. As of the date of this Report three employees and two contractors remain to assist with the administration of the SISP, the continued wind-down of the business and the administration of the CCAA Proceedings.
25. Upon their termination employees have been provided with directions on how to receive a copy of their record of employment from Service Canada and made aware of the WEPPA.
26. On March 13, 2024, within the timeline prescribed by the WEPP Regulations, the Monitor provided eligible employees with an instruction letter (“**WEPPA Instruction Letter**”) setting out the Applicants’ calculation of eligible wages owed under WEPPA and instructions on how to submit claims with Service Canada.
27. The following summarizes the status of WEPPA claims administered by the Monitor to date:
 - (a) sent 486 WEPPA Instruction Letters to eligible employees;
 - (b) 443 eligible employees have submitted a proof of claim (“**WEPPA Proofs of Claim**”) to the Monitor in accordance with the WEPPA Instruction Letter and in accordance with the requirements under WEPPA; and
 - (c) the Monitor has reviewed the WEPPA Proofs of Claim received to date and has submitted 443 WEPPA Proofs of Claim to Service Canada for processing. The Monitor continues to review and process claims as received from eligible employees.
28. The Applicants, in consultation with the Monitor, determined that a total of approximately \$1.5 million was owed to former employees for unpaid vacation and a total of \$1.5 million for severance and termination pay, which are considered eligible wages under the WEPP (the “**WEPP Claims**”).

29. Pursuant to section 81.4(4) of the *Bankruptcy and Insolvency Act*, the WEPP Claims are secured against the Applicants' current assets to the extent of \$2,000 per employee for wages and compensation (including vacation pay, but excluding severance and termination pay).
30. The Applicants have not yet received a statement from Service Canada asserting a subrogated priority claim (“**WEPP Priority Claim**”) related to the unpaid vacation pay portion of the WEPP Claims. However, the Monitor estimates the WEPP Priority Claim to be approximately \$1.0 million.
31. On April 19, 2024, the Monitor received a letter from Koskie Minsky LLP, in its capacity as counsel to CUPE as the bargaining agent for and on behalf of former cabin crew employees, that it continued to disagree with the calculation of the termination and severance pay and that it would respond to the Monitor further. A copy of the letter is attached as Appendix “A”. As of the date of this Report, the Monitor has not received any further correspondence in respect of this matter.
32. The Monitor notes that the positions articulated by CUPE in the above-noted letter do not impact the quantum of the WEPP Priority Claim inasmuch as severance and termination pay are not included in the definition of ‘compensation’ under 81.4(4) of the *Bankruptcy and Insolvency Act*.

Trust Claims for Airport Improvement Fees

33. As more fully described in the Third Report, the Applicants received notice from counsel to the Greater Toronto Airport Authority and to Vancouver Airport Authority, Calgary Airport Authority, Edmonton Regional Airport Authority, Winnipeg Airport Authority Inc. and Halifax International Airport Authority (collectively, the “**Airport Authorities**”) asserting trust claims for unpaid AIF pursuant to various agreements between the Lynx Opco and the Airport Authorities (the “**AIF Trust Claims**”).
34. The Applicants and the Airport Authorities are in the process of negotiating a litigation timetable to have this matter heard before this Honourable Court on June 24, 2024.

35. The Monitor notes that the Applicants continue to hold \$6.9 million which, based on the Applicants' books and records, are sufficient funds for the full amount of the asserted AIF Trust Claims. Such funds have been held by the Applicants on the basis that such withholding is without prejudice to the positions the Applicants may take with respect to any or all of the asserted AIF Trust Claims.

Delta Air Lines, Inc.

36. The Monitor is aware that Delta Air Lines, Inc. ("**Delta**") has filed liens in Alberta, Ontario, British Columbia, Manitoba and New Brunswick against the aircraft, which have been surrendered to the Lessors, relating to certain services provided under the terms of the Comprehensive Fleet Support Agreement dated September 20, 2023, between Lynx Opco and Delta.

37. The Monitor understands that Delta has set an application for 2:00pm on June 19, 2024. The Monitor notes that the Applicants' position is that this is a matter as between Delta and the Lessors and therefore do not plan to participate. There are no funds held back in respect of Delta's asserted non-possessory lien claim.

Trust Claims for US Immigration User Fees and Customs User Fees

38. On May 7, 2024, the Applicants and the Monitor received notice from counsel to the U.S. Transportation Security Administration, U.S. Customs and Border Protection, U.S. Department of Agriculture and US Department of Homeland Security, Customs and Boarder Protection asserting that they may have trust claims for unpaid Immigration User Fees and Customs User Fees (the "**US Trust Claims**").

39. As of the date of this Report, the Applicants have not received further detail in respect of the potential US Trust Claims and funds have not been withheld in respect of these potential claims. The Applicants estimate the total amount of the US Trust Claims to be less than \$1.0 million which there is sufficient cash on hand if the US Trust Claim were to attach to the Applicants' cash on hand.

Potential Lessor Post-Filing Claims

40. The Applicants and the Monitor are aware that two Lessors have asserted claims for post-filing rent owing under the Aircraft Leases (the “**Post Filing Rent Claims**”).
41. As of the date of this Report, neither the Applicants nor the Monitor have received further detail beyond the assertion of the Post Filing Rent Claims and no funds have been held back by the Applicants in respect of these potential claims. The Monitor notes that the Lessors hold deposits under the respective Aircraft Leases for either two or three months’ rent depending on the terms of the respective lease.
42. Counsel to the Lessors in question has advised that they do not accept that the Lessors’ recourse is limited to or can be satisfied by recourse solely to the deposits and are considering their position in respect of the issue of Post Filing Rent Claims.

STATUS OF THE SISP

43. The SISP contemplated a relatively short timeline due the repossession rights afforded to the Lessors under the Cape Town Convention and its Aircraft Protocol (the “**CTC and Protocol**”). The CTC and Protocol is an international treaty intended to standardize transactions involving movable property including high-value aviation assets, namely airframes, aircraft engines and helicopters which, by their nature, have no fixed location. The Aircraft Leases fall within the CTC and Protocol.
44. The CTC and Protocol sets out a 60-day waiting period (“**Waiting Period**”) with respect to the Fleet and the Aircraft Leases whereby the Applicants would have 60 days to either:
 - (a) cure all defaults and agree to perform future obligations under the Aircraft Leases; or
 - (b) come to a consensual agreement with the Aircraft Lessors.

45. The Applicants' Waiting Period expired on April 22, 2024.
46. This Honourable Court granted the SISP Order on March 1, 2024. For ease of reference, a summary of the key dates pursuant to the SISP are as follows:

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

The Boeing Termination Agreement

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

Aircraft Leases

49. As described in the Third Report, the Lessors advised the Applicants and the Monitor that they intend to recover their respective aircraft pursuant to the CTC and the Protocol.
50. Since the date of the Third Report, the Applicants, with the assistance of the Monitor, and the respective Lessors entered into termination agreements with respect to the Aircraft Leases (the “**Lease Termination Agreements**”). The Lease Termination Agreements were finalized by May 8, 2024.

Engine Purchase Agreement

51. The Engine Purchase Agreement relates to the future purchase of four LEAP-1B25 engines. The Applicants, with assistance of the Monitor, and with the agreement of CFM, provided access to the Engine Purchase Agreement in the VDR and agreed upon a list of Pre-Qualified Known Potential Bidders.
52. The Applicants, with the assistance of the Monitor, engaged in discussions with several counterparties with respect to the Engine Purchase Agreement. A Successful Bid, as defined in the SISP, was selected and a draft sale agreement was prepared.
53. On May 9, 2024, counsel to CFM provided notice to the Applicants’ advising that they oppose any efforts to assign the Engine Purchase Agreement to an assignee.
54. The Applicants, with the assistance of the Monitor, are continuing to evaluate options with respect to the Engine Purchase Agreement.

BOCA APA

55. The Applicants, with the assistance of the Monitor, engaged with BOCA with respect to the BFE that had been delivered in connection with the BOCA Aircraft.

56. On May 13, 2024, the Applicants and BOCA executed the BOCA APA. A redacted copy of the AERO APA is included as Exhibit “E” to the Fifth Woodward Affidavit and an unredacted copy is included as Exhibit “A” to the Confidential Woodward Affidavit.
57. The key -commercial terms (without reference to the purchase price) of the BOCA APA are outlined below:
- (a) purchase price payable in cash on closing;
 - (b) conditional on receiving approval from this Honourable Court;
 - (c) assets to be purchased on an “as is, where is basis”; and
 - (d) closing to occur no later than four business days after satisfaction of conditions, including approval of this Honourable Court.

AERO APA

58. The Applicants, with the assistance of the Monitor, engaged with several parties with respect to certain ancillary equipment including the Wheels and Brakes. The process included the following:
- (a) the Applicants, in conjunction with the Monitor, reached out to six Pre-Qualified Known Potential Bidders, including parties known to the Applicants within the aviation industry, parties that participated in other aspects of the SISP and the party that was storing the Wheels and Brakes;
 - (b) the Applicants’ received three proposals from Pre-Qualified Known Potential Bidders;
 - (c) the Applicants’ requested that parties submit ‘best and final’ bids on April 12, 2024;

- (d) one party declined to participate further, and two others submitted revised bids; and
 - (e) AERO was selected as the Successful Bid.
59. On May 13, 2024, the Applicants and AERO executed the AERO APA. A redacted copy of the AERO APA is included as Exhibit “**F**” to the Fifth Woodward Affidavit and an unredacted copy is included as Exhibit “**B**” to the Confidential Woodward Affidavit.
60. The key commercial terms (without reference to the financial terms) of the AERO APA are outlined below:
- (a) purchase price payable in cash on closing;
 - (b) conditional on receiving approval from this Honourable Court;
 - (c) assets to be purchased on an “as is, where is basis”; and
 - (d) closing to occur no later than four business days after satisfaction of conditions, including approval of this Honourable Court.

Monitor’s Comments on the Proposed Transactions

61. The Monitor is supportive of the proposed Transactions and in its view the Transactions represent the best value that can be reasonably obtained in the current circumstances based on the following:
- (a) the Wheels and Brakes, were adequately exposed to the market through the SISP;
 - (b) the SISP was open and transparent and approved by this Honourable Court;

- (c) the BFE, a portion of which was already installed on the BOCA Aircraft, and therefore is being purchased by the logical buyer and would have been impractical and cost prohibitive to remove; the consideration represents fair value in the circumstances;
- (d) the Transactions represents the highest and best overall recovery in the circumstances in terms of purchase price, certainty of the ability to close and other material terms;
- (e) the Monitor’s opinion that the sales contemplated by the proposed Transactions is more beneficial to creditors than in a bankruptcy for reasons including the time, cost, and administrative expense of conducting a bankruptcy sale combined with the fact that the Monitor views a sale under the CCAA as a vehicle that axiomatically yields more value than sales under the *Bankruptcy and Insolvency Act*; and
- (f) Indigo, the fulcrum secured creditor in these CCAA Proceedings, is supportive of the Transactions.

62. The Monitor supports the Applicants request for the Restricted Court Access Order sealing the Confidential Woodward Affidavit as the BOCA APA and AERO APA contain commercially sensitized information and may impair the Applicants’ ability to market the Wheels and Brakes and the BFE if the Transactions do not close.

BUDGET TO ACTUAL RESULTS

- 63. The Applicants, in consultation with the Monitor, prepared a cash flow statement (the “**Third CFS**”) which was appended to the Second Report.
- 64. Actual cash flow as compared to those contained in the Third CFS for the five-week period of April 7, 2024, to May 11, 2024, are summarized below.

(C\$ 000s)			
For the period of April 7, 2024 to May 11, 2024		5-Week Period	
	Actual	Forecast	Variance
Receipts			
Revenue	-	\$ -	\$ -
Other / Recovery of Deposits	1,535	\$ 2,387	(852)
Total - Receipts	1,535	2,387	(852)
Disbursements			
Payroll and employee related obligations	(268)	(250)	(17)
SG&A expense	(1,579)	(1,726)	147
Operating costs	(36)	(59)	24
Fleet relocation recovery	(0)	-	(0)
Professional fees	(734)	(695)	(39)
PDP Commitment fees	-	-	-
KERP	(532)	(1,179)	647
Airport Improvement Fees	(6)	-	(6)
Maintenance reserves	(22)	(14)	(9)
Interim Facility - Interest and fees	(180)	(180)	0
Air Travellers Security Charge	(4)	(261)	258
Lease payments / deferrals	-	-	-
Total - Disbursements	(3,362)	(4,365)	1,003
Net change in cash	(1,827)	(1,979)	152
Opening cash	97,078	97,078	-
Interim Facility - Draw (repayment)	(1,013)	\$ (1,013)	-
Distribution to Indigo Partners LLC	(81,572)	-	(81,572)
Ending Cash	\$ 12,666	\$ 94,087	\$ (81,421)
Interim Facility			
Opening	\$ 1,013	1,013	\$ -
Draw (repayment)	(1,013)	(1,013)	-
Ending Interim Facility	\$ -	\$ -	\$ -

65. The variances in actual receipts and disbursements are primarily due to the following:
- (a) Other receipts were lower than anticipated due to the timing of the return of prepayment amounts for the Operating Period and letters of credit or deposits that exceeded the amount owed to such parties. These amounts are still anticipated to be collected in future periods; and
 - (b) lower than anticipated disbursements of approximately \$1.0 million primarily related to the following:

- lower than anticipated SG&A expense which is partially relating to the timing and payment of expenses;
- timing of payment of the KERP and Air Travelers Security Charge (“ATSC”) which are expected to reverse in future periods.

66. Ending cash is lower than forecast due to the distributions made to Indigo in respect of the Initial Notes and Bridge Notes as previously approved by this Honourable Court.

CASH FLOW STATEMENT

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

(C\$ 000s)	
For the period of May 12, 2024 to June 29, 2024	7 Week
	Total
Receipts	
Revenue	\$ -
Other / Recovery of Deposits	5,098
Total - Receipts	5,098
Disbursements	
Payroll and employee related obligations	(226)
WEPP Priority Claim	(1,000)
SG&A expense	(72)
Operating costs	-
Professional fees	(1,070)
KERP	(645)
Maintenance reserves	-
Air Travellers Security Charge	(261)
Lease payments / deferrals	-
Total - Disbursements	(3,274)
Net change in cash	1,824
Opening cash	12,666
Ending Cash	\$ 14,490

68. The Fourth CFS indicates that during the Forecast Period (period ending on June 29, 2024), the Applicants will have net cash flow of approximately \$1.8 million comprising cash receipts of approximately \$5.1 million less total disbursements of \$3.3 million.
69. The Fourth CFS is based on the following key assumptions:
- (a) No revenue receipts in the Forecast Period. Reconciliation efforts with Elavon with respect to the post-filing period are ongoing, but the quantum and the timing of collection of the remaining receipts is uncertain based on the timing of customer chargebacks;
 - (b) Other receipts include proceeds from the proposed Transactions, collection of fuel tax rebates for periods prior to the Initial Filing Date, recovery of certain prepayments that were made during the Operating Period after completion of the reconciliation of accounts and recovery of certain deposits on account and return of letters of credit;
 - (c) Payroll and employee related obligations includes estimated amounts for remaining employees required to assist in the CCAA Proceedings;
 - (d) WEPP Priority Claim based on the calculation of Service Canada's subrogated super-priority claim;
 - (e) SG&A expense includes information technology and ongoing software costs to maintain access to the Applicants systems, and other costs associated with the Applicants office required during the CCAA Proceedings;
 - (f) Professional fees including the Monitor, the Monitor's Counsel and the Applicants' counsel;
 - (g) KERP includes payments to employees secured by the KERP Charge previously approved by this Honourable Court; and

- (h) Air Travelers Security Charge (“ATSC”) based on the final reconciliation of amounts owed.

Monitor's Comments on the Cash Flow Statement

70. Section 23(1)(b) of the CCAA states that the Monitor shall, “review the company’s cash-flow statement as to its reasonableness and file a report with the court on the Monitor’s findings”.
71. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:
- (a) the Fourth CFS has been prepared by management of the Applicants for the purpose described in the notes to the Fourth CFS, using the probable assumptions and the hypothetical assumptions set out therein; and
 - (b) the Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Applicants. Since hypothetical assumptions need not be supported, the Monitor’s procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the Fourth CFS. The Monitor has also reviewed the information provided by Management in support of the probable assumptions and the preparation and presentation of the Fourth CFS;
 - (c) Based on its review, and as at the date of this Report, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
 - the hypothetical assumptions are not consistent with the purpose of the Fourth CFS;

- the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Fourth CFS, given the hypothetical assumptions; or
- the Fourth CFS does not reflect the probable and hypothetical assumptions.

72. Since the Fourth CFS is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Fourth CFS will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Monitor in preparing this Report.
73. The Fourth CFS has been prepared solely for the purpose of estimating liquidity requirements of the Applicants during the Forecast Period. The Fourth CFS should not be relied upon for any other purpose.

RELIEF SOUGHT BY THE APPLICANTS

Approval of the Transactions

74. The Applicants are seeking approval of BOCA APA and the AERO APA and the Restricted Court Access Order sealing the Confidential Woodward Affidavit.

CONCLUSIONS AND RECOMMENDATIONS

75. As outlined above the Transaction represent the highest and best value available in the circumstances and therefore the Monitor supports the relief being sought by the Applicants, and recommends this Honourable Court approve:

- (a) the Applicants' request for authorization to and approval of the BOCA APA and AERO APA; and
- (b) the Applicants' request for the Restricted Court Access Order sealing the Confidential Woodward Affidavit.

All of which is respectfully submitted this 15th day of May 2024.

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



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



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

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

Appendix “A” – Letter from Koskie Minsky LLP dated April 19, 2024



April 19, 2024

Andrew J. Hatnay
Direct Dial: 416-595-2083
Direct Fax: 416-204-2872
ahatnay@kmlaw.ca

Via E-mail

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

Attention: Justin Turc

Dear Mr. Turc:

Re: *In the Matter of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air*, Court File No. 2401-02664
CUPE Cabin Crew Members Bargaining Unit
Undercalculation of Cabin Crew Severance Amounts for WEPPA Process
Our File No. 16407-240298

We acknowledge receipt of your letter dated April 16, 2024 enclosing the Monitor's claim calculations that it made for the CUPE cabin crew employees for the purpose of the WEPPA process, and which do not include 16 weeks pay *in lieu* of group termination under section 212 of the *Canada Labour Code*, R.S.C. 1985, c. L-2 (the "*Code*").

The Monitor should not consider the issue of the exclusion of 16 weeks pay *in lieu* of group termination from the terminated employees' claims for WEPPA (nor a future claims process) closed.

We have previously provided you with sufficient legal authority that holds that pay *in lieu* of group termination should be included as a claim of the terminated employees against Lynx Air based on Lynx Air's termination of their employment without any prior notice.

We are also puzzled by your comment that common law reasonable notice is not included in the Monitor's claim it made for the employees' WEPPA applications, as that is also part of an employees' severance entitlement, and there is no exclusion for common law notice in the WEPPA Act nor the CCAA. If you have authority to exclude common law notice from the employees' claim for WEPPA, please provide it to us.

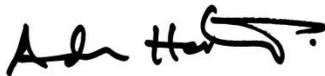
As we pointed out in previous correspondence, the exclusion of 16 weeks pay *in lieu* of group termination (as well as common law notice) results in an undercalculation of the employees' severance claims and in turn an underpayment of WEPPA to each of them. This adds to the hardship they are incurring caused by the loss of their jobs.

We have looked into the jurisdiction of the CIRB to determine the applicability of 16 weeks pay *in lieu* of group termination for the CUPE cabin crew employees in this case, and in light of the novel facts of this case that the Union was certified as the employees' bargaining agent, but no collective agreement was concluded prior to Lynx seeking CCAA protection and terminating the majority of its employees.

We will discuss with our client the position you convey in your letter that the Monitor will oppose a lift stay motion to proceed before the CIRB, and that the issue should instead be brought before the CCAA court for a determination. We will be back in touch with you shortly.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH/vdl

cc. Clients
Abir Shamim, *Koskie Minsky LLP*

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

Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air
Consolidated Cash Flow Statement
For the period of May 12, 2024 to June 29, 2024

(C\$ 000s)								
For the period of May 12, 2024 to June 29, 2024	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	7 Week
	18-May	25-May	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	Total
Receipts								
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other / Recovery of Deposits	-	3,735	-	-	-	-	1,363	5,098
Total - Receipts	-	3,735	-	-	-	-	1,363	5,098
Disbursements								
Payroll and employee related obligations	(58)	-	(56)	-	(56)	-	(56)	(226)
WEPP Priority Claim	-	-	-	-	-	-	(1,000)	(1,000)
SG&A expense	(12)	(12)	(11)	(9)	(9)	(9)	(9)	(72)
Operating costs	-	-	-	-	-	-	-	-
Professional fees	(620)	-	-	-	(450)	-	-	(1,070)
KERP	(100)	-	-	-	(545)	-	-	(645)
Maintenance reserves	-	-	-	-	-	-	-	-
Air Travellers Security Charge	-	-	-	(261)	-	-	-	(261)
Lease payments / deferrals	-	-	-	-	-	-	-	-
Total - Disbursements	(790)	(12)	(67)	(271)	(1,060)	(9)	(1,065)	(3,274)
Net change in cash	(790)	3,723	(67)	(271)	(1,060)	(9)	298	1,824
Opening cash	12,666	11,876	15,600	15,532	15,262	14,202	14,192	12,666
Ending Cash	\$ 11,876	\$ 15,600	\$ 15,532	\$ 15,262	\$ 14,202	\$ 14,192	\$ 14,490	\$ 14,490



Per: Mike Woodward, CFO
Lynx Air

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

Notes and Assumptions to the Cash Flow Statement

For the period of May 12, 2024, to June 29, 2024 (the “**Forecast Period**”)

Disclaimer:

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

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

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

Overview:

The Cash Flow Statement includes estimated receipts and disbursements of Lynx Air during the Forecast Period. Lynx Air, with the assistance of FTI Consulting Canada Inc., in its capacity as Monitor, have prepared the Cash Flow Statement based primarily on estimated receipts and disbursements related to the CCAA proceedings. Receipts and disbursements are denominated in Canadian dollars (the foreign exchange conversion rate used to convert USD to CAD is 1.37).

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

5. **SG&A expense:** includes, among other things, information technology and software licenses to maintain access to the Applicants' systems, bank fees and other miscellaneous costs;
6. **Operating costs:** remaining operating costs incurred during the Operating Period and reconciliation with vendors for post-filing amounts;
7. **Professional fees:** represents the fees and costs of the Monitor, the Monitor's Counsel and the Applicants' counsel;
8. **KERP:** relates to a retention plan proposed to be paid to key employees and executives for their assistance during the CCAA Proceedings, previously approved by this Honourable Court;
9. **Maintenance reserves:** represents remaining prorated amounts owing under the Aircraft Leases for the period after the Initial Filing Date and during the Operating Period;
10. **Air Travellers Security Charge:** based on the final reconciliation of amounts owed; and
11. **Lease payments / deferrals:** no amounts are contemplated to be paid to the Aircraft Lessors under the Aircraft Leases during the Waiting Period (other than pro-rated maintenance reserves after the date of the Initial Order).