

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

February 28, 2024

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR

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

COUNSEL

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

FIRST REPORT OF THE MONITOR

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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 granted, among other things, the following relief:
 - (a) declaring that the Applicants are companies to which the CCAA applies;
 - (b) authorizing 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 situate 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) staying, until and including March 4, 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 (“**Stay of Proceedings**”);
 - (d) appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”) of the Applicants in these CCAA Proceedings;
 - (e) granting a charge in favour of the Monitor, its legal counsel, and the Applicant’s 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**”);

- (f) granting 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;
 - (g) authorizing the Applicants to borrow under an interim loan facility term sheet (“**Term Sheet**”) with Indigo Northern Ventures LOP (the “**Interim Lender**” and “**Indigo**”) an amount of up to \$1,000,000 (the “**Interim Facility**”) to be used by the Applicants to wind-down operations and the granting of a court-ordered priority charge on the Property of the Applicants to secure the Interim Facility (the “**Interim Lender’s Charge**”);
 - (h) sealing the Confidential Supplemental Affidavit of Michael Woodward in accordance with the terms of a restricted Court access order; and
 - (i) scheduling a comeback application for hearing at 10:00 a.m. on February 28, 2024. The comeback hearing was subsequently deferred to 10:00 a.m. on March 1, 2024 (the “**Comeback Hearing**”).
3. On February 28, 2024, the Applicants filed a notice of application returnable on March 1, 2024, in respect of the Comeback Hearing, seeking:
- (a) an amended and restated Initial Order (the “**ARIO**”) which will provide for:
 - an increase in the size of the Interim Facility from approximately \$1.0 million (US\$750,000) to approximately \$5.0 million (as same is denominated in USD) and a corresponding increase in the Interim Lender’s Charge;
 - an extension of the Stay of Proceedings until and including April 15, 2024 (the “**Stay Extension**”); and

- granting a fourth-ranking charge against the Applicants' Property for a key employee retention plan (the "**KERP**"), and

(b) Approval of a SISP (as defined below).

4. Electronic copies of all materials filed by the Applicants in connection with their February 22, 2024 application ("**Initial CCAA Application**"), the March 1, 2024 application ("**Comeback Application**") and other statutory materials are available on the Monitor's website at: <http://cfcanada.fticonsulting.com/lynxair/>.

PURPOSE

5. FTI has reviewed the Court materials filed by the Applicants in support of the Initial CCAA Application and the Comeback 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) background information with respect to the Applicants;
- (b) a summary of correspondence the Applicants and the Monitor have had with specific creditors and or contractual counterparties, that could have a meaningful impact on the Company's cash flow or its aircraft fleet (and related preservation efforts); including discussions and/or correspondence with:
- certain Aircraft Lessors (as defined below);
 - the Calgary Airport Authority; and
 - Elavon Canada Company ("**Elavon**").

- (c) the Applicants cash flow statement (the “**Cash Flow Statement**”) for the period of February 22, 2024, to April 15, 2024 (the “**Forecast Period**”) as well as the Monitor’s view on the reasonableness of the Cash Flow Statement and assumptions therein;
- (d) a summary of the relief being sought at the Comeback Hearing as outlined in the amended and restated Initial Order (“**ARIO**”) and the Monitor’s analysis and recommendations in respect of same, including, among other things:
- extending the Stay Period up to and including April 15, 2024;
 - the proposed increase to the Interim Facility from \$1 million to \$5 million and a corresponding increase to the Interim Lender’s Charge;
 - the Applicants request for a KERP and a charge securing the obligation under the KERP (“**KERP Charge**”); and
 - The Monitor’s comments with respect to the Applicants’ efforts to develop a sales investment and solicitation process (“**SISP**”) and related procedures thereto (“**SISP Procedures**”).

6. This Report should be read in conjunction with the affidavit of Mike Woodward, sworn on February 20, 2024 (the “**First Woodward Affidavit**”) in support of the Initial CCAA Application and the affidavit of Mike Woodward, sworn on February 28, 2024 (the “**Second Woodward Affidavit**”) in support of the additional relief being sought at the Comeback Hearing.

TERMS OF REFERENCE

7. Capitalized terms used but not defined herein are given the meaning ascribed to them in the First Woodward Affidavit, Second Woodward Affidavit and the Initial Order.

8. 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**").
9. 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.
10. The Monitor has prepared this Report in connection with the Applicants' Comeback Hearing. This Report should not be relied on for other purposes.
11. 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.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND INFORMATION

13. Lynx Holdco (formerly, “**Enerjet Holdco Inc.**”) was incorporated under the *Alberta Business Corporations Act* on December 17, 2018 and is the 100% parent of Lynx Opco, a corporation incorporated under the laws of Alberta.
14. The Applicants operate a Canadian ultra-low-cost carrier (“**ULCC**”) airline under the trade name “Lynx Air” through a fleet of nine leased Boeing Model 737 MAX 8 aircraft (the “**Fleet**”).
15. As more fully described in the First Woodward Affidavit, a significant increase in jet fuel over the past number of years combined with a delay of almost 3 three years in operating its inaugural flight due to COVID-19 related travel restrictions and the grounding of the Boeing 737 MAX 8 aircraft in March 2019 has resulted in significant operational and financial challenges for the business.
16. The Company operates its business out of Calgary, Alberta. As at December 31, 2023, the Applicants employed approximately 500 employees in Alberta and Ontario. As at February 1, 2024, the Applicants had 19 independent contractors, retained through a number of holding corporations or agencies. Some of the Applicants’ employees, pilots and cabin crew employees, recently unionized.
17. As at December 31, 2023, the Applicants had current assets of \$53.3 million, non-current assets of \$375.7 million and total liabilities of \$599.9 million. A detailed break-down of the assets and liabilities is provided in the First Woodward Affidavit.
18. The main assets as at December 31, 2023, include:
 - (a) the Fleet which includes nine leased Boeing Model 737 MAX 8 aircraft. The Applicants also have three leased CFM LEAP-1B25 spare engines (“**Spare Engines**”). The Fleet and the Spare Engines are capitalized leases recorded as property plant and equipment on the Applicants’ balance sheet; and

- (b) as set out at paragraph 40 of the First Woodward Affidavit, an agreement with the Boeing Company (“**Boeing**”) to purchase 40 737 MAX aircraft over the next 6 years (the “**Boeing Agreement**”). The Boeing Agreement is not reflected in the Applicants’ financial statements however is considered by the Company and the Monitor to have significant value.

19. A summary of the Applicants’ secured liabilities is provided below:

(a) the main secured obligations include:

- approximately \$93.5 million in aggregate principal owed to Indigo pursuant to six secured promissory note agreements, as more fully described in the First Woodward Affidavit;
- approximately \$344.8 million with certain aircraft lessors (“**Aircraft Lessors**”) pursuant to:
 - nine 12-year aircraft lease agreements for the Fleet; and
 - three engine lease agreements for three CFM LEAP-1B25 spare engines.

(collectively, the “**Aircraft Leases**”).

- secured obligations of \$5.9 million pursuant to a series of Assignment of Deposit Certificates (the “**Assignment Certificates**”) between ATB Financial (“**ATB**”) and Lynx Opco dated between May 2020 and November 2023 to stand as security for Letters of Credit and credit cards issued by ATB.

(b) unsecured obligations total approximately \$72.4 million, including:

- approximately \$26.6 million owing to the Canada Border Services Agency (“CBSA”) in respect of GST incurred on importation of six aircraft and 3 engines into Canada. Approximately \$25.5 million of the above is subject to a payment arrangement with Canada Revenue Agency dated November 7, 2023 as further described at paragraph 75 of the Second Woodward Affidavit; and
- unsecured obligations owing to various trade creditors, various airports in Canada, the United States and Mexico and employee termination/severance pay obligations.

ACTIVITIES SINCE INITIAL FILING DATE

20. Upon the granting of the Initial Order, the Applicants commenced an expedited wind-down of its flight operations which contemplated 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**”). The short-term continuation of operations during the Operating Period attempted to minimize disruption to customer’s immediate travel plans and provide a short period for passengers travelling after February 25, 2024, to make alternative travel arrangements.
21. The Monitor worked in consultation with the Applicants’ management and critical operations staff in an attempt to ensure essential services could be procured and flight crews were available to operate the scheduled flights during the Operating Period with as little disruption as possible.
22. Subsequent to the Initial Order, the Applicants’ cancelled all flights scheduled from February 25, 2024, onward. Upon granting of the Initial Order, the Applicants immediately arranged for prepayment for post-filing services relating to the ongoing operations scheduled during the Operating Period, as was contemplated in the cash flow projection attached as Exhibit “41” to the First Woodward Affidavit.

23. While having sufficient funding in place to provide post-filing services during the Operating Period, certain suppliers refused or delayed providing services post-filing. Due to the quick turn around of flights, it was not possible to return to Court to have suppliers compelled to provide service and given the unique nature of airline operations, it was not possible, at times, to find alternative vendors on a timely basis. Accordingly, certain flights scheduled during the Operating Period were cancelled as a result of supplier/contractual counterparties refusing to provide service.
24. At the completion of Operating Period, approximately 64 of 115 scheduled flights were safely flown carrying approximately 10,000 passengers and 51 flights had to be cancelled. A large portion of the cancelled flights related to US destinations which experienced significant supplier issues. All US flights were cancelled early in the Operating Period to ensure passengers did not experience disruptions at the airport, to ensure crew safety and to ensure the Fleet was secured.
25. The Monitor observed the Applicants' management, operations staff and flight crews working 24 hours a day during the Operating Period to safely fly scheduled flights and transport as many passengers as possible. The Monitor recognizes the significant difficulties faced by many of the Applicants' customers caused by the CCAA filing; however, the Monitor commends the efforts of the Applicants' employees during this highly volatile and time sensitive situation to successfully complete as many flights as possible under the circumstances.
26. At the end of the Operating Period, the entire Fleet was returned to the Calgary International Airport ("YYC"). The Applicants arranged for temporary secured storage at YYC for the Fleet and ensured that the Fleet was maintained in accordance with the Aircraft Leases.
27. Due to the CCAA Proceedings and the expedited wind-down of flight operations, a large portion of the employees employed on Initial Filing Date were no longer necessary for ongoing operations. Accordingly, the Applicants commenced staff terminations shortly after the granting of the Initial Order. Since the filing date approximately 435 employees have been terminated. The Monitor has notified terminated employees of the existence of the Wage Earner Protection

Program (“WEPP”) and is working with the Applicants and terminated employees to coordinate filing claims under the WEPP.

28. A small skeleton team of 15 employees is being retained to ensure the Fleet is maintained in airworthy condition, maintain the Airline Operating Certificate, to assist in the administration of these CCAA proceedings, including processing passenger refunds, and assist in the continued restructuring efforts, which includes launching the proposed SISP, as discussed in further detail below.
29. Since the Initial Filing Date, the Monitor prepared and issued the required notices under the CCAA and Initial Order including:
- (a) issuing the notices to creditors referenced in paragraph 44 of the Initial Order and posting the notice on the Monitor’s website;
 - (b) coordinated the publishing of a creditor notice in the *Calgary Herald* on February 27 and March 5, 2024 and *The Globe & Mail* on February 28 and March 6, 2024; and
 - (c) issuing Form 1 and 2 notices to the Office of the Superintendent of Bankruptcy in the prescribed form as required under section 23(1)(f) of the CCAA.
30. The Monitor has participated in ongoing discussions with Management, the Applicants’ legal counsel, counsel to the Interim Lender regarding the Applicants’ business and financial affairs and plan for the CCAA Proceedings.

CAPE TOWN CONVENTION

31. The Monitor is aware of the Cape Town Convention (the “CTC”) and its Aircraft Protocol (the “Protocol”). The CTC is an international treaty intended to standardize transactions involving movable property including high-value aviation assets, namely airframes, aircraft engines and

helicopters which, by their nature, have no fixed location. The Fleet and the Aircraft Leases would fall within the CTC and Protocol.

32. Canada ratified the CTC in December 2012, and the treaty came into effect on April 1, 2013, including the province of Alberta. Canada has declared applicable Alternative A under Article XI of the Protocol (remedies on insolvency) (“Alternative A”). Canada has implemented the treaty, including Alternative A, on a federal level through an Act to implement the CTC on International Interests in Mobile Equipment and the Protocol to the CTC on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment of 14 December 2012 (the “**CTC Implementation Act**”).
33. The commencement of the Lynx Air CCAA Proceedings constitutes an insolvency-related event under the Protocol and triggers application of Alternative A (“Alternative A”) in relation to aircraft equipment to which the CTC applies.
34. Alternative A sets out a 60-day waiting period (“**60 Day 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.
35. If after the 60 Day Waiting Period, the above conditions are not met the Aircraft Lessor would have the right to repossess the aircraft. The Applicants’ 60 Day Waiting Period expires on April 22, 2024.
36. The CTC and the Protocol are important as it influences the treatment of the Fleet and Aircraft Lessors throughout the CCAA Proceedings including the timelines and procedures of the proposed SISP and storage/security of the Fleet during, both described in more fully below.

37. During the 60 Day Waiting Period the Applicants intend to preserve the Fleet by:
- (a) ensuring that the Fleet is stored in accordance with the Aircraft Leases;
 - (b) monitoring the stored Fleet with retained employees of Lynx Air;
 - (c) completing required ongoing maintenance in accordance with the maintenance manuals for each aircraft of the Fleet; and
 - (d) maintaining adequate insurance over the Fleet in accordance with pre-existing policies.
- (collectively the “**Preservation Work**”).

CREDITOR & CONTRACT COUNTERPARTY CORRESPONDENCE

38. Since the Initial Filing Date, the Applicants and the Monitor have had discussions with many creditors and contract counterparties. The below summarizes discussions with certain significant stakeholder groups.

Elavon Canada Company

39. Elavon Canada Company (“**Elavon**”) is the Company’s credit card processing company. When customers booked airline tickets with Lynx Air, Elavon held the cash until the booked flight was flown. After the flight was flown, Elavon would release 50% of the ticket price on the date of the flight and 50% six days after the flight. If a flight was cancelled and a ticket refunded, the funds being held by Elavon would be refunded to the customer. Since the CCAA Proceedings commenced, Elavon has not released any of the held funds to the Applicants despite 64 flights be flown post-filing. Elavon has advised that they need to complete a reconciliation and understand the magnitude of refund and chargebacks requests prior to releasing any funds to the Applicants.

40. The Monitor, Elavon and the Applicants have had initial discussions and have agreed to work collectively to complete the reconciliation as soon as possible. Due to this process, the Cash Flow Statement has been adjusted to assume a delay in the receipt of funds from Elavon with no receipts assumed within Forecast Period for the Operating Period.

Certain Aircraft Lessors

41. Certain Aircraft Lessors have contacted the Applicants requesting confirmation and clarification of the Applicant's intentions with respect to the Fleet and the Aircraft Leases during the 60 Day Waiting Period and whether the Applicant would agree to the return of the leased aircraft.
42. The following summarizes the Applicants responses to date:
- (a) the Fleet will be securely stored and maintained during the 60 Day Waiting Period. The Fleet is currently located at YYC;
 - (b) the Cash Flow Statement approved by the Interim Lender has sufficient funding to pay for insurance, storage and the Preservation Work;
 - (c) the Fleet would not be returned by the Applicants during the 60 Day Waiting Period, as discussed in further detail below, the Applicants are considering steps to launch a SISP which may include seeking to assign the Aircraft Leases;
 - (d) based on the results of the SISP, the Applicants intend to make a decision prior to the expiration of the end of the 60 Day Waiting Period under the CTC as to whether to bring the leases current or return the Leased Aircraft, if consensual alternative arrangements are not reached;
 - (e) the Applicant confirmed that the Court ordered Charges do not and will not prime the Aircraft Lessors' interests in the Fleet and that the requirement in the Interim Financing Facility, which was approved by the Court on February 22, 2024, that the Interim Lender

Charge have priority over the Aircraft Lessors' interests has been waived by the Interim Lender; and

- (f) the Company does not intend to pay post-filing lease payments during the 60 Day Waiting Period and the Fleet will not be operational.

Airport Authority

- 43. Upon completion of the Operating Period, the Fleet was stored in Calgary at YYC. Subsequent to the commencement of the CCAA Proceedings, a dispute between the Applicants and the Calgary Airport Authority (the "CAA") arose with respect to storage costs of the Fleet.
- 44. The Applicants' view was that costs associated with storage of the Fleet would fall under the existing Long Term Charges Agreement ("Agreement") between the CAA and Lynx Air, dated April 7, 2022, which set out 'Apron Usage Fees' at \$117.70 per plane per day. The CAA's position was that the go-forward storage costs were not covered under the Agreement and provided a new proposed agreement that stated a storage fee of \$2,000 per plane per day for storage.
- 45. The Company's Counsel sent a letter to the CAA on February 25, 2024, advising of the CCAA Proceedings and that the Initial Order restrains counterparties from discontinuing, altering interfering with, suspending or terminating the supply of goods and services that may be required by the Applicants and that the request for \$2,000 per plane per day is a breach of the Initial Order.
- 46. The CAA's position is that it is not in breach of the CCAA Order and that the \$2,000 per plane per day rate is market and the newly requested storage is not included in the Agreement. The Company's counsel received a letter on February 26, 2024, from counsel to the CAA, attached as Appendix "A", advising the Applicants that they disagreed with the Applicants' position in respect of storage rates and to either immediately consent to all terms, including rates proposed by the CAA or collect all aircraft from the YYC by the end of day on Tuesday, February 27, 2024.

47. Discussions continued between the Applicants and the CAA in attempt to resolve the disagreement and the CAA subsequently offered a revised long-term storage fee of \$1,250 per plane per day and verbally agreed to allow the Fleet to remain at the YYC until March 1, 2024. The Applicants and the CAA are currently documenting the verbal understanding for the short-term rental period until March 1, 2024.

FLEET RELOCATION

48. The Applicants were in the process of evaluating various locations to move the Fleet due to the CAA's requirement for Lynx Air to vacate the "collect all aircraft from the Airport Authority by the end of the day on Tuesday, February 27, 2024", which was verbally extended to March 1, 2024. Various options were researched by the Applicants including the Red Deer airport, Lethbridge airport and the Edmonton International airport; however, these airports were not able to accommodate the Fleet (9 aircraft).
49. While the Applicants continued to evaluate alternative storage options on February 27, 2024, certain of the Aircraft Lessors' counsel contacted the Monitor and the Applicants and offered concessions and inducements to the Applicants (as set out below) in return for the Applicants agreeing to relocate the Fleet to the Tucson Arizona area. The Monitor understands Arizona has large areas specializing in aircraft storage and that the hot dry, desert climate is ideal for aircraft storage as it that prevents corrosion and the need for additional freeze prevention maintenance that is required in colder climates.
50. Based on its evaluation and after discussion with the Aircraft Lessors, the decision was made to relocate the Fleet to the Tucson Arizona area. On February 28th, the Applicants commenced internal logistical arrangements as well as coordinating with the Aircraft Lessors in order to make arrangements to move the Fleet on February 29, 2024, and has notified the CAA of the intention to vacate YYC by March 1, 2024.

51. The Aircraft Lessors and the Applicants have had discussions and are completing documentation with respect to the terms on which it would relocate of the Fleet, including:
- (a) the Aircraft Lessors would fund costs related to the transportation, Preservation Work and storage in exchange for agreeing to move the Fleet;
 - (b) the Aircraft Lessors agree to abide by the stay of the Initial Order and not amend or terminate the terms of their respective leases; and
 - (c) the Aircraft Lessors agree for the Aircraft Leases to be included in the SISP, and that any eventual assignment of the Aircraft Leases would be subject to the consent of the Aircraft Lessors, and that the Lessors will engage in good faith negotiation for the assignment of the Leases to a third party that may be identified through the SISP.
52. At the date of this report, neither the Monitor, nor the Applicant, are aware of any steps being taken to lift the stay and commence any enforcement action by any Canadian Airport Authority or Nav Can.
53. The Monitor supports the Applicants' decision to commence relocation of the Fleet given the following:
- (a) the Applicants urgently evaluated other locations to store the Fleet, however, no appropriate storage areas were identified;
 - (b) having the Aircraft Leases included in the SISP will be beneficial to the overall likelihood of a successful SISP for reasons including the Aircraft Leases and the CTC provide that any assignment of an aircraft lease cannot be completed without consent of the Aircraft Lessors;
 - (c) Arizona is an optimal venue for the storage of the Fleet;

- (d) funding by the Equipment Lessors of ongoing storage and maintenance cost will significantly reduce the amounts required to be funded by the Interim Lender; and
- (e) the CAA demanded the Applicants move the Fleet from the YYC by February 27, 2023 (subsequently verbally agreed to extend to March 1, 2024).

CASH FLOW STATEMENT

54. The Applicants, with the assistance of the Monitor, have prepared the Cash Flow Statement to set out the liquidity requirements of the Applicants during the Forecast Period. The Cash Flow Statement 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 Cash Flow Statement is summarized in the following table:

(C\$ 000s)		
For the period of February 22 to April 15, 2024		
	Notes	Total
Receipts		
Revenue	1	\$ 2,041
Total - Receipts		2,041
Disbursements		
Payroll and employee related obligations	2	(2,835)
SG&A expense	3	(1,883)
Operating costs	4	(2,045)
Professional fees	5	(1,410)
PDP Commitment fees	6	(1,200)
KERP	7	(734)
Airport Improvement Fees	8	(296)
Maintenance reserves	9	(110)
Interim Facility - Interest and fees	10	(39)
Lease payments / deferrals	11	-
Total - Disbursements		(10,552)
Net change in cash		(8,511)
Opening cash		3,920
Interim Facility - Draw (repayment)	12	5,013
Ending Cash		\$ 422
Interim Facility		
Opening		\$ -
Draw (repayment)		5,013
Ending Interim Facility		\$ 5,013

55. The Cash Flow Statement indicates that during Forecast Period (period ending on April 15, 2024), the Applicants will have net cash requirements of approximately \$8.5 million comprising cash receipts of approximately \$2.0 million less total disbursements of \$10.6 million.
56. The Cash Flow Statement has opening cash of \$3.9 million and total draws on the Interim Facility of approximately \$5.0 million, with ending cash of \$0.4 million.
57. The Cash Flow Statement is based on the following key assumptions:
- (a) Revenue includes amounts received from Elavon for flights flown prior to the Initial Filing Date. Additional amounts are expected to be collected for flights flown up to and including February 25, 2024 (during the Operating Period), but not are not included in the Forecast Period;
 - (b) Payroll and employee related obligations includes amounts owing to employees for salaries and wages up to the date of termination and includes estimated amounts for the employees required to assist in the CCAA Proceedings during the Forecast Period;
 - (c) SG&A expense includes continued insurance premiums, ongoing maintenance and storage of the Fleet, IT and ongoing software costs to maintain access to the Applicants systems, and other costs associated with the Applicants office required during the CCAA Proceedings;
 - (d) Operating costs include fuel, navigation fees, terminal fees, deicing and ground handling services provided for flights operating during the Operating Period;
 - (e) Professional fees including the Monitor, the Monitor's Counsel, the Applicants' counsel and counsel to the Interim Lender;

- (f) Pre delivery payments (“**PDP**”) commitment fees related to the financing of 2024 aircraft deliveries;
- (g) KERP includes amounts proposed to be paid to assist during the CCAA Proceedings, subject to approval of this Honourable Court;
- (h) Airport Improvement Fees paid for flights during the Operating Period;
- (i) Maintenance reserves relate to estimated prorated amounts owing under the Aircraft Leases for the period after the Initial Filing Date;
- (j) Interim Facility includes amounts borrowed from the Interim Lender under Term Sheet to fund the cost of the CCAA Proceedings. The Applicants are seeking to increase the maximum amount under the Interim Facility to approximately \$5.0 million (to be denominated in USD). As at the date of this Report approximately \$1.0 million has been drawn under the Interim Facility; and
- (k) the Monitor notes that no amounts are contemplated to be paid to the Aircraft Lessors under the Aircraft Leases (other than pro-rated maintenance reserves after the date of the Initial Order) in the Cash Flow Statement during the 60 Day Waiting Period.

Monitor's Comments on the Cash Flow Statement

- 58. 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”.
- 59. 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 Cash Flow Statement has been prepared by management of the Applicants for the purpose described in the notes to the Cash Flow Statement, 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 Cash Flow Statement. The Monitor has also reviewed the information provided by Management in support of the probable assumptions and the preparation and presentation of the Cash Flow Statement;
60. 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:
- (a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (b) 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 Cash Flow Statement, given the hypothetical assumptions; or
 - (c) the Cash Flow Statement does not reflect the probable and hypothetical assumptions;

- (d) since the Cash Flow Statement 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 Cash Flow Statement 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; and
- (e) the Cash Flow Statement has been prepared solely for the purpose of estimating liquidity requirements of the Applicants during the Forecast Period. The Cash Flow Statement should not be relied upon for any other purpose.

RELIEF SOUGHT IN THE AMENDED AND RESTATED INITIAL ORDER

Increase of the Interim Facility

- 61. As demonstrated by the Cash Flow Statement, the Applicants are in need of additional liquidity and is therefore seeking approval for an increase of the Interim Facility and corresponding Interim Lender's Charge.
- 62. The Monitor has reviewed the terms of the Interim Facility which include, among others, the following:
 - (a) **Interim Lender's Charge:** it is a condition of the Interim Lender's Charge that it must have been granted in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, subject only to the Administration Charge and to the security the Aircraft Leases hold over the Fleet. Initially the Interim Facility contemplated priming Aircraft Leases for amounts after the initial advance; however, after further discussions between the Monitor, the Applicants and the Interim Lender the Interim Lender has waived this condition;

- (b) **Term:** the Interim Facility will be available until the earlier of (i) the occurrence of any Event of Default under the Interim Facility which is continuing and has not been cured; (ii) the implementation of a plan of compromise or arrangement within the CCAA Proceedings which has been approved by the requisite majorities of the Credit Parties' creditors and by an order entered by the Court; (iii) the closing of a Court-approved Sale within the CCAA Proceedings which has been approved by orders entered by the Court; (iv) conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act (Canada)* ("**BIA**"); and (v) April 15, 2024 (the earliest of such dates being the "**Maturity Date**").
- (c) **Interest:** Interest will accrue on the principal amounts outstanding under the Interim Facility at a rate equal to 20% per annum; and
- (d) **Additional Fees:** an upfront fee of 3% of the total amount of the Interim Facility and the Applicants shall pay all of the Interim Lender's out of pocket disbursements and any costs of realization or enforcement related to the Interim Facility.
- (a) the Applicants require access to the Interim Facility to, among other things, provide liquidity to fund its wind-down, preserve the Fleet and progress its restructuring efforts including launching of the SISP.

63. In the Monitor's view:

- (a) the financing contemplated by the Interim Facility is necessary to fund the wind-down of the Applicants' operations, preservation of the Fleet and its restructuring efforts. The Interim Facility will assist in preserving asset value and enhance the Applicants' prospect of achieving a viable restructuring or sale. Absent the funding available under the Interim Facility, Lynx Air would be forced to cease its restructuring efforts due to lack of liquidity; and

- (b) the Monitor reviewed a database of approximately 140 interim financings approved in insolvency proceedings and can advise that proposed terms (interest rate, fees, etc.) contemplated in the Interim Facility are customary and reasonable compared to those approved in prior CCAA restructurings.
64. The Monitor notes that the cost of the Interim Facility is considered on the higher end of the acceptable ranges, however, the Monitor believes it to be appropriate in the circumstance given:
- (a) the interest rate of the Interim Facility is consistent with the interest rate charged on recent bridge loans advanced to the Applicants by the Interim Lender in the period leading up to the Initial Order (as described in the First Woodward Affidavit);
 - (b) the Interim Lender is also the most significant secured creditor and the most logical party to advance funding; and
 - (c) in the Monitor's view, it is unlikely that the Applicants could secure alternative financing to fund these proceedings.
65. Overall, the Monitor supports the Applicants request to increase the Interim Facility for the following reasons:
- (a) it does not materially prejudice any existing stakeholders and that the increase to the Interim Facility and the Interim Financing Charge to \$5 million is necessary for the funding of the Applicants' wind-down, asset preservation and restructuring efforts.
 - (b) absent the funding available under the Interim Facility, the Applicants would be forced to cease its efforts which would have a substantial and prejudicial negative impact on recoverable value to creditors. Therefore the Interim Facility will enhance the prospects of a restructuring or value maximizing sale.

- (c) the Applicants appear to have the support of the major stakeholders as evidenced by Indigo's support of the CCAA Proceedings and willingness to provide the Interim Facility.

Sales Investment and Solicitation Process

- 66. With the completion of the flights during the Operating Period, the Applicants are now focusing on its restructuring efforts. While the Applicants have no ongoing operations, there are several assets that may have significant value, including:
 - (a) the assignment of the Aircraft Leases related to the Fleet;
 - (b) the sale/assignment of the Boeing Agreement; and
 - (c) other assets and intangibles.
- 67. Prior to the commencement of CCAA Proceedings, the Applicants had been approached and/or held discussions with various parties that expressed interest in Lynx Air and its assets. Accordingly, the Applicants worked with the Monitor to develop a SISP to solicit interest in purchasing or investing into the Applicants' businesses and assets.
- 68. The development of a SISP and SISP Procedures for the Applicants' Property has certain complexities, specifically given the confidential nature of the information that prospective bidders would require to actively participate in the process.
- 69. The Applicants and the Monitor have had, and are continuing, discussions with the Aircraft Lessors and Boeing (and respective counsel) with respect to establishing appropriate protections and protocols to maintain the confidentiality of information that would be provided to bidders in the SISP in exchange for the Aircraft Lessors and Boeing agreeing to disclose their respective agreements to prospective bidders.

70. The Applicants are seeking approval of the SISP, which sets out the manner in which prospective bidders can participate in the SISP for the purchase of the assets of Lynx Air, including the Aircraft Leases, the Boeing Agreement, or other assets.
71. The Monitor advises that the key components of the proposed SISP includes the following:
- (a) the SISP shall be conducted by the Company, in consultation with the Monitor, to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Applicants' business or Property (the "**Opportunity**");
 - (b) the main assets being marketed will be the Boeing Agreement and the Aircraft Leases;
 - (c) as soon as practicable Lynx Air, with input from the Monitor, will prepare a list of potential bidders (the "**Pre-Qualified Known Potential Bidders**") who may have interest in the Opportunity;
 - (d) the Applicants and the Monitor discuss with Boeing and the Aircraft Lessors to pre-qualify the Know Potential Bidders ("**Pre-Qualified Known Potential Bidders**");
 - (e) the Monitor will send a package to the Pre-Qualified Known Potential Bidders which includes (i) a process summary ("**Teaser**"); and (ii) a non-disclosure agreement ("**NDA**");
 - (f) the Monitor will make a virtual data room ("**VDR**") available containing due diligence materials including the Aircraft Leases, the Boeing Agreement and other assets;

- (g) the timelines proposed in the SISP will need to take into account the requirements of the CTC and the Protocol and in particular the 60 Day Waiting Period. The preliminary targeted key dates of the proposed 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

72. The Applicants and Monitor will discuss the SISP with the Aircraft Lessors and Boeing, and their respective legal counsel, and will continue to refine the specific details of the SISP including the confidentiality provisions. The Monitor shall post on the Monitor’s website, as soon as practicable, any such modification, amendment, variation or supplement to the Bidding Procedures and Lynx Air or the Monitor shall inform the bidders impacted by such modifications.
73. The Applicants, in consultation with the Monitor and the Interim Lender, may at any time and from time to time, modify, amend, vary or supplement the SISP or the Bidding Procedures, without the need for obtaining an order of the Court.

74. Given the limited liquidity and the 60 Day Waiting Period, the Monitor's view is that SISP and SISP Procedures should be approved and the SISP launched as quickly as practical.

Extending the Stay Period

75. The Applicants are seeking an extension to the Stay Period up to and including April 15, 2024. The Monitor has considered the Applicants' application for the extension of the Stay of Period, and has the following comments:

- (a) with an increase to the Interim Facility (as outlined above) the Applicants are projected to have sufficient available liquidity to fund its ongoing obligations and the costs of the CCAA Proceedings during the term of the proposed extension of the Stay of Proceedings;
- (b) there will be no material prejudice to the Applicants' creditors and other stakeholders as a result of the extension of the Stay of Proceedings;
- (c) the Applicants are acting in good faith and with due diligence;
- (d) the overall prospects of the Applicants effecting a viable restructuring and/or sale will be enhanced by the extension of the Stay of Proceedings; and
- (e) will provide sufficient time for the Applicants to commence the SISP and continue discussions the Aircraft Lessors regarding the Fleet prior to the expiration of the 60 Day Waiting Period.

Administration Charge

76. The Initial Order provides an Administration Charge of up to \$500,000 covering the period until the Comeback Hearing charging the assets of the Applicants, in favour of the Monitor, the Monitor's counsel, and the Applicants' counsel as security for their professional fees and disbursements incurred both before and after the commencement of the CCAA Proceedings.

77. The Monitor has reviewed (i) the underlying assumptions upon which the Applicants have based the quantum of the proposed Administration Charge, (ii) the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge, and (iii) is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.
78. The Proposed Monitor believes it is appropriate for the beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

Directors and Officers Charge

79. The Initial Order provides for the charge over the Applicants' property in favour of the directors and officers of the Applicants as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that the directors and officers may incur after the commencement of the CCAA Proceeding. The Directors' Charge will not exceed an aggregate amount of \$500,000.
80. As described in the First Woodward Affidavit, the Applicants maintain certain insurance coverage for the directors and officers, but the deductibles and exclusions from the policies mean that the insurance may not fully cover the potential statutory liabilities of the beneficiaries of the Directors' Charge. Additionally a \$2,000,000 irrevocable trust ("**Lynx Air D&O Trust**") was established on September 20, 2023, to protect the Applicants directors and officers from potential claims. The Monitor notes that the directors and officers will only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any existing insurance policy, not covered by the Lynx Air D&O Trust, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the Initial Order.

81. The Applicants’ directors and officers have the necessary background and knowledge that will be beneficial to the Applicants’ efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings.
82. Given the nature of the industry and the large number of employees the Monitor is of the view that the amount of the Directors’ Charge is reasonable in relation to the quantum of the estimated potential liability of the Applicants’ directors and officers.

Key Employee Retention Plan and Key Employee Incentive Plan

83. The Applicants are seeking the Court’s approval of a key employee retention plan (“**KERP**”). The KERP proposes a payment of up to a maximum aggregate amount of \$1.2 million (the “**KERP Payment**”) to twelve employees and three executives (the “**KERP Employees**”).
84. The KERP is structured as follows:
- (a) each of the 12 employees will receive their respective KERP Payment payable on the earlier of the termination of their employment (except in the case of termination for cause) or the end of these CCAA Proceedings;
 - (b) two of the three executives will receive their respective KERP Payment payables in two installments: (i) 50% payable upon the successful completion of a transaction, and (ii) 50% payable on the earlier of the termination of their employment or the end of the CCAA Proceedings;
 - (c) one of the three executives will receive their respective KERP Payment payable on the earlier of the termination of their employment (except in the case of termination for cause) or the end of these CCAA Proceedings
85. The Monitor has reviewed the KERP and is of the view that its terms are reasonable based on the following:

- (a) the wind-down of airline operations is a complicated scenario and requires highly specialized expertise. The Fleet also requires ongoing care and specialized maintenance to preserve its value while the Applicants undertake their restructuring efforts. The KERP Employees are integral in winding-down operations in an efficient manner and preserving value. There are no payments contemplated to employees for termination or severance pay nor are employees receiving any payments under their typical annual bonus plan. The KERP has been designed to incentive employees in lieu of receiving these amounts;
- (b) the KERP Employees are also integral in the launching and completion of the SISP;
- (c) the Monitor has reviewed the KERP Employee list and is satisfied that the list is appropriate and not unduly broad. The Monitor notes that the Applicants employed approximately 500 employees at the commencement of the CCAA Proceedings, staffing levels have been substantially reduced and a total of 15 have been included as KERP Employees;
- (d) the Monitor has consulted with Indigo, as a senior secured lender and the Interim Lender, regarding the nature and quantum of the KERP and understands that Indigo is supportive; and
- (e) the Monitor considers the quantum and extent of the KERP are reasonable in the circumstances.

Summary of the Proposed Rankings of the Court-Ordered Charges

86. If the ARIO is granted, the Charges would have the following ranking:

- (a) First – the Administration Charge in the amount of \$500,000;

- (b) Second – the Interim Financing Charge in the amount of approximately \$5,013,000 (as same is denominated in USD); and
- (c) Third – the D&O Charge in the amount of \$500,000; and
- (d) Fourth – the KERP Charge.

87. The Monitor notes that the Initial Order and ARIO contemplate the Charges ranking junior to the Aircraft Lessors interest in the Fleet. Accordingly, the Monitor believes that the Charges, including their proposed quantum and ranking, are required and reasonable in the circumstances of these CCAA Proceedings in order to preserve the going concern operations of the Applicants maintain its enterprise value and, as a result, supports the granting of the granting of Charges as proposed by the Applicants.

CONCLUSIONS AND RECOMMENDATIONS

88. The Monitor is of the view that the relief requested by the Applicant pursuant to the Initial Order and the proposed ARIO is necessary, reasonable and justified in the circumstances. The ARIO and Stay of Proceedings will provide the Applicants with stability and the best opportunity to preserve value and maximize recoveries for its stakeholders.

89. The Monitor supports the relief being sought by the Applicants, including the proposed SISP. Accordingly, the Monitor respectfully recommends that the Applicants' request for the proposed ARIO be granted.

All of which is respectfully submitted this 28th day of February 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.

First 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 Calgary Airport Authority dated February 26, 2024

Jack R. Maslen
T: 403-232-9790
E: jmaslen@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary AB T2P 0R3
Canada
T: 403-232-9500
F: 403-266-1395
blg.com



February 26, 2024

DELIVERED VIA EMAIL [RVANDEMOSSELAER@OSLER.COM]

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

Attention: Randal Van de Mosselaer

Dear Mr. Van de Mosselaer:

Re: In the matter of Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air (collectively, “Lynx” or the “Applicants”); Court File No. 2401-02664

Draft Temporary Storage Agreement (“Proposed Storage Agreement”) between Lynx and the Calgary Airport Authority (the “Airport Authority”)

We are counsel to the Airport Authority in respect of the above matter. We have been provided your letter to the Airport Authority of today’s date in respect of the Proposed Storage Agreement.

We understand that Lynx initiated discussions with the Airport Authority on or about February 22, 2024, in respect of mid or long term and non-operated storage of the Lynx aircraft in anticipation of your client’s scheduled cessation of its operating business. In this context, the Airport Authority prepared a comprehensive agreement setting forth important terms, including insurance requirements and risk allocations, as well as a proposed base fee of \$2,000 per day for storing each of Lynx’s aircraft.

Based on your letter, we understand that Lynx now believes it is instead entitled to pay only \$117 per day for aircraft storage under the Long Term Charges Agreement dated effective April 7, 2022 (the “LTA”). You further allege in your letter that the Airport Authority has committed a “clear, flagrant and willful breach of the terms of the [CCAA] Initial Order”.

We strongly disagree with these allegations. The LTA does not apply to the services now requested by Lynx and the rates proposed by the Airport Authority are commercially fair and appropriate in the circumstances. Our more detailed comments are as follows.

BACKGROUND

The Airport Authority and Lynx are parties to the LTA, which contemplates that Lynx will be granted certain landing and take-off and related rights at the Calgary International Airport (the “**Airport**”), in exchange for the payment of fees or charges to the Airport Authority.

The LTA does not contemplate that Lynx will be contractually entitled to store aircraft outside of normal operations.

First, this is clear from the definition of “Aeronautical Charges”, which you reference in your letter. For example:

- “Aeronautical Charges” is defined as “means the aggregate of the following charges applicable to Lynx Movements: Apron Usage Fees, CUTE Fees, General Terminal Fees, Landing Fees, Loading Bridge Fees, and Preclearance Fees; with all such charges being charged and payable at the applicable rates described in the version of the Tariff in effect at the date such charges are incurred” (Section 1.1(1)).
- “Lynx Movements” is defined as “means movements of aircraft landing at the Airport, which aircraft are operated by a Lynx Party, provided Lynx Movements shall not include any Charter Flights.” (Section 1.1(33)).

While the definition of “Aeronautical Charges” includes “Apron Usage Fees” (as you mention in your letter), that inclusion does not entitle Lynx to store aircraft on the Airport apron while Lynx is not operating. Aeronautical Charges, including Apron Usage Fees, all apply to Lynx’s *movement* and *landing* of aircrafts during *operations*.

Second, the Airport Authority’s Tariff of Aviation Fees as at January 1, 2024 (the “**Tariff**”), which you also refer to in your letter, makes clear the rates therein apply to normal operations. In particular, under the Tariff an Apron Usage Fee of \$117.70 is prescribed for Boeing 737-800 MAX aircraft. The fee of \$117.70 is payable on a per aircraft basis for each 24 hour period or portion thereof. The Tariff states that the aforementioned fee is assessed for “aircraft stopping or parking on aprons”. It does not apply to aircraft *storage* when operations have ceased.

Accordingly, despite assertions in your letter otherwise, the LTA, and the rates in the Tariff, including the Apron Usage Fee, apply only to Lynx’s use of the Airport in normal operations. The LTA and Tariff do not apply and cannot apply to Lynx storing its aircraft during restructuring proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA**”).

LYNX CCAA AND REQUEST TO STORE AIRCRAFT

Based on your client’s application materials for the Initial Order, we understand that Lynx intends to use the CCAA as a liquidation process. Your Bench Brief states, for instance, that Lynx will use the CCAA to “conclude the transaction that will allow an orderly wind down of operations...” (para 32).

In this context, Lynx requested from the Airport Authority the ability to store its aircraft at the Airport following its cessation of operations and pending the completion of a wind-down/ liquidation. In consideration for the requested storage, the Airport Authority requires a clear allocation of risks associated with such long term non-operated storage, and is further entitled to receive industry standard and commercially reasonable and fair compensation for the requested services. The rate proposed by the Airport Authority, of \$2,000 per aircraft per day, reflects competitive market rates.

Further, when Lynx operates in the normal course—that is by landing and taking off—Lynx would normally incur a host of fees in addition to apron usage fees under the LTA and Tariff. These fees include landing, terminal, bridge, preclearance and other usage fees. These fees, in aggregate, typically cost over \$5,000 each time one of Lynx’s Max 8 aircraft takes off and lands at the airport. The Apron Usage Fee of \$117.70 per day is an incidental in these circumstances, and is only commercially defensible in the context of normal operations. It is completely unreasonable as a stand alone storage fee. By analogy, daily parking for a passenger’s motor vehicle at the airport is \$39/day. It seems to go without saying that \$117.70 for a multimillion dollar aircraft is not a reasonable storage fee.

Finally, given the nature of the new storage services requested, and contrary to the flawed claims in your letter, Section 18 of the CCAA Initial Order has no application. Section 18 applies to existing services Lynx was contractually entitled to receive upon the commencement of the CCAA proceedings. It is *not*, nor is the CCAA more generally, a means by which Lynx can write new contracts for itself without the Airport Authority's consent.

Put differently, Section 18 cannot be a sword by a debtor company that seeks the protection of the CCAA, to extract new services at below market rates. A touchstone of the CCAA is fairness to all stakeholders. It would be highly unfair and prejudicial for Lynx to tie up large sections of the Airport Authority's runway and facilities, for potentially weeks or months, for fees that are closer to passenger parking rates than competitive aircraft storage facilities.

It follows that there can be no question of the Airport Authority being in "willful breach" of the CCAA Initial Order, and such baseless assertions are contrary to Lynx's statutory duty of good faith.

CONCLUSION

In light of the foregoing, the Airport Authority **immediately** requires as follows:


- a) Lynx's confirmation of its consent to all terms, including rates, in the Proposed Storage Agreement, and execution of the Proposed Storage Agreement, by end of day on Tuesday, February 27, 2024.
- b) Alternatively, for Lynx to collect all aircraft from the Airport Authority by end of day on Tuesday, February 27, 2024.

Please also (i) confirm that the undersigned and Mr. Madsen (copied) are added to your Service List for the within matter, and (ii) advise of the date of the next Court attendance and provide us copies of all application materials filed to date.

Should you have any questions, please contact the undersigned.

Yours truly,

BORDEN LADNER GERVAIS LLP



Jack R. Maslen

cc: Client
Deryck Helkaa, FTI Canada Consulting Inc. in its capacity as court-appointed monitor (via email)
David T. Madsen, K.C., Borden Ladner Gervais LLP (via email)

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

Appendix “B” – Cash Flow Statement for the period ending April 15, 2024

Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air
Consolidated Cash Flow Statement
For the period of February 22, 2024 to April 15, 2024

(C\$ 000s)											
For the period of February 22 to April 15, 2024											
Week Ending	Notes	Week 1 24-Feb	Week 2 2-Mar	Week 3 9-Mar	Week 4 16-Mar	Week 5 23-Mar	Week 6 30-Mar	Week 7 6-Apr	Week 8 13-Apr	Stub Week 9 15-Apr	Total
Receipts											
Revenue	1	\$ 2,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,041
Total - Receipts		2,041	-	-	-	-	-	-	-	-	2,041
Disbursements											
Payroll and employee related obligations	2	-	(2,406)	-	(174)	-	(139)	-	-	(116)	(2,835)
SG&A expense	3	-	(324)	(227)	(687)	(127)	(127)	(226)	(127)	(36)	(1,883)
Operating costs	4	(1,860)	(185)	-	-	-	-	-	-	-	(2,045)
Professional fees	5	-	-	(460)	-	-	-	(950)	-	-	(1,410)
PDP Commitment fees	6	-	(600)	-	-	-	(600)	-	-	-	(1,200)
KERP	7	-	-	-	-	-	-	-	-	(734)	(734)
Airport Improvement Fees	8	(296)	-	-	-	-	-	-	-	-	(296)
Maintenance reserves	9	-	-	-	(110)	-	-	-	-	-	(110)
Interim Facility - Interest and fees	10	-	-	-	-	-	(39)	-	-	-	(39)
Lease payments / deferrals	11	-	-	-	-	-	-	-	-	-	-
Total - Disbursements		(2,156)	(3,515)	(687)	(971)	(127)	(905)	(1,176)	(127)	(887)	(10,552)
Net change in cash		(116)	(3,515)	(687)	(971)	(127)	(905)	(1,176)	(127)	(887)	(8,511)
Opening cash		3,920	4,817	1,302	615	1,144	1,017	1,112	936	1,309	3,920
Interim Facility - Draw (repayment)	12	1,013	-	-	1,500	-	1,000	1,000	500	-	5,013
Ending Cash		\$ 4,817	\$ 1,302	\$ 615	\$ 1,144	\$ 1,017	\$ 1,112	\$ 936	\$ 1,309	\$ 422	\$ 422
Interim Facility											
Opening		\$ -	\$ 1,013	\$ 1,013	\$ 1,013	\$ 2,513	\$ 2,513	\$ 3,513	\$ 4,513	\$ 5,013	\$ -
Draw (repayment)		1,013	-	-	1,500	-	1,000	1,000	500	-	5,013
Ending Interim Facility		\$ 1,013	\$ 1,013	\$ 1,013	\$ 2,513	\$ 2,513	\$ 3,513	\$ 4,513	\$ 5,013	\$ 5,013	\$ 5,013



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 February 22, 2024 to April 15, 2024 (the “**Forecast Period**”)

Disclaimer:

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

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

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

Overview:

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

1. **Revenue:** Lynx Air anticipates limited revenue receipts in the Forecast Period. When passengers booked airline tickets with Lynx Air, the Applicants’ credit card processing company retains the payment until the booked flight is flown. During normal operations, after the flight is flown, Lynx would receive 50% of the ticket price on the date of the flight and 50% approximately 6 days after the flight. The amounts in shown in the Week 1 relate to flights flown prior to the Initial Filing Date. Lynx Air and the credit card processing company are working diligently to reconcile the amounts owed during the Operating Period including refunds to customers for cancelled flights;
2. **Payroll and employee related obligations:** includes amounts owing to employees for salaries and wages up to the date of termination of their employment and estimated amounts for the employees required to assist in the CCAA Proceedings during the Forecast Period;

3. **SG&A expense:** includes, among other things, aircraft insurance premiums, information technology and software licenses to maintain access to the Applicants systems, bank fees and other miscellaneous costs;
4. **Operating costs:** includes fuel, navigation fees, terminal fees, deicing and ground handling services provided for flights during the Operating Period;
5. **Professional fees:** represents the fees and costs of the Monitor, the Monitor’s Counsel, the Applicants’ counsel and counsel to the Interim Lender;
6. **Pre delivery payments (“PDP”) Commitment Fees:** commitment fees relate to amounts owing for 2024 aircraft deliveries in accordance with the Aircraft Purchase Agreement;
7. **KERP:** relates to a retention plan proposed to be paid to key employees and executives for their assistance during the CCAA Proceedings, subject to approval of the Court;
8. **Airport Improvement Fees:** amounts paid for flights flown during the Operating Period;
9. **Maintenance reserves:** represents prorated amounts owing under the Aircraft Leases for the period after the Initial Filing Date and during the Operating Period;
10. **Interim Facility – interest and fees:** represents interest payable under the Interim Facility;
11. **Lease payments / deferrals:** no amounts are contemplated to be paid to the Aircraft Lessors under the Aircraft Leases during the 60 Day Waiting Period (other than pro-rated maintenance reserves after the date of the Initial Order); and
12. **Interim Facility:** represents draws under the Interim Facility to fund the cost of the CCAA Proceedings. The Applicants are seeking to increase the amount under the Interim Facility to approximately \$5.0 million. As at the date of this Report approximately \$1.0 million has been drawn under the Interim Facility.

February 28, 2024

FTI Consulting Canada Inc.
Suite 1610, 520 Fifth Avenue S.W.
Calgary, AB
T2P 3R7

Attention: Deryck Helkaa, CPA, CA, CIRP, LIT

Dear Sir:

**Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba as Lynx Air (collectively, "**Lynx Air**" or the "**Applicants**"), for the commencement of proceedings under the CCAA in respect of Applicants, the management of Lynx Air ("**Management**") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement are based.

Management confirms that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of the Lynx Air;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to FTI Consulting Canada Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
 - b. That the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

A handwritten signature in black ink, appearing to read "Mike Woodward".

Mike Woodward
Interim Chief Financial Officer