

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

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

March 27, 2024

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CONTACT INFORMATION OF
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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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SECOND REPORT OF THE MONITOR

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Appendix “A” – Cash Flow Statement for the period ending April 15, 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 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) 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 loan facility term sheet ("**Term Sheet**") with Indigo Northern Ventures LOP (the "**Interim Lender**" and "**Indigo**") from approximately \$1.0 million (US\$750,000) to approximately \$5.0 million (as same is denominated in USD, the "**Interim Facility**") and a corresponding increase to the court-ordered priority charge on the Property of the Applicants to secure the Interim Facility (the "**Interim Lender's Charge**");
- (g) granted a charge against the Applicants' Property for a key employee retention plan ("**KERP**") in the maximum amount of \$1.2 million (the "**KERP Charge**"); and
- (h) sealed the Confidential Affidavit of Michael Woodward in accordance with the terms of a restricted court access order granted by the Court; and
- (i) declared pursuant to section 5(5) of the Wage Earner Protection Program Act (Canada), S.C. 2005, c. 47, s.1 ("**WEPPA**"), that the Applicants and their former employees meet the criteria prescribed by section 3.2 of the Wage Earner Protection Program Regulations SOR/2008-222 (the "**WEPP Regulations**") and are individuals to whom the WEPPA applies as of the date of the Initial Order.

4. Also on March 1, 2024, this Honourable Court approved a sale and investment solicitation process (“**SISP**”) and granted an Order (the “**SISP Order**”) authorizing and directing the Applicants and the Monitor to implement the SISP in accordance with the terms thereof (the “**SISP Procedures**”).
5. On March 25, 2024, the Applicants filed and served a notice of application returnable on April 2, 2024, seeking:
 - (a) approval of 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**”); and
 - (b) a restricted Court access Order (the “**Restricted Court Access Order**”) which would seal the confidential affidavit of Michael Woodward, sworn March 25, 2024 (the “**Confidential Woodward Affidavit**”), which contains an unredacted copy of the Termination Agreement.

(the “**April 2 Application**”)

6. Electronic copies of all materials filed by the Applicants in connection with the April 2 Application and other statutory materials are available on the Monitor’s website at: <http://cfcanada.fticonsulting.com/lynxair/>.

PURPOSE

7. The Monitor has reviewed the Court materials filed by the Applicants in support of the April 2 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 first report dated February 28, 2024 (the “**First Report**”);
 - (b) the status of the Applicants’ business and operations;
 - (c) the status of the SISP including discussions with specific contractual counterparties;
 - (d) the Applicants’ actual cash receipts and disbursements for the 5-week period ending on March 23, 2024, as compared to the cash flow statement presented to this Honourable Court attached to the First Report;
 - (e) the Applicants updated cash flow statement (the “**Second CFS**”) for the period of March 24, 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; and
 - (f) status of the Monitor’s administration of WEPPA claims for terminated employees; and
 - (g) the Monitor’s conclusions and recommendations with respect to the above.
8. This Report should be read in conjunction with the affidavit of Mike Woodward, sworn on March 25, 2024 (the “**Third Woodward Affidavit**”).

TERMS OF REFERENCE

9. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Third Woodward Affidavit and ARIO.

10. 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**").
11. 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.
12. The Monitor has prepared this Report in connection with the April 2 Application. This Report should not be relied on for other purposes.
13. 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.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND INFORMATION

15. Detailed information with respect to the Applicants' business, operations and causes of financial difficulty are described in Affidavit of Mike Woodward sworn in these proceedings on February 22, 2024.
16. Additional background information on the Applicants and the CCAA Proceedings is available on the Monitor's Website, including the Third Woodward Affidavit.
17. The Applicants' primary assets, include:
 - (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 includes 29 aircraft remaining to be delivered;
 - (c) a sale and leaseback agreement between Lynx Opco and BOC Aviation Limited with respect to eight aircraft scheduled to be delivered in 2024 (the "**BOCA Aircraft**");
 - (d) an agreement between Lynx Opco and CFM International, Inc. to purchase four LEAP-1B25 engines (the "**Engine Purchase Agreement**"); and
 - (e) other miscellaneous aircraft equipment and parts.

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

CAPE TOWN CONVENTION

19. The Monitor is aware of the Cape Town Convention (the “**CTC**”) and its Aircraft Protocol (the “**Protocol**”). The CTC is an international treaty intended to standardize transactions involving movable property including high-value aviation assets, namely airframes, aircraft engines and helicopters which, by their nature, have no fixed location. The Aircraft Leases fall within the CTC and Protocol.
20. 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**”).
21. Alternative A sets out a 60-day waiting period (“**Waiting Period**”) with respect to the Fleet and the Aircraft Leases whereby the Applicants would have 60 days to either:
 - (a) cure all defaults and agree to perform future obligations under the Aircraft Leases; or
 - (b) come to a consensual agreement with the Aircraft Lessors.
22. The Applicants’ Waiting Period expires on April 22, 2024.

ACTIVITIES OF THE MONITOR

23. The Monitor’s activities since the First Report include the following:
 - (a) monitoring the Applicants’ finances (including cash flows) and operations;

- (b) prepared and issued the required notices under the CCAA and Initial Order including (i) issuing the notices to creditors referenced in paragraph 44 of the Initial Order and posting the notice on the Monitor’s website; (ii) 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 (iii) 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;
- (c) participating in numerous discussions with the Applicants, Boeing and the Lessors to conduct and carry out the SISP;
- (d) participating in numerous discussions with the Applicants and Boeing with respect to the Termination Agreement;
- (e) assisting the Applicants in preparing the Second CFS;
- (f) administering the WEPPA process in consultation with the Applicants human resource and payroll departments, including, having discussions and numerous communications with counsel for the Canadian Union of Public Employees Lynx Air flight crew local (“**CUPE Counsel**”), employees and former employees in respect of the process and timelines for calculating and submitting WEPPA claims and assisting former employees with filing their WEPPA claims with Service Canada – Employment and Social Development Canada (“**Service Canada**”); and
- (g) responding to inquiries from suppliers and creditors who contacted the Monitor in connection with these CCAA Proceedings.

STATUS OF OPERATIONS AND BUSINESS

Operations

24. As described in the First Report, upon granting of the Initial Order the Applicants commenced an expedited wind-down of flight operations which included operating scheduled flights for a period of four days, from the Initial Filing Date to the end of day on February 25, 2024 (the “**Operating Period**”). Through the Operating Period the Applicants attempted to minimize disruption to passengers’ immediate travel plans and provide a short period for passengers travelling after February 25, 2024, to make alternative travel arrangements.
25. Upon the completion of the Operating Period, the Fleet returned to the Calgary International Airport (“**YYC**”). Ultimately, the Applicants and the Calgary Airport Authority were unable to agree upon the commercial terms for the temporary storage of the Fleet at YYC and the Applicants came to an agreement with the Aircraft Lessors (the “**Aircraft Asset Protection Agreement**”) which was described in the Monitor’s First Report. In accordance with the Aircraft Asset Protection Agreement, the Fleet was moved to Marana, Arizona and Tucson, Arizona.

Employees

26. On the date of the Initial Order, the Applicants employed approximately 500 employees. After the completion of the Operating Period certain employees including pilots, cabin crew members and flight operations were no longer required given flight operations ceased. As a result, the Applicants’ staffing levels have been significantly reduced.
27. As of the date of this Report approximately 15 employees remain to assist with the administration of the SISP, the continued wind-down of the business and the administration of the CCAA Proceedings.
28. Upon their termination employees were provided with directions on how to receive a copy of their record of employment from Service Canada and made aware of the WEPPA.

29. Section 5(1) of the WEPPA provides that an individual is eligible to receive payment under that Act if, among other things, (i) the individual is owed eligible wages by a former employer; (ii) the former employer is subject to proceedings under the CCAA; and (iii) a court determines under subsection 5(5) that criteria prescribed by regulation are met.
30. Section 5(5) of WEPPA provides that, on application by any person, a court under the CCAA may determine that a former employee meets criteria prescribed by regulation. Section 3.2 of the WEPP Regulations provides that “for purposes of subsection 5(5) of the *WEPPA*, a court may determine whether the former employer is the former employer of all of whose employees in Canada have been terminated other than any retained to wind down its business operations.”
31. Paragraph 12 of the ARIO contained a declaration pursuant to Section 5(5) of WEPPA that the Applicants and their collective former employees meet the criteria prescribed by the WEPP Regulations and are individuals to whom the WEPPA applies. Accordingly, the Monitor was authorized to administer WEPPA claims for terminated employees that meet the eligibility criteria outlined in WEPPA.
32. The Monitor worked extensively with the Applicants’ human resource and payroll departments to determine which terminated employees met the criteria to be eligible to make claims under WEPPA for unpaid wages, vacation, termination and severance pay.
33. On March 5, 2024, the Monitor, the Applicants and their respective counsel received communication from CUPE Counsel advising that they would like to have a call with the Monitor and the Applicants to discuss the WEPPA process and timing. In particular, CUPE’s counsel advised they wanted to discuss the methodology and calculation of the employees’ WEPPA claims to confirm accuracy of the same.
34. Following the above-noted discussions, the Monitor sent CUPE Counsel a summary of the methodology the Monitor used to calculate the WEPPA payment. After further discussions between the parties it was determined that there was a disagreement in the methodology for

calculating termination pay between CUPE, on the one hand, and the Monitor and the Applicants, on the other.

35. CUPE's Counsel advised that CUPE is of the view that eligible employees are entitled to 16 weeks pay in lieu of notice under group termination provisions contained in section 212 of the *Canada Labour Code*. The Monitor and the Applicants determined that the group termination provisions do not apply in Lynx's circumstances for reasons including there is no express entitlement to pay in lieu of notice of group termination (in contrast to individual termination notice). Counsel to CUPE provided certain authority, but outside of the CCAA context, that the failure to give notification of a group termination gave rise to an obligation of the employer to provide payment in lieu of the 16 week group termination notice.
36. After due enquiry, the Monitor advised CUPE's counsel, that the Monitor is aware of no authority that would support CUPE's claim that group termination applies to an employer that faced a liquidity crisis which resulted in an immediate and unplanned cessation of operations combined with an urgent application by the employer to obtain relief under the CCAA. The Monitor's view was confirmed with a Labour Affairs Officer of Employment and Social Development Canada.
37. Therefore, the Applicants calculated termination pay in accordance with federal employment standards for individual termination notices. After this determination the Monitor proceeded to administer the WEPPA claims to avoid delays and ensure timely processing for eligible employees.
38. 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.

39. The following summarizes the Monitor’s status of WEPPA claims administered to date:
- (a) The Monitor sent 476 WEPPA Instruction Letters to eligible employees (472 on March 14, 2024, and 4 on March 20, 2024);
 - (b) 311 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 reviewed all 311 WEPPA Proofs of Claim received to date and has submitted all 311 WEPPA Proofs of Claim to Service Canada for processing. The Monitor continues to review and process claims as received from eligible employees.

Customer Refunds

40. Elavon Canada Company (“**Elavon**”) is the Company’s credit card processing company. When customers booked airline tickets with Lynx Air, in accordance with the processing agreement between the Company and Elavon, Elavon would release 50% of the ticket price to Lynx Air on the date of the flight and the other 50% of the ticket price to Lynx Air six days after the flight had concluded. If a flight was cancelled, Elavon would refund the customer the cost of the ticket.
41. Elavon previously advised that it, in consultation with the Applicants, needed to complete a reconciliation and understand the magnitude of customer refunds and chargebacks prior to releasing any funds to the Applicants. The Applicants estimate that approximately \$3.0 million in revenue was generated in the Operating Period.
42. The Applicants, with the assistance of the Monitor, and Elavon continue to engage in discussions to complete the reconciliation and customer refunds soon as possible. The intention is for the Applicants to complete customer refunds directly without the need for customers to contact their credit card providers to submit chargebacks.

STATUS OF THE SISP

43. Prior to the commencement of CCAA Proceedings, the Applicants had been approached by and/or had discussions with various third parties who expressed interest in purchasing the Applicants' business or the Assets. Accordingly, following the commencement of the CCAA Proceedings, the Applicants worked with the Monitor to develop the SISP to solicit interest in purchasing the Applicants' Property. The major aspects of Property with material value that the Applicants intended to market through the SISP are the Boeing Purchase Agreement and the Aircraft Leases.
44. This Honourable Court granted the SISP Order on March 1, 2024. The SISP Procedures provided, among other things:
- (a) the SISP shall be conducted by the Company, in consultation with the Monitor, to solicit interest in, and opportunities for one or more sales of the Assets (the “**Opportunity**”);
 - (b) as soon as practicable the Applicants, 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;
 - (c) as soon as practicable, and only after reaching agreement with Boeing and the Counterparties to Aircraft Leases on appropriate confidentiality protections and terms of access, the Monitor will make a virtual data room (“**VDR**”) available to each Pre-Qualified Known Potential bidder who has executed an NDA with Lynx and, as necessary, Boeing and of the Counterparties to the Aircraft Leases; and

- (d) by March 8, 2024, 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**”).

45. 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 Purchase Agreement

46. The potential value from the Boeing Purchase Agreement is derived from various aspects including the following:

- (a) near-term delivery slots for the delivery of aircraft;
- (b) certain economic benefits available to the Applicants; and
- (c) inflation protection impacting the ‘fly-away’ price of future aircraft deliveries as compared to current market rates.

47. As noted above, and in recognition of Boeing’s and the Aircraft Lessors’ legitimate confidentiality concerns, the SISP Order includes provisions that the Boeing Purchase Agreement and the Aircraft Leases would only be made available in the VDR after reaching agreement on the appropriate and acceptable confidentiality protections and terms of access.
48. Upon granting of the SISP Order, the Applicants, in consultation with the Monitor, engaged in discussions with Boeing to determine the conditions upon which it would be willing to disclose the Boeing Purchase Agreement in the VDR.
49. The Boeing Purchase Agreement contains confidentiality provisions which prevent the Applicants from disclosing the existence of the Boeing Purchase Agreement or any of its terms without Boeing’s consent.
50. Since the date of the SISP Order, the Monitor and Boeing engaged in discussions to agree upon a list of the Pre-Qualified Known Potential Bidders that would be granted access to the VDR and the Boeing Purchase Agreement. For reference a timeline of events is as follows:
- (a) on March 1, 2024, the Applicants, in consultation with the Monitor, provided an initial list of 20 airlines and 16 lessors/aviation investors to be considered by Boeing;
 - (b) on March 1, 2024, Boeing provided a baseline redacted version of the Boeing Agreement that could be shared with Pre-Qualified Known Potential Bidders who executed NDAs. Boeing, the Applicants and the Monitor continued discussions to determine a methodology upon which Pre-Qualified Known Potential Bidders who qualified for the benefits of the redacted provisions would be entitled to view the applicable redacted provisions. The Monitor notes that the redacted provisions included certain sections outlining various economic benefits, as more fully described in the Confidential Supplemental Report;
 - (c) on March 3, 2024, the Applicants and Boeing agreed on a form of NDA that would allow Pre-Qualified Known Potential Bidders access to the VDR including an appropriately

redacted copy of the Boeing Purchase Agreement in accordance with the above paragraph (b);

(d) on March 6, 2024, Boeing provided a draft form of a side letter (the “**Side Letter**”) setting out the requirements to permit Pre-Qualified Known Potential Bidders access to the VDR and the Boeing Purchase Agreement, which included requirements that:

- the Pre-Qualified Known Potential Bidder holds a sufficient credit rating from S&P Global Ratings or Fitch Ratings as of December 31, 2023; and
- the Pre-Qualified Known Potential Bidder has delivered an executed non-disclosure agreement to Boeing in the form attached as Schedule “A” to the Side Letter, and Boeing has countersigned and delivered such NDA.

(e) on March 7, 2024, after further discussions with Boeing’s counsel, the Applicants, in consultation with the Monitor, provided a draft teaser and a revised list of bidders that were believed to meet Boeing’s credit worthiness criterion for Boeing’s approval as set out in the Side Letter.

51. While discussions continued with Boeing regarding the Pre-Qualified Known Potential Bidders’ list and what information could be provided to which bidders based on the terms of the Boeing Purchase Agreement, Boeing presented a proposal to the Applicants to terminate the Boeing Purchase Agreement (the “**Termination Agreement**”) which would provide financial compensation to the Applicants in exchange for the termination of the Boeing Purchase Agreement.

52. On March 21, 2024, the Applicants and Boeing executed the Termination Agreement. A redacted copy of the Termination Agreement is included at Exhibit “A” of the Third Woodward Affidavit and an unredacted copy is included at Exhibit “A” of the Confidential Affidavit of Mike Woodward sworn on March 25, 2024.

53. The key non-commercial terms of the Termination Agreement are outlined below:
- (a) the Termination Agreement is conditional on receiving approval from this Honourable Court;
 - (b) within two days of receiving approval from this Honourable Court Boeing will pay to Lynx Opco the amounts agreed to under the Termination Agreement; and
 - (c) the parties release each other from any and all claims relating to the Boeing Purchase Agreement.

Monitor's View on the Termination Agreement

54. The Monitor is supportive of and recommends the Applicants' request that this Honourable Court authorize and approve the Termination Agreement based on the following:
- (a) the confidentiality provisions contained in the Boeing Purchase Agreement represent a significant impediment to the Applicants' ability to provide potential bidders with financial details of the Boeing Purchase Agreement. These details are, in the Monitor's view, essential to allow a prospective bidder to value the Boeing Purchase Agreement. While a methodology was being discussed to address these issues, as discussed in paragraph 51(b) above, the final resolution and timing of such is uncertain and may have required direction of the Court;
 - (b) the Boeing Purchase Agreement is, on its terms, not assignable without Boeing's consent. While the Monitor takes cognizance of the fact that s.11.3 of the CCAA provides the Court with jurisdiction to assign the agreements notwithstanding the requirement for counterparty consent, the Monitor's assessment is that an attempt to force an assignment of the Boeing Purchase Agreement would not be a simple exercise for reasons including the complex and bespoke nature of the Boeing Purchase Agreement, including that certain key economic terms are unique to Lynx Air and thus would not benefit many, if any, Pre-Qualified

- Known Potential Bidders. However, the material value that potential purchasers would ascribe to the Boeing Purchase Agreement is inextricably tied to such terms for which they would likely be ineligible, and this creates significant risk that the consideration provided by an alternative transaction may be significantly lower, or non-existent, compared to the consideration provided for under the Termination Agreement;
- (c) the Boeing Purchase Agreement provides for the delivery of aircraft in accordance with Lynx Air's specifications and configurations as specified in the terms; consequently, any Pre-Qualified Known Potential Bidders would necessarily require modifications to the terms of the Boeing Purchase Agreement in order to obtain aircraft in a configuration consistent with their own unique requirements, including their own branding and livery;
 - (d) although the Applicants' and Boeing's negotiations involving the various matters detailed above were conducted in good faith and on an expedited basis, any potential inability to ultimately reach a consensus would potentially require direction from the Court and likely cause significant delays in closing, which, in turn, will likely negatively impact a contested sale, and, ultimately, if a forced assignment were not approved by the Court, the Applicants would receive no or little value for the Boeing Purchase Agreement in the face of the current proposal which represents material value. The Monitor's view is that the consensual solution presented by the Termination Agreement resolves the risks discussed above, and preserves value for Boeing, the Applicants and its stakeholders;
 - (e) a significant portion of the economic benefits attributed to the Boeing Purchase Agreement includes economic benefits that may or may not be available to some or all bidders and creates additional uncertainty;
 - (f) the Applicants are not current on pre-delivery deposits required under the Boeing Purchase Agreement and the potential impact on delivery slots is uncertain and could also impact the value of the Boeing Purchase Agreement to interested parties;

- (g) there is a significant risk that the consideration provided by an alternative transaction may be significantly lower than provided for under the Termination Agreement, even assuming all Pre-Qualified Known Potential Bidders qualified under the terms of the Boeing Purchase Agreement for all available beneficial economic terms and could thus fully review the terms of the Boeing Purchase Agreement on an unredacted basis; and
 - (h) Indigo, the Applicants' senior secured creditor and Interim Lender is supportive of the Termination Agreement.
55. The Monitor's view is that the Applicants and Boeing's negotiations surrounding the bases upon which the Boeing Purchase Agreement would be made available to potential purchasers was being undertaken in good faith and on an expedited basis prior to Boeing proposing the Termination Agreement.
56. The Monitor has reviewed the Boeing Purchase Agreement (unredacted version) and estimated a range of potential values. The Monitor concluded that the range of potential values of the Boeing Purchase Agreement is highly contingent on a purchaser successfully receiving all of the economic benefits, and if not assignable or available, would materially negatively affect value. After such consideration, the Monitor believes that the consideration provided in the Termination Agreement is fair and reasonable in the circumstances. Details of the Monitor's analysis of the potential range of values of the Boeing Purchase Agreement is summarized in the Confidential Supplemental Report.
57. The Monitor is seeking a restricted access Order ("**Monitor's Restricted Access Order**") to seal the Confidential Supplemental Report as it contains commercially sensitive information in which there is an expectation and requirement on the part of Boeing that such commercially sensitive information be kept confidential. Moreover, if the information is disclosed such disclosure could negatively impact value to the Applicants for the Boeing Purchase Agreement in the event the Termination Agreement is not approved by this Honourable Court and the Applicants commence marketing efforts for the Boeing Purchase Agreement.

Aircraft Leases

58. Prior to commencing the SISP the Applicants and the Monitor discussed the terms of the SISP with counsel to each of the Lessors.
59. The Applicants, in consultation with the Monitor, and the Lessors engaged in discussions to agree upon the list of Pre-Qualified Known Potential Bidders that would gain access to the VDR. For reference a timeline of events is as follows:
- (a) on March 2, 2024, the Applicants, in consultation with the Monitor, provided an initial list of 20 airlines and 16 lessors or aviation investors to be considered by the Lessors;
 - (b) on March 3, 2024, counsel to certain of the Lessors expressed concerns about soliciting bids from other lessors as doing so would provide those lessors with access to commercially sensitive/competitive information contained in the respective leases;
 - (c) on March 6, 2024, and March 8, 2024, the Applicants and Monitor received redacted versions of lease agreements from certain Lessors.
60. The Lessors expressed concern about disclosing the commercial terms of their respective Aircraft Leases to other aircraft lessors. Therefore, it was determined that only airline carriers would be permitted to participate in the SISP with respect to the Aircraft Leases.
61. Since the date of the SISP Order, the Applicants, in consultation with the Monitor, have had ongoing discussions with respective Lessors to determine the Lessors' requirements to allow them to consent to disclosing their respective agreements.
62. Those discussions are ongoing, and it is at present unclear if they will conclude successfully. Without agreement between the Applicants and the Lessors to provide unredacted copies of the respective Aircraft Leases it is unlikely that any Pre-Qualified Known Potential Bidders would be able to fully evaluate the Opportunity.

63. On March 14, 2024, the Applicants, in consultation with the Monitor, proposed the following to certain of the Lessors:
- (a) the Applicants would deliver to the Lessors:
 - a proposed list of airline bidders and seek consent to send a previously agreed upon form of NDA to those parties, and
 - a summary table, for review and consent by each respective Lessor, of key information including monthly rent, reserves, aircraft hours and cycles; and
 - (b) provided all Lessors have agreed to share similar information in the summary table, the information will be made available in the VDR subject to the requirement that the potential purchaser enter into an NDA.

Full copies of the Aircraft Leases would be provided to the winning bidder for the sole purpose of undertaking final confirmatory due diligence.

64. Certain of the Lessors have agreed to include the information above to a list of Pre-Qualified Known Potential Bidders, however, others have advised that the commercial terms, including, rent, reserves will need to remain confidential. This has led to a patchwork of positions being taken by the Lessors with respect to their participation in the SISP.
65. The evaluation of the Aircraft Leases is ongoing, and the Monitor will report to the Court further when the results of the SISP process with respect to the Aircraft Leases is complete.

BUDGET TO ACTUAL RESULTS

66. The Applicants, in consultation with the Monitor, prepared a cash flow statement (the “**Initial Cash Flow Statement**”) which was appended to the First Report.

67. Actual cash flow as compared to those contained in the Initial Cash Flow Statement for the five-week period of February 22, 2024, to March 23, 2024, are summarized below.

(C\$ 000s)			
For the period of February 22, 2024 to March 23, 2024			
	Actual	Forecast	Variance
Receipts			
Revenue	\$ 2,082	\$ 2,041	\$ 41
Trust Receipt	-	-	-
Other / Recovery of Deposits	335	-	335
Total - Receipts	2,417	2,041	376
Disbursements			
Payroll and employee related obligations	(2,094)	(2,580)	486
SG&A expense	(557)	(1,366)	810
Operating costs	(1,812)	(2,045)	233
Fleet relocation recovery	13	-	13
Professional fees	(444)	(460)	16
PDP Commitment fees	-	(600)	600
KERP	-	-	-
Airport Improvement Fees	(300)	(296)	(4)
Maintenance reserves	(14)	(110)	96
Interim Facility - Interest and fees	-	-	-
Air Travellers Security Charge	(81)	-	(81)
Lease payments / deferrals	-	-	-
Total - Disbursements	(5,289)	(7,457)	2,168
Net change in cash	(2,872)	(5,416)	2,544
Opening cash	3,920	3,920	-
Interim Facility - Draw (repayment)	1,013	2,513	(1,500)
Ending Cash	\$ 2,060	\$ 1,017	\$ 1,044
Interim Facility			
Opening	\$ -	\$ -	-
Draw (repayment)	1,013	2,513	(1,500)
Ending Interim Facility	\$ 1,013	\$ 2,513	\$ (1,500)

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

- (a) Receipts were substantially in line with forecast with approximately \$0.3 million in other receipts relating to the collection of training credits, return of prepayment amounts for the Operating Period and other miscellaneous refunds that were not contemplated in the Initial Cash Flow Statement;

- (b) lower than anticipated disbursements of approximately \$2.2 million primarily related to the following:
- lower than anticipated payroll and employee related obligations due to the reconciliation of employee benefits account and an over estimation of pilot hours;
 - lower than anticipated SG&A expense partially relating to the timing and payment of expenses, reduction in insurance premiums for the Fleet and cancellation of certain services resulting in lower than forecast disbursements;
 - fleet relocation expenses were not forecast in Initial Cash Flow Statement relating to certain expenses to move the aircraft to Arizona with such costs being reimbursed by the Lessors;
 - professional fees were lower than anticipated as a result of timing of invoicing and payments. Overall, professional fees are generally in line with forecast;
 - PDP commitment fees have been deferred during the Waiting Period; and
 - Maintenance reserves were lower than anticipated due the timing of the payment and are expected to be paid in future periods.
- (c) the cash balance at the end of the period is approximately \$2.1 million which is higher than anticipated by approximately \$1.0 million primarily driven by lower expenses incurred in the period and offset by a lower draw on the Interim Facility.

CASH FLOW STATEMENT

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

(C\$ 000s)	
For the period of March 25, 2024 to April 15, 2024	
	Total
Receipts	
Revenue	\$ -
Other / Recovery of Deposits	4,068
Total - Receipts	4,068
Disbursements	
Payroll and employee related obligations	(255)
SG&A expense	(475)
Operating costs	(28)
Fleet relocation recovery (expense)	-
Professional fees	(1,492)
PDP Commitment fees	-
KERP	(734)
Airport Improvement Fees	-
Maintenance reserves	(68)
Interim Facility - Interest and fees	(25)
Lease payments / deferrals	-
Total - Disbursements	(3,076)
Net change in cash	991
Opening cash	2,060
Interim Facility - Draw (repayment)	-
Ending Cash	\$ 3,052
Interim Facility	
Opening	\$ 1,013
Draw (repayment)	-
Ending Interim Facility	\$ 1,013

70. The Second CFS indicates that during the Forecast Period (period ending on April 15, 2024), the Applicants will have net cash flow of approximately \$1.0 million comprising cash receipts of approximately \$4.1 million less total disbursements of \$3.1 million.
71. The Second CFS has opening cash of \$2.1 million and with ending cash of \$3.1 million and no forecasted draws on the Interim Facility.
72. The Second 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 timing of collection of the remaining receipts is uncertain;
- (b) Other receipts include collection of carbon tax rebates for periods prior to the Initial Filing Date and the recovery of certain prepayments that were made during the Operating Period after completion of the reconciliation of accounts and recovery of certain deposits on account;
- (c) Payroll and employee related obligations includes estimated amounts for remaining employees required to assist in the CCAA Proceedings;
- (d) SG&A expense includes continued insurance premiums, IT and ongoing software costs to maintain access to the Applicants systems, and other costs associated with the Applicants office required during the CCAA Proceedings;
- (e) Operating costs relating to remaining amounts to be paid for the Operating Period;
- (f) Professional fees including the Monitor, the Monitor's Counsel, the Applicants' counsel and counsel to the Interim Lender;
- (g) KERP includes amounts proposed to be paid to assist during the CCAA Proceedings, subject to approval of this Honourable Court;
- (h) Maintenance reserves relate to estimated prorated amounts owing under the Aircraft Leases for the period after the Initial Filing Date;
- (i) Interim Facility includes amounts borrowed from the Interim Lender under Term Sheet to fund the cost of the CCAA Proceedings. As at the date of this Report approximately \$1.0 million has been drawn under the Interim Facility; and

- (j) 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 Second CFS during the Waiting Period.

Monitor's Comments on the Cash Flow Statement

73. 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”.
74. 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 Second CFS has been prepared by management of the Applicants for the purpose described in the notes to the Second 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 Second CFS. The Monitor has also reviewed the information provided by Management in support of the probable assumptions and the preparation and presentation of the Second 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 Second 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 Second CFS, given the hypothetical assumptions; or
- the Second CFS does not reflect the probable and hypothetical assumptions.

75. Since the Second 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 Second 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.

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

CONCLUSIONS AND RECOMMENDATIONS

77. The Monitor supports the relief being sought by the Applicants, and recommends this Honourable Court approve:

- (a) the Applicants' request for approval of the Termination Agreement and the Restricted Access Order sealing the unredacted Termination Agreement; and

(b) the Monitor's request for the Monitor's Restricted Access Order.

All of which is respectfully submitted this 27th day of March 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.

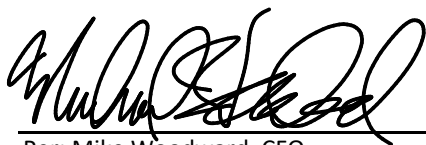


Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director
FTI Consulting Canada Inc.

Appendix “A” – 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 March 24, 2024 to April 15, 2024

(C\$ 000s)						
For the period of March 24, 2024 to April 15, 2024		Week 1	Week 2	Week 3	Stub Week 4	
		30-Mar	6-Apr	13-Apr	15-Apr	Total
Receipts						
Revenue	1	\$ -	\$ -	\$ -	\$ -	\$ -
Other / Recovery of Deposits	2	1,343	2,725	-	-	4,068
Total - Receipts		1,343	2,725	-	-	4,068
Disbursements						
Payroll and employee related obligations	3	(139)	-	-	(116)	(255)
SG&A expense	4	(180)	(140)	(120)	(34)	(475)
Operating costs	5	(28)	-	-	-	(28)
Professional fees	6	(542)	-	-	(950)	(1,492)
PDP Commitment fees	7	-	-	-	-	-
KERP	8	-	-	-	(734)	(734)
Maintenance reserves	9	-	(68)	-	-	(68)
Interim Facility - Interest and fees	10	-	(25)	-	-	(25)
Lease payments / deferrals	11	-	-	-	-	-
Total - Disbursements		(889)	(232)	(120)	(1,835)	(3,076)
Net change in cash		454	2,493	(120)	(1,835)	991
Opening cash		2,060	2,514	5,007	4,886	2,060
Interim Facility - Draw (repayment)	12	-	-	-	-	-
Ending Cash		\$ 2,514	\$ 5,007	\$ 4,886	\$ 3,052	\$ 3,052
Interim Facility						
Opening		\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013
Draw (repayment)		-	-	-	-	-
Ending Interim Facility		\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013	\$ 1,013



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 March 24, 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 and Elavon are working diligently to reconcile the amounts owed during the Operating Period including initiating refunds or chargebacks to customers for cancelled flights. No amounts are anticipated to be collected during the Forecast Period;
2. **Other / Recovery of Deposits:** includes BC Carbon Tax Rebates for periods prior to date of Initial Filing Date, return of deposits and other receivables, and return of post-filing overpayments upon completion of reconciliation;
3. **Payroll and employee related obligations:** includes estimated amounts for the employees required to assist in the administration of the CCAA Proceedings;

4. **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;
5. **Operating costs:** no ongoing operating costs as operation ceased as of February 26, 2024. Operating costs incurred during the Operating Period were paid by end of February and any residual amounts relate to anticipated reconciliation with vendors for post-filing amounts;
6. **Professional fees:** represents the fees and costs of the Monitor, the Monitor's Counsel, the Applicants' counsel and counsel to the Interim Lender;
7. **Pre delivery payments ("PDP") Commitment Fees:** PDP commitment fees have been deferred during the Waiting Period;
8. **KERP:** relates to a retention plan proposed to be paid to key employees and executives for their assistance during the CCAA Proceedings, as approved by this Honourable Court;
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 Waiting Period (other than pro-rated maintenance reserves after the date of the Initial Order); and
12. **Interim Facility:** As at the date of this Report approximately \$1.0 million has been drawn under the Interim Facility and no additional amounts are anticipated to be drawn in the Forecast Period.