Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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 OR COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

APPLICANT

MOTION RECORD OF THE AD HOC COMMITTEE OF HOLDERS OF DEBENTURES
(Returnable on July 24, 2018)

July 16, 2018

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Lawyers for the Ad Hoc Committee of Holders of the Debentures

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Tab 1

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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 OR COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

Applicant

NOTICE OF MOTION

TAKE NOTICE that the Ad Hoc Committee (the "Ad Hoc Committee") of Holders of 8.375% Unsecured Debentures issued by the Applicant, Discovery Air Inc. ("Discovery"), pursuant to the Convertible Debenture Indenture dated May 12, 2011, amended November 27, 2014 (the "Debentures"), will make a motion to the Honourable Justice Hainey of the Commercial List on July 24, 2018, at 9:30 a.m., or as soon after that time that the motion can be heard, at 330 University Avenue, 9th Floor, Toronto, Ontario, or at such other time and place as the Court may direct.

THE PROPOSED METHOD OF HEARING: The motion is to be heard:

[ ] in writing under subrule 37.12.1(1)
[ ] in writing as an opposed motion under subrule 37.12.1(4);
[X] orally.

THE MOTION IS FOR:

1. An Order, if necessary, validating the manner of and abridging the time for service and filing of this Notice of Motion and Motion Record, and dispensing with any further service thereof;

2. An Order, substantially in accordance with the draft order appended hereto as **Schedule "A"**, granting leave:

(a) to issue an Application for a Bankruptcy Order pursuant to the *Bankruptcy and Insolvency Act,* R.S.C. 1985, C-B3, as amended ("BIA"), against Discovery, and to serve such Application for a Bankruptcy Order, and any supporting affidavit or other evidence, upon Discovery by delivering copies to their counsel of record in this application, for hearing concurrently with the termination of these proceedings;

(b) to issue a Statement of Claim with respect to the Oppression Action (defined below), but not to serve the Statement of Claim on the defendants, prior to the termination of these proceedings, without further leave of the Court;

3. Such other relief as counsel may request and as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

A. Background

4. Discovery is a holding company that earns revenue through its subsidiaries. Prior to December 2017, Discovery was the 100% owner of Discovery Air Defence Services ("DADS," now known as "Top Aces") a provider of military air training services. DADS was the most valuable of Discovery's operating subsidiaries;

5. Discovery's shares were previously publicly traded and listed on the Toronto Stock Exchange ("TSX"). Following a going private transaction on May 26, 2017, the Clairvest Group Inc. and its affiliates ("Clairvest") acquired 100% of Discovery's equity and its shares were de-listed from the TSX;

6. The Debentures were issued by Discovery pursuant to an indenture dated May 12, 2011, and remain outstanding. Until they were cease traded on April 27, 2018, the Debentures were listed on the TSX and, following the going private transaction, were the only publicly traded security of Discovery;

7. As of December 2016, Clairvest owned 87.5% of Discovery's listed outstanding common shares and controlled its board of directors;

8. In December 2016 and June 2017, Discovery's board, which was controlled by Clairvest, caused DADS to enter into a series of related party transactions with Clairvest (the "Impugned Transactions") which appear to have granted Clairvest options to acquire equity of DADS at a fraction of its true value (the "Options"), to the benefit of Clairvest and to the detriment of Discovery and its Debenture holders;

9. In December 2017, following the announcement that DADS had won a coveted long-term contract with the Canadian military, Clairvest exercised the Options. It appears that the effect of the Options was to allow Clairvest to acquire equity of DADS that may have had a fair market value of approximately $100 million or more in exchange for the retirement of $18.4 million in secured liabilities;

10. Following the completion of these transactions, Discovery became insolvent and, on March 21, 2018, filed for and was granted protection under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the "CCAA proceedings");

11. From the outset, Discovery has taken the position that the principal purpose of the CCAA proceedings is to conduct a sale solicitation process for certain of Discovery's wholly-owned subsidiaries and other equity interests and assets;

12. Discovery and Clairvest negotiated four stalking horse agreements, all dated as of March 21, 2018, pursuant to which Clairvest agreed to act as a "stalking horse purchaser" in connection with Discovery's sale of its equity interests;

13. A sale solicitation process was approved by the Court on April 4, 2018 (the "Sale Process"), which set out the terms on which Discovery's equity interests would be marketed for sale, including the bidding procedures to be used in connection with the Sale Process;

14. The Sale Process is concluding, and Discovery has obtained Court orders vesting the subject assets in an entity incorporated by Clairvest;

15. The proceedings of the Sale Process are not sufficient, in and of themselves, to generate any recovery in respect of the Debentures, and the Ad Hoc Committee's understanding is that there is no intention on the part of Discovery to continue these proceedings beyond the completion of the Sale Process for the purpose of attempting to restructure the obligation associated with the Debentures.

B. Leave to Issue Oppression Action

16. The Ad Hoc Committee is concerned that the Impugned Transactions and other related activities described above were contrary to the best interests of Discovery, and were oppressive, prejudicial, and unfairly disregarded the reasonable expectations of the holders of the Debentures, and that these CCAA proceedings are the culmination of a scheme by Clairvest to defeat the interests of the Debenture holders;

17. Representatives of the Ad Hoc Committee wish to commence litigation in respect of the Impugned Transactions (the "Oppression Action"), but it is necessary for them to obtain an order lifting the stay of proceedings to allow them to do so;

18. The holders of the Debentures would be unfairly prejudiced if they were precluded, by reason of the current stay of proceedings, from taking the procedural steps required to preserve their rights and potential claims;

C. Leave to Issue Application for a Bankruptcy Order

19. Discovery is indebted to the Debenture holders in the sum of $34.5 million, on an unsecured basis;

20. Discovery has admitted that it is insolvent and it appears that there is not enough value in the estate to satisfy the debt owed in respect of the Debentures;

21. Discovery has, within the six months next preceding the date of the filing of this Notice of Motion, committed the following acts of bankruptcy, namely it has:

(a) given notice to its creditors that it has suspended, or that it is about to suspend, payment of its debts; and

(b) ceased to meet its liabilities generally as they have become due in that it has failed to meet its obligations to the Petitioner and to other creditors.

22. Sections 11 and 11.02 of the *Companies' Creditors Arrangement Act* RSC 1985, c. C-36.

23. Rules 3.02, 16.08, and 37 of the *Rules of Civil Procedure*, RRO 1990. Reg. 194.

24. Such other grounds as counsel may advise and this Honourable Court may consider.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

25. The Affidavit of Stephen Campbell, sworn on April 3, 2018;

26. The Affidavit of Lauren Pearce, affirmed on June 18, 2018;

27. The pleadings and proceedings herein; and,

28. Such further and other materials as counsel may advise and this Honourable Court may permit.

July 16, 2018

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Lawyers for the Ad Hoc Committee of Holders of the Debentures

TO: THE SERVICE LIST

Tab 2

SCHEDULE "A"

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	THE 24th DAY
	)	OF JULY, 2018
JUSTICE HAINEY	)	

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 OR COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

Applicant

ORDER

THIS MOTION, made by the Ad Hoc Committee (the "**Ad Hoc Committee**") of Holders of 8.375% Unsecured Debentures issued by the Applicant, Discovery Air Inc. ("**Discovery**"), pursuant to the Convertible Debenture Indenture dated May 12, 2011, amended November 27, 2014 (the "**Debentures**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order granting them leave to issue an Application for a Bankruptcy Order pursuant to the *Bankruptcy and Insolvency Act,* R.S.C. 1985, C-B3, as amended ("**BIA**"), and to issue and serve a Statement of Claim, both as against Discovery, together with related relief, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Ad Hoc Committee, the Affidavit of Stephen Campbell, sworn April 3, 2018, including the exhibits thereto, and on hearing

the submissions of counsel for the Ad Hoc Committee, counsel to the Monitor, counsel to Discovery, and the other parties,

1. THIS COURT ORDERS that the time for and manner of service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. THIS COURT ORDERS that the stay of proceedings imposed by the Initial Order in these proceedings, dated March 21, 2018, as it may be extended from time to time, shall not apply with respect to the following:

(a) the issuance and service of an Application for a Bankruptcy Order, and any supporting affidavit or other documents, as against Discovery pursuant to the BIA, substantially in the form attached as **Appendix "A"** ("**Bankruptcy Application**"); and

(b) the issuance of a Statement of Claim by the Ad Hoc Committee, or by their counsel or other lawful representatives, as against Discovery, substantially in the form attached as **Appendix "B"**, subject to revisions and/or amendments as necessary or advisable ("**Oppression Action**").

3. THIS COURT ORDERS AND DECLARES that for the purpose of service of the Bankruptcy Application, counsel of record for Discovery in these proceedings ("**Discovery Counsel**") is an agent of Discovery, and valid and effective personal service of the Bankruptcy Application may be made by leaving a copy of the document with said counsel, and nothing herein shall constitute Discovery Counsel as solicitors of

record for Discovery in respect of the proceedings commenced by the Bankruptcy Application.

4. THIS COURT ORDERS that the Bankruptcy Application shall be returnable to a judge of this Court on the day of the filing of the Monitor's certificate confirming the termination of these proceedings, at 9:30 a.m. or at such later time that day as the Bankruptcy Application may be heard, and no further step shall be taken with respect to the Bankruptcy Application in the interim without leave of the Court.

5. THIS COURT ORDERS that prior to filing of the Monitor's certificate confirming the termination of these proceedings, the Statement of Claim in the Oppression Action shall not be served on the defendants, except with leave of the Court.

____

Hainey J.

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

Court File No. CV-18-594380-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at TORONTO

ORDER

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Lawyers for the Ad Hoc Committee of Holders of the Debentures

Tab 2A

APPENDIX "A"

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY OF
DISCOVERY AIR INC.
of the City of Toronto, in the Province of Ontario

APPLICATION FOR BANKRUPTCY ORDER

Stephen Campbell (the "Petitioner"), hereby makes an application to the Court that Discovery Air Inc. (the "Respondent") be adjudged bankrupt and that a bankruptcy order be made in respect of the property of the Respondent of the City of Toronto in the Province of Ontario, carrying on business at 170 Attwell Drive, Suite 370, Etobicoke, Ontario, and says:

1. That the Respondent is an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has at some time during the six months next preceding the filing of this application carried on business in the City of Toronto in the Province of Ontario within the jurisdiction of this Court.

2. That the Respondent is justly and truly indebted to the Petitioner in respect of 8.375% subordinated unsecured convertible debentures issued by the Respondent having a face value of $242,000, and interest and costs continuing to accrue.

3. That the Petitioner does not, nor does any person on his behalf, hold any security on the said Respondent's property, or on any part thereof, for the payment of the said sum.

4. That the Respondent did, within the six months next preceding the date of the filing of this application, commit the following act of bankruptcy, namely it has:

    a. given notice to its creditors that it has suspended, or that it is about to suspend, payment of its debts; and
    b. ceased to meet its liabilities generally as they have become due in that it has failed to meet its obligations to the Petitioner and to other creditors.

5. That A. Farber & Partners Inc., of the City of Toronto, is qualified to act as trustee of the property of the said debtor, and has agreed to act as such. and is acceptable to the undermentioned creditors:

Creditor	Address	Amount of Debt
Stephen Campbell	5544 Whitewood Avenue, Manotick, Ontario K4M1C7	$242,000
Pamela Campbell	5544 Whitewood Avenue, Manotick, Ontario K4M1C7	$131,000
Lindsay Campbell	5544 Whitewood Avenue, Manotick, Ontario K4M1C7	$46,000
Gail Pepler	1125 Currier Street, Manotick, Ontario K4M 1A3	$165,000

Dated at the City of Toronto this 18th day of June, 2018.

SIGNED by the Petitioner
in my presence

STEPHEN CAMPBELL

(*Signature of witness*)

Issued at the City of Toronto, in the Province of Ontario, this …… day of June, 2018.

____

Registrar in Bankruptcy

Tab 2B

Court File No.: »

ONTARIO
SUPERIOR COURT OF JUSTICE

[Commercial List]

B E T W E E N :

STEPHEN CAMPBELL

Plaintiff

- and -

CLAIRVEST GROUP INC., DISCOVERY AIR INC., TOP ACES INC., TOP ACES HOLDINGS INC., KENNETH ROTMAN, ADRIAN PASRICHA, ROD PHILLIPS, MICHAEL M. GRASTY, G. JOHN KREDIET, MICHAEL MULLEN, ALAIN BENEDETTI, THOMAS HICKEY, PAUL BERNARDS, ALAN TORRIE, and JACOB SHAVIT.

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the *Rules of Civil Procedure*. This

will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date: [●] , 2018 Issued by

Local registrar

Address of court office: Superior Court of Justice
361 University Avenue
Toronto, Ontario M5G 1T3

TO: **Clairvest Group Inc.**
22 St. Clair Avenue East, Suite 1700
Toronto, ON, M4T 2S3

AND TO: **Discovery Air Inc.**
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Top Aces Inc.**
1675 Trans Canada, Suite 201
Dorval, Quebec, Canada
H9P 1J1

AND TO: **Top Aces Holdings Inc.**
c/o Clairvest Group Inc.
22 St. Clair Avenue East, Suite 1700
Toronto, ON, M4T 2S3

AND TO: **Kenneth Rotman**
c/o Clairvest Group Inc.
22 St. Clair Avenue East, Suite 1700
Toronto, ON, M4T 2S3

AND TO: **Adrian Pasricha**
c/o Clairvest Group Inc.

22 St. Clair Avenue East, Suite 1700
Toronto, ON, M4T 2S3

AND TO: **G. John Krediet**
c/o Clairvest Group Inc.
22 St. Clair Avenue East, Suite 1700
Toronto, ON, M4T 2S3

AND TO: **Rod Phillips**
c/o Top Aces Inc.
1675 Trans Canada, Suite 201
Dorval, Quebec, Canada
H9P 1J1

AND TO: **Michael Grasty**
c/o Discovery Air Inc.
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Michael Mullen**
c/o Top Aces Inc.
1675 Trans Canada, Suite 201
Dorval, Quebec, Canada
H9P 1J1

AND TO: **Alain Benedetti**
c/o Discovery Air Inc.
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Thomas Hickey**
c/o Discovery Air Inc.
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Alan Torrie**
c/o Discovery Air Inc.
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Jacob Shavit**
c/o Discovery Air Inc.
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Paul Bernards**

c/o Discovery Air Inc.
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:

(a) **"*CBCA*"** means the *Canada Business Corporations Act*, RSC, 1985, c C-44, as amended;

(b) **"*CCAA*"** means the *Companies' Creditors Arrangement Act*, RSC, 1985, c C-36, as amended;

(c) **"Clairvest"** means Clairvest Group Inc. and/or its affiliates, including certain funds managed by Clairvest Group Inc.;

(d) **"Conversion Agreements"** means the December 2016 Credit Agreement, the June 2017 Credit Agreement, and the June 2017 Swap Agreement;

(e) **"Debentures"** means the 8.375% convertible unsecured subordinated debentures of Discovery, issued pursuant to the Indenture;

(f) **"Debentureholder"** means a person or entity that holds Debentures;

(g) **"December 2016 Credit Agreement"** means the December 20, 2016 Credit Agreement between Clairvest, G. John Krediet, and Top Aces;

(h) **"Defendants"** means, collectively, Clairvest, Discovery, Top Aces, the Individual Defendants, and, when referring to time periods following December 14, 2017, includes Top Aces Holdco;

(i) **"Discovery"** means Discovery Air Inc.;

(j) **"Indenture"** means the Convertible Debenture Indenture dated May 12, 2011, together with the First Supplemental Convertible Indenture dated November 27, 2014, between Discovery and Computershare Trust Company of Canada;

(k) “**Individual Defendants**” means, collectively Kenneth Rotman, Adrian Pasricha, Rod Phillips, Michael Grasty, G. John Krediet, Michael Mullen, Alain Benedetti, Thomas Hickey, Alan Torrie, Jacob Shavit, and Paul Bernards;

(l) **“June 2017 Credit Agreement”** means the June 5, 2017 Subordinated Credit Agreement between Clairvest and Top Aces;

(m) **“June 2017 Swap Agreement”** means the June 5, 2017 letter agreement between Clairvest, G. John Krediet, and Discovery;

(n) **“MI 61-101”** means Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*;

(o) **“Top Aces”** means the company known as

  (i) Top Aces Inc. (before February 1, 2013 and after January 31, 2018); and

  (ii) Discovery Air Defense Services Inc. (between February 1, 2013 and January 31, 2018);

(p) **“Top Aces Holdco”** means Top Aces Holdings, Inc.; and

(q) **“TSX”** means the Toronto Stock Exchange.

2. Unless otherwise stated, all dollar amounts stated herein are in Canadian dollars.

II. CLAIM

3. The plaintiff, on his own behalf and on behalf of the Debentureholders, claims

(a) a declaration that:

  (i) the acts or omissions of Clairvest, Discovery, and Top Aces have effected a result;

(ii) the business and affairs of Clairvest, Discovery, and Top Aces have been carried on or conducted in a manner; and,

(iii) the powers of the Individual Defendants have been exercised in a manner;

that is or has been oppressive or unfairly prejudicial to or that unfairly disregards or disregarded the interests of the plaintiff and Debentureholders, as contemplated by s. 241 of the *CBCA*;

(b) an order directing that the Defendants or any of them pay to the plaintiff and Debentureholders the amount of $35.9 million, or such other amount as the Court may determine;

(c) punitive damages in the amount of $20 million or such other amount as the Court may order;

(d) costs of this action on a full or substantial indemnity basis;

(e) pre-judgment and post-judgment interest pursuant to the *Courts of Justice Act*, RSO 1990 c C. 43;

(f) such further and other relief as this Honourable Court may deem just.

III. THE PARTIES

Plaintiff

4. Stephen Campbell is an individual Debentureholder residing in Ontario.

Defendants

5. Discovery is a *CBCA* corporation that provided aviation services through its wholly owned subsidiaries. Prior to being delisted pursuant to a going-private transaction on May 29, 2017, Discovery's shares were listed for trading on the TSX. Following the privatization, Discovery's shares were owned 95.5% by Clairvest

(including shares held by the defendant G. John Krediet) and 4.5% by current and former management of Discovery.

6. Clairvest is a private equity management firm in Toronto, Ontario, with approximately $1.7 billion equity capital under management. It has significant investments in the gaming and waste industries. At all material times, representatives of Clairvest were members of and exercised control over Discovery's board of directors.

7. Top Aces is a *CBCA* corporation that provides military airborne training services. Between August 27, 2007 and December 14, 2017, it was a wholly owned subsidiary of Discovery. Following that date, it became a wholly-owned subsidiary of Top Aces Holdco.

8. Top Aces Holdco was incorporated pursuant to the *CBCA* in December 2017 as a holding company for 100% of Top Aces shares. The shares of Top Aces Holdco are currently held by a small group of investors, the majority of which are owned by Clairvest.

9. Discovery, Clairvest, Top Aces, and Top Aces Holdco are affiliates as defined in the *CBCA*.

10. Kenneth Rotman has been a director of Discovery since October 14, 2011, and Chairman of Discovery's board of directors since July 3, 2014. Mr. Rotman resides in Ontario.

11. Mr. Rotman has been a director of Clairvest since 2000 and its Chief Executive Officer (**"CEO"**) since January 1, 2018. Prior to becoming the CEO, he held the position of Clairvest's Co-CEO since 2000. Mr. Rotman controls approximately 50% or more of Clairvest's voting shares.

12. Adrian Pasricha has been a director of Discovery since June 26, 2014, and a principal of Clairvest since 2010. Mr. Pasricha resides in Ontario.

13. G. John Krediet has been a director of Discovery since October 14, 2011, and a director of Clairvest since 2004. Mr. Krediet resides in the Netherlands.

14. Paul Bernards has been the Chief Financial Officer of Discovery since April 1, 2014. Mr. Bernards resides in Ontario.

15. Thomas Andrew Hickey has been a director of Discovery since January 25, 2017. Mr. Hickey resides in Ontario.

16. Michael Mullen was a director of Discovery from May 9, 2014 to December 29, 2017. He is currently serving as a director of Top Aces. Mr. Mullen resides in Maryland, in the United States of America.

17. Michael Grasty has been a director of Discovery since July 8, 2013. Mr. Grasty resides in Chile.

18. Alain Benedetti was a director of Discovery from June 26, 2014 to May 1, 2017. Mr. Benedetti resides in Quebec.

19. Rod Phillips was a director of Discovery from June 26, 2014 to December 29, 2017. He is currently serving as a director of Top Aces. Mr. Phillips resides in Ontario.

20. Alan Torrie has been Chief Executive Officer of Discovery since August 29, 2017. Mr. Torrie resides in Ontario.

21. Jacob Shavit was President and Chief Executive Officer of Discovery from November 28, 2012 to August 29, 2017. Mr. Shavit resides in New York, in the United States of America.

IV. THE DEFENDANTS' OPPRESSIVE CONDUCT

A. Overview

22. The plaintiff and other Debentureholders seek a remedy for the oppressive conduct of the Defendants, which resulted in the loss of the $34.5 million plus accrued interest owing to them under the Debentures.

23. Discovery's common shares were listed for trading on the TSX until May 2017, when an investor group led by Clairvest, Discovery's long-time controlling shareholder,

took the company private. The Debentures continued to be listed on the TSX and became the only publicly-traded securities of Discovery.

24. Discovery conducted operations through a number of wholly-owned subsidiaries, the crown jewel of which was Top Aces. Top Aces has long been Discovery's most valuable subsidiary with the greatest growth potential. Its principal business is providing airborne training services to militaries. It is the primary supplier of contracted airborne training services to the Canadian Department of National Defence, the German Armed Forces, and the Australian Defense Force.

25. Since 2005, Top Aces has derived its revenue from interim contracts and "standing offers" to provide services at pre-arranged prices when and if required. In 2005, Top Aces received its first Interim Contracted Airborne Training Services contract with the Canadian government.

26. In August 2015, the Canadian Department of National Defence requested proposals for the long-term Contracted Airborne Training Services ("**CATS**") contract, valued at $1.5 billion over ten years. Top Aces had a significant advantage over its competitors and was widely expected to win the bid process. Indeed, the Defendants knew that Top Aces was the leading bidder for the contract, and, subject to formal inspection and certain other requirements, that Top Aces would be formally awarded the CATS contract at some time in 2017.

27. In addition, in the fall of 2016, demand for military air training services was growing rapidly. As a leader in providing contract aggressor training, Top Aces was positioned to win a large and profitable portion of international government contracts worth billions of dollars that were set to be announced in the coming few years.

28. Top Aces' positioning in this booming industry should have been a positive development for Discovery. Top Aces' excellent prospects could be monetized in any number of ways to ensure Discovery's financial stability and enable Discovery to meet its obligations to its creditors. Among those obligations was the $34.5 million plus

interest owing on the Debentures, which would mature in June 2018. Top Aces' success ensured that Discovery would be able to make those payments.

29. Clairvest and the Individual Defendants, however, were motivated to enrich Clairvest rather than act in Discovery's best interest. As Discovery's majority owner, Clairvest's own profits would be maximized if Discovery could avoid paying back the debt owed to the Debentureholders. Simply failing to make those payments, however, could allow the Debentureholders to exercise their rights in a way that could jeopardize Clairvest's ownership interests in Discovery and its assets, including Top Aces.

30. Therefore, sometime during the last quarter of 2016, Clairvest and the Individual Defendants developed a scheme for Discovery to avoid its $34.5 million obligation to the Debentureholders, while protecting Clairvest's own interests in Top Aces and Discovery's other assets. To do this, Clairvest had to ensure that Discovery's assets would not be available to the Debentureholders through an eventual insolvency or bankruptcy.

31. Clairvest accomplished this through a series of transactions which transferred the majority of Top Aces' shares from Discovery to Clairvest at a drastic discount, leaving Discovery in a cash-poor position. These transactions set the stage for Discovery's carefully planned and structured insolvency proceedings, during which Clairvest was able to use its position as Discovery's largest secured creditor to acquire Discovery's remaining assets, leaving the Debentureholders with nothing.

32. Clairvest could not have effected a direct transfer of Top Aces from Discovery to Clairvest for pennies on the dollar without running afoul of Ontario's rules and regulations. These rules and regulations required, among other things, a formal valuation of Top Aces to ensure the fairness of the transaction.

33. The Defendants therefore went to great lengths to design a series of transactions that would avoid regulatory scrutiny, including the provisions of MI 61-101, which are designed to protect the interests of minority stakeholders in related-party transactions.

34. First, the Defendants disguised the transfer of Top Aces shares as "conversion options" pursuant to a series of three agreements (the Conversion Agreements, described below). The mechanics of the conversion price were not disclosed; however, they were based on an undisclosed and flawed valuation of Top Aces, which would allow Clairvest to later acquire Top Aces' shares for a fraction of their true value.

35. Second, between the signing of these agreements, Clairvest and the Individual Defendants caused Discovery to go private in order to qualify for an exemption from obtaining a formal valuation of Top Aces under MI 61-101.

36. Third, in December 2017, after announcing that Top Aces had been formally awarded the CATS contract, Clairvest exercised the conversion options to acquire 74% of Top Aces shares at a substantial discount.

37. Fourth, the Defendants caused additional Top Aces shares to be sold to a third party investor group led by JP Morgan Asset Management ("**JP Morgan Group**") at a significantly higher price than the price at which Clairvest acquired those shares.

38. Lastly, Clairvest and the Individual Defendants caused Discovery to enter insolvency proceedings, but not before using the money from the JP Morgan Group to cause Discovery to make an approximately $25 million payment to Clairvest on debt that had not yet matured.

39. As a result of the Defendants' oppressive conduct, the Debentureholders lost the entirety of the funds owing under the Debentures. Had Discovery maintained ownership of Top Aces, received a fair price for any transfer of Top Aces shares, and/or refrained from pre-paying debt owing to Clairvest, the Debentureholders would have received the payment of the principal and interest on the Debentures.

40. The Defendants' conduct has oppressed, unfairly prejudiced, and unfairly disregarded the interests of the plaintiff and Debentureholders, who have been damaged thereby.

B. The Debentures

41. The Debentures were issued by Discovery in May 2011 in the aggregate principal amount of $34.5 million. They accrue interest at a rate of 8.375% per annum, payable on a semi-annual basis, and matured on June 30, 2018.

42. The Indenture contains the following covenants, among others, which apply to both Discovery and its subsidiaries:

> **7.3 To Give Notice of Default**
>
> The Corporation shall notify the Trustee immediately upon obtaining knowledge of any Event of Default hereunder.
>
> **7.4 Preservation of Existence, Etc.**
>
> Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its and its Subsidiaries' respective existences and rights.
>
> **7.9 Maintain Listing**
>
> The Corporation will use reasonable commercial efforts to maintain the listing of the Class A Shares and the Debentures on the Toronto Stock Exchange, and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation; provided that the foregoing covenant shall not prevent or restrict the Corporation from carrying out a transaction to which Article 11 would apply if carried out in compliance with Article 11 even if as a result of such transaction the Corporation ceases to be a "reporting issuer" in all or any of the provinces of Canada or the Class A Shares or Debentures cease to be listed on the Toronto Stock Exchange or any other stock exchange.

43. Article 11 of the Indenture prohibits Discovery from consolidating, amalgamating, or merging with another entity except on specific terms, including that the ultimate consolidated entity assume the obligations under the Indenture.

44. Failure to observe or perform these covenants constitutes an Event of Default under the Indenture. Events of Default generally result in the principal, interest, and premium, if any, on all Debentures then outstanding being due and payable.

45. In November 2014, Discovery sought to amend the Indenture to, among other things, extend the maturity date from June 30, 2016 to June 30, 2018. In soliciting support for this amendment, Shavit and Rotman addressed the need to extend the maturity of the debentures to ensure the financial stability of Discovery while several key strategies involving Top Aces could be successfully completed for the benefit of all stakeholders including the Debentureholders. The voting holders of the Debentures approved the amendments.

C. The Conversion Agreements

46. Clairvest's undervalue acquisition of Top Aces shares was effected through options it acquired in December 2016 and June 2017, pursuant to the December 2016 Credit Agreement, the June 2017 Credit Agreement, and the June 2017 Swap Agreement (i.e. the Conversion Agreements).

47. The December 2016 Credit Agreement provided for a revolving credit facility of up to $25 million. Borrowings under the credit facility were secured and bore interest at a rate of 12%. The agreement included a conversion feature allowing the amounts outstanding under the credit facility to be converted to common shares of Top Aces at an undisclosed conversion price, which was based on an undisclosed valuation of Top Aces (**"Undisclosed Valuation"**). The Undisclosed Valuation was flawed and ascribed a value to Top Aces that was substantially lower than its actual value.

48. The June 2017 Credit Agreement provided for a revolving credit facility of up to $13 million. Borrowings under the credit facility were secured and bore interest at a rate of 12%. The agreement included a conversion feature that allowed the amounts outstanding under the credit facility to be converted to common shares of Top Aces at the same undisclosed conversion price (based on the Undisclosed Valuation) as the December 2016 Credit Agreement.

49. The June 2017 Swap Agreement granted Clairvest the option to convert up to $18.4 million of secured debentures of Discovery (which Clairvest acquired in 2011) into the equivalent of $14.7 million of Top Aces common shares held by Discovery at the same undisclosed conversion price, (based on the Undisclosed Valuation) as the December 2016 and June 2017 Credit Agreements.

50. The purpose of the Conversion Agreements was to allow Clairvest to later exercise the conversion options to acquire the Top Aces shares at a drastic discount. There was no commercial justification for providing these conversion rights to Clairvest.

51. The press releases issued in connection with the December 2016 and June 2017 Credit Agreements indicated that, among other things,

(a) the Credit Agreements were “related party transactions” pursuant to MI 61-101;

(b) Discovery was not required to obtain a formal valuation and was relying on an exemption from the minority approval requirements under MI 61-101 because, among other things, the credit facilities were provided on reasonable commercial terms that were not less advantageous to Discovery than if the credit facilities were obtained from an arm’s length party; and,

(c) if required under applicable securities laws, certain conditions would be satisfied prior to exercising the conversion features, including Discovery retaining a valuator to prepare a formal valuation in accordance with MI 61-101.

52. These press releases were false and misleading because, among other things, the December 2016 and June 2017 Credit Agreements were not provided on reasonable commercial terms. Indeed, none of the Conversion Agreements were commercially reasonable as they allowed Clairvest to acquire Top Aces shares at a fraction of their true value to the enrichment of Clairvest and to the detriment of Discovery and its stakeholders, including the Debentureholders. Rather, the Conversion Agreements were

unfair, oppressive and were made on terms that would never have been offered by Discovery or Top Aces to an arm's length party.

53. Further, as described below, the Defendants never intended to comply with the formal valuation requirements of MI 61-101. Indeed, they constructed the agreements and transactions with the specific intention of obtaining an exemption to avoid such valuation and other securities laws, rules, and regulations.

D. Going Private Transaction and August 2017 Exemption

54. On March 24, 2017, between the signing of the December 2016 and June 2017 Credit Agreements, Discovery agreed to enter into a definitive agreement with Clairvest to effect a plan of arrangement under the *CBCA*. Pursuant to the definitive agreement Clairvest and certain Individual Defendants would acquire all of the issued and outstanding shares in the capital of Discovery for total consideration of approximately $1.5 million ("**Going-Private Transaction**"). As described below, this transaction was a key step in the Defendants' scheme to avoid the formal valuation requirements of MI 61-101 and other requirements.

55. In connection with the Going Private Transaction, Discovery obtained a valuation conducted by Capital Canada Limited (**"Discovery Valuation"**). The Discovery Valuation states that "the financial statements and other information provided by the management of Discovery Air and their representatives have been accepted, without further verification, as correctly reflecting the business conditions and operating results of Discovery Air for the respective periods." Furthermore, Capital Canada did not independently verify the accuracy of the financial forecast prepared by Management, which was "its primary basis for assessing the cash flows to be generated by Discovery Air for the years ending January 31, 2018 through January 31, 2020."

56. The Discovery Valuation was based on certain assumptions, one of which was that "Discovery Air will be awarded the Contracted Airborne Training Services (CATS) contract."

57. The Discovery Valuation did not include a formal valuation of Top Aces, but ascribed a value to Top Aces which was flawed and reflected a fraction of Top Aces' true value.

58. The Going-Private Transaction, which was approved by the Ontario Superior Court of Justice on May 24, 2017, was a key step in Clairvest's plan to acquire Top Aces while avoiding the formal valuation requirements of MI 61-101 and other securities laws and regulations. In obtaining court approval for the Going Private Transaction, Discovery did not disclose to the Court that the Discovery Valuation substantially undervalued Top Aces.

59. Following the Going Private Transaction, the Debentures were still listed publicly. However, with its shares now delisted from the TSX and its equity privately held, Discovery could fit into an exemption from the formal valuation requirements of MI 61-101 before exercising the conversion options in the Conversion Agreements. Discovery applied for and obtained such an exemption from the Ontario Securities Commission ("**OSC**") on August 1, 2017.

60. The decision granting the exemption relied on certain facts as represented by Discovery, including that the Undisclosed Valuation was consistent with the valuation attributed to Top Aces later in the formal Discovery Valuation.

61. In obtaining the exemption, Discovery did not disclose to the OSC that the valuation attributed to Top Aces in both the Undisclosed Valuation and the Discovery Valuation were flawed and represented only a fraction of Top Aces' true value, or that the exercise of the conversion options would result in Clairvest's acquisition of Top Aces shares from Discovery at a fraction of their true value.

E. Conversion Transactions

62. Having avoided complying with MI 61-101, Clairvest exercised the options under the Conversion Agreements on December 14, 2017 ("**Conversion Transactions**"), resulting in Clairvest acquiring 74% of Top Aces common shares. The balance was held by Discovery. A Discovery news release issued that day stated that

"following the completion of the Conversion Transaction, [Discovery] will have approximately $60 million less of secured debt."

63. In fact, Discovery had only obtained an $18.4 million reduction in secured debt as a result of the exercise of the conversion options pursuant to the June 2017 Swap Agreement.

64. Clairvest's acquisition of 74% of Top Aces pursuant to the Conversion Transactions implied a valuation of Top Aces of between approximately $24 million and $81 million. The result of the Conversion Transactions was that Clairvest acquired the shares of Top Aces at a price that was significantly lower than the true value of those shares.

65. Following the Conversion Transactions, shares of Top Aces held by each of Discovery and Clairvest were exchanged (on a proportionate basis to their previous ownership interest in Top Aces) for shares in Top Aces Holdco, with Top Aces becoming a wholly-owned subsidiary of Top Aces Holdco.

F. JP Morgan Transaction

66. On December 22, 2017, less than a week after Clairvest obtained its 74% interest in Top Aces, Discovery announced a transaction whereby: (i) Discovery sold the majority of its remaining shares in Top Aces Holdco to the JP Morgan Group for $25 million; and (ii) Top Aces Holdco issued an additional $25 million treasury shares to those investors; resulting in a net $50 million investment by the JP Morgan Group to acquire approximately 25% of Top Aces Holdco. This transaction valued Top Aces at $195.3 million.

67. Following the completion of the Conversion Transactions and the transaction with the JP Morgan Group, the ownership of the equity of Top Aces Holdco was (i) Clairvest – 64.7%; (ii) JP Morgan Group – 25.6%; and (iii) Discovery – 9.7%.

68. Furthermore, following the transactions, Clairvest and the Individual Defendants caused Discovery to use approximately $25 million of the funds from the transaction

with the JP Morgan Group to pre-pay amounts owed to Clairvest although the debt was not due at that time.

69. There was no information that would explain or justify the difference between the valuations ascribed to Top Aces in the Conversion Agreements and the JP Morgan Transactions.

H. Insolvency

70. On or about March 21, 2018, just over three months after the completion of the transactions described above, having pre-paid $25 million to Clairvest for a debt which was not yet due, Discovery applied for and obtained protection under the *CCAA* (the **"*CCAA* Proceedings"**). KSV Kofman Inc. (**"KSV"**), which had been advising Clairvest since November 2016, was appointed as Monitor for the purpose of the *CCAA* Proceedings.

71. From the outset, the representations made by both Discovery and the Monitor emphasized the need to progress the *CCAA* Proceedings at a fast pace, in order to stabilize the business. Among other things, the court was advised that:

(a) Discovery had an urgent need for a $12.6 million debtor-in-possession loan facility with interest at a rate of 10% per annum, to be provided by an affiliate of Clairvest; and,

(b) the principal purpose of the *CCAA* Proceedings was to conduct, in very short order, a sale solicitation process for Discovery's wholly-owned operating subsidiaries, Great Slave Helicopters Ltd., Air Tindi Ltd, and Discovery Mining Services Ltd., as well as Discovery's 9.7% residual interest in Top Aces Holdco (collectively, the **"Equity Interests"**). Discovery and Clairvest had already negotiated four stalking horse agreements, all dated as of March 21, 2018, pursuant to which Clairvest agreed to act as a "stalking horse purchaser" in connection with Discovery's sale of the Equity Interests in the *CCAA* Proceedings.

72. In the face of the urgency described above, the court supervising the *CCAA* Proceedings approved a sale solicitation process on April 4, 2018 (the **"Sale Process"**), only two weeks after the start of the *CCAA* Proceedings. The Sale Process was subject to material temporal and other constraints limiting the value that could be realized for the assets being sold.

73. On or about June 15, 2018, the Monitor filed a report in the *CCAA* Proceedings in support of a motion for approval of the sale of the Equity Interests to Clairvest (the **"Sale Approval Motion"**), recommending that, based on the results of the Sales Process, the Equity Interests be sold to Clairvest on the terms set out in the stalking horse agreements.

74. On June 22, 2018, the Sale Approval Motion was approved and, as a result of the conduct of the Defendants preceding the *CCAA* Proceedings described herein, Clairvest acquired Discovery's remaining assets, including the Equity Interests, for a fraction of what they would have realized but for the actions taken by the Defendants prior to the start of the *CCAA* Proceedings.

75. Clairvest acquired Discovery's 9.7% stake in Top Aces Holdco at a purchase price of approximately $20,825,000 plus certain other amounts, implying a valuation of Top Aces of at least $214 million. There was no information that would explain or justify the difference between the valuations ascribed to Top Aces in this sale and the Conversion Agreements.

76. As a result of the conduct of the Defendants described herein, the Debentureholders have lost the entirety of the amounts owing under the Debentures.

G. The Individual Defendants

77. Each of the Individual Defendants owed a fiduciary duty to Discovery to act honestly and in good faith with a view to the best interests of Discovery, and to treat individual stakeholders equitably and fairly. Each of the Individual Defendants also owed a duty to Discovery and its other stakeholders, including the Debentureholders, to

exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

78. The Individual Defendants breached both of those duties by the conduct described herein. The oppressive conduct described herein was attributable to the Individual Defendants' exercise of power over Discovery, Top Aces, and Top Aces Holdco.

79. As directors, officers, and/or principals of Clairvest, each of Messrs. Rotman, Pasricha, and Krediet owed duties to Clairvest that conflicted with the duties that they owed to Discovery in respect of dealings between Discovery and Clairvest, including the negotiation and execution of the Conversion Agreements.

80. Mr. Grasty is a senior partner at the law firm of Grasty Quintana Majlis, which represents Clairvest and its affiliates in gaming endeavours, among other matters. Due to this relationship with Clairvest, Mr. Grasty's personal, business, and professional interests conflicted with the duty he owed to Discovery in respect of dealings between Discovery and Clairvest, including the negotiation and execution of the Conversion Agreements.

81. Mr. Phillips has had a long-standing business relationship with Mr. Rotman, Clairvest, and its affiliates. By virtue of these relationships, Mr. Phillips' personal and business interests conflicted with the duty he owed to Discovery in respect of dealings between Discovery and Clairvest, including the negotiation and execution of the Conversion Agreements.

82. By causing, allowing, or permitting Discovery to enter into the Conversion Agreements, Messrs. Rotman, Pasricha, Krediet, Grasty, and Phillips acted in their own personal interests to enrich Clairvest to the detriment of Discovery and the Debentureholders, in breach of the duties owed to Discovery and its stakeholders.

83. Messrs. Rotman, Pasricha, Krediet, and the other Individual Defendants that owned shares of Clairvest were personally enriched by causing Discovery and Top Aces to enter into the Conversion Agreements.

V. OPPRESSION REMEDY AND DAMAGES

84. The plaintiff and Debentureholders seek relief pursuant to the oppression remedy provisions of the *CBCA*.

85. The plaintiff and Debentureholders are complainants within the meaning of section 241 of the *CBCA*.

86. The plaintiff and Debentureholders had reasonable expectations about the manner in which the business and affairs of Discovery would be conducted. Those reasonable expectations arose from, among other things, the Individual Defendants' duties to Discovery and its stakeholders, representations made by some or all of the Defendants, the terms of the Indenture, the nature and size of Discovery, past practice, and commercially reasonable business practice.

87. The reasonable expectations of the plaintiff and Debentureholders included the following:

(a) that Discovery would not transfer its ownership interests in Top Aces for a fraction of its true value;

(b) that Discovery's business and affairs would not be intentionally conducted in a manner that would leave the Debentureholders unable to realize on any of Discovery's assets in satisfaction of amounts owing under the Debentures;

(c) that the Debentures would have priority over Clairvest's equity interests in Discovery;

(d) that Discovery's business and affairs would be conducted in a manner that complied with the terms of the Indenture;

(e) that Discovery's business and affairs would be conducted in a proper, efficient, and business-like manner and in accordance with good business practices;

(f) that Discovery would do all things necessary to preserve and keep in full force and effect its and its subsidiaries' respective existences and rights;

(g) that Discovery would be candid and forthcoming with regulators and the courts;

(h) that every director and officer of Discovery would

(i) act honestly and in good faith with a view to the best interests of the Discovery while treating the individual stakeholders equitably and fairly; and

(ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and

(i) that the Individual Defendants would avoid conflicts between their personal interests and the interests of Discovery.

88. The Defendants acted in a manner contrary to those reasonable expectations by committing the acts and omissions described herein, including, without limitation:

(a) causing Discovery and Top Aces to enter the Conversion Agreements, which resulted in the transfer of Top Aces shares to Clairvest at a fraction of their true value;

(b) planning Discovery's insolvency and bankruptcy proceedings in a manner intended to ensure that the Debentureholders were unable to realize on any of Discovery's assets in satisfaction of the amounts owing under the Debentures;

(c) failing to comply with the terms of the Indenture;

(d) failing to conduct Discovery's business and affairs in an proper, efficient, business-like manner in accordance with good business practices, including,

(i) entering into the Conversion Agreements;

(ii) paying approximately $25 million to Clairvest on debt that had not yet matured; and

(iii) taking steps to avoid obtaining a formal valuation of Top Aces and other requirements of securities laws and regulations;

(e) intentionally conducting Discovery's business and affairs in a manner that caused Discovery's insolvency and the sale of its assets for a fraction of their market value;

(f) failing to disclose to the Court and the OSC that the Discovery Valuation and Undisclosed Valuation were inaccurate;

(g) with respect to the Individual Defendants, acting to enrich Clairvest at the expense of Discovery and its stakeholders, in a manner that was contrary to Discovery's best interests and unfair to the Debentureholders; and

(h) With respect to Messrs. Rotman, Pasricha, Krediet, Grasty and Phillips, preferring their own interests and the interests of Clairvest over Discovery's interests.

89. The conduct of the Defendants described herein was oppressive, unfairly prejudicial, and unfairly disregarded the interests of the plaintiff and Debentureholders. The plaintiffs and Debentureholders are entitled to a remedy pursuant to section 241 of the *CBCA*.

90. The Defendants' acts and omissions caused the plaintiff and Debentureholders to lose the entirety of the amounts owed to them pursuant to the Debentures. But-for the Defendants' conduct, the Debentureholders would have recovered the $34.5 million plus accrued interest owing to them under the Debentures.

91. The Defendants' conduct was high-handed, outrageous, reckless, wanton, entirely without care, deliberate, callous, disgraceful, wilful, in contemptuous disregard

of the rights of the Plaintiff and other Debentureholders, and as such renders the Defendant liable to pay punitive damages.

VI. LEGISLATION

92. The plaintiff pleads and relies upon the *Courts of Justice Act*, RSO 1990, c C43 and the *CBCA*, both as amended.

VII. SERVICE OUTSIDE ONTARIO AND PLACE OF TRIAL

93. This statement of claim may be served outside Ontario without leave in accordance with rule 17.02 of the *Rules of Civil Procedure* because it is:

(a) a claim in respect of personal property in Ontario (Rule 17.02 (a)); and

(b) against a person ordinarily resident or carrying on business in Ontario (Rule 17.02 (p)).

94. The plaintiff proposes that this action be tried in the City of Toronto, in the Province of Ontario.

[●], 2018

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Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
[Commercial List]

Proceeding commenced at Toronto

STATEMENT OF CLAIM

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Lawyers for the Plaintiff

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 DISCOVERY AIR INC.

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at TORONTO

NOTICE OF MOTION

(Returnable July 24, 2018)

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Lawyers for the Ad Hoc Committee of Holders of the Debentures

Tab 3

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 OR COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

APPLICANT

AFFIDAVIT OF STEPHEN CAMPBELL

I, Stephen Campbell, of the City of Ottawa, MAKE OATH AND SAY:

1. I am a holder of unsecured subordinated convertible debentures issued by Discovery Air Inc. ("Discovery Air") pursuant to an indenture dated May 12, 2011, as amended in November 2014 ("the Debentures"). As such I have knowledge of the matters contained in this affidavit. Where I do not have direct knowledge of a matter, I set out the source of my information and I believe it to be true.

2. I am the organizer and executive member of an ad hoc committee of holders of the Debentures, who are interested in these proceedings (the "Ad Hoc Committee"). The Ad Hoc Committee currently represents holders of over 40% of the Debentures.

3. The Ad Hoc Committee is concerned that Discovery Air and the Clairvest Group Inc. and/or its affiliates ("Clairvest") have engaged in a series of transactions that are unfairly prejudicial to the interests of the holders of Discovery Air's unsecured debentures, and that these transactions have culminated in these CCAA proceedings, which are being used by Clairvest, as Discovery's Air's majority shareholder, pre-filing senior secured lender, DIP Lender and stalking horse bidder, to unjustly deprive the holders of the Debentures of the benefit of their bargain.

4. As explained more fully below, it appears to me that, through a series of equity transactions that took place between December 2016 and December 2017, Clairvest took $148 million of value out of Discovery Air in exchange for the retirement of (at most) $60 million in debt. Based on a retrospective valuation that assumes that certain credit facilities provided by Clairvest were fully advanced at all times, I estimate that the approximate annualized rate of return on those credit facilities was between 154% and 277%.

5. The Ad Hoc Committee would like to respond to these proceedings and take a more active role in them. However, because the Debentures are widely held, it has been unable, in the 14 days between the date of the making of the Initial Order and the comeback hearing, to organize itself for that purpose. Accordingly, the Ad Hoc Committee would like the date of the comeback hearing (and the other relief now being sought by Discovery Air) adjourned, briefly, to April 18, 2018, to permit it time to organize.

A. Knowledge of Discovery Air

6. I am currently retired. However, prior to my retirement in 2012, I was both a Chartered Accountant and a Chartered Financial Analyst and had significant involvement with Discovery Air and its former subsidiary, Top Aces.

7. I started my career as an auditor with Coopers and Lybrand in 1980. I qualified as a Chartered Accountant in 1983. I joined Algonquin College of Applied Arts and Technology in 1986, as Controller and then as Director of Finance. In 1990 I was appointed to the CAAT Pension Plan, initially as a member of the Sponsor's Committee, and after 2012 on the Board of Trustees.[1]

8. From February 1998 to September 2012 I served as the Director of Financial Services and ultimately as the Chief Financial Officer of the Canadian Medical Protective Association ("CMPA"), the mutual defense association which provides medico-legal assistance to more than 90,000 doctors across Canada. During that period I also obtained my Chartered Financial Analyst designation.

9. By virtue of my positions at the CMPA, I am and have been familiar with the business of Discovery Air, and more specifically Top Aces, for a considerable period of time. With an in-house investment team, I was responsible for managing various investments. As part of its allocation to Private Assets, the CMPA had acquired shares of Top Aces through a private debt fund and as a direct co-investment.

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[1] The CAAT Pension Plan was created in 1967, alongside the Ontario college system. It is a multi-employer pension plan, serving 38 employers across Ontario in the post-secondary education sector, along with the Royal Ontario Museum (ROM) and the ROM Foundation. It currently has $9.6 billion of assets under management and serves 44,000 members.

10. Under my leadership, the CMPA first invested in Top Aces in 2005, and accordingly, I have been following Top Aces since that time, as it was a CMPA investment until its sale in 2007 to Discovery Air.

11. As part of the sale of Top Aces to Discovery Air, the CMPA received cash and Discovery Air common shares. The CMPA held these shares of Discovery Air as a direct holding until after my retirement.

12. More recently, I have invested my personal funds in Discovery Air. This investment was based on my long-standing interest and accumulated knowledge of the viability of Discovery's operations, particularly its subsidiary Top Aces.

13. Discovery Air is a corporation organized pursuant to the laws of Canada. Until it went private in May 2017, its common shares traded on the Toronto Stock Exchange (the "TSX") under the symbol DA-A-T.

14. The Debentures

15. On May 12, 2011, Discovery Air entered into an Unsecured Debenture Indenture Agreement with Computershare Trust Company of Canada (the "Debenture Agreement"). A copy of this agreement is attached to my affidavit as **Exhibit "A".**

16. The Debentures were issued by Discovery Air in the principal amount of $34.5 million and, other than certain intercompany obligations, are the largest current outstanding unsecured obligation of Discovery.

17. The Debentures accrue interest at a rate of 8.375% per annum, payable on a semi-annual basis. The Debentures are direct, unsecured obligations of Discovery Air, subordinated to other indebtedness for borrowed money and rank equally with all other unsecured subordinated indebtedness.

18. The Debenture Agreement contains the following covenants, which apply to both Discovery Air and its subsidiaries:

> **7.3 To Give Notice of Default**
>
> The Corporation shall notify the Trustee immediately upon obtaining knowledge of any Event of Default hereunder.
>
> **7.4 Preservation of Existence, Etc.**
>
> Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its and its Subsidiaries' respective existences and rights.
>
> **7.9 Maintain Listing**
>
> The Corporation will use reasonable commercial efforts to maintain the listing of the Class A Shares and the Debentures on the Toronto Stock Exchange, and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation; provided that the foregoing covenant shall not prevent or restrict the Corporation from carrying out a transaction to which Article 11 would apply if carried out in compliance with Article 11 even if as a result of such transaction the Corporation ceases to be a "reporting issuer" in all or any of the provinces of Canada or the Class A Shares or Debentures cease to be listed on the Toronto Stock Exchange or any other stock exchange.

19. Article 11 of the Debenture Agreement requires that Discovery Air ensure that any consolidation occur on specific terms, including that the ultimate consolidated entity assumes the obligations under the Debenture Agreement, including the conversion rights.

20. Failure to observe or perform these covenants constitutes an Event of Default under the Debenture Agreement. Filing an Application such as this one for CCAA protection is also an Event of Default:

8.1 Events of Default

(a) Each of the following events constitutes, and is herein sometimes referred to as, an "Event of Default":

...

(iv) default in the observance or performance of any covenant or condition of the Indenture by the Corporation and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation to rectify such default or obtain a waiver for same;

...

(vi) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

21. Events of Default may result in the principal, interest, and premium, if any, on all debentures then outstanding to be due and payable.

> 8.1 (b) In the event of the occurrence of an Event of Default, the Trustee may, in its discretion, and shall, upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding, subject to the provisions of Section 8.3, by notice in writing to the Corporation declare the principal of and interest and premium, if any, on all Debentures then outstanding and all other monies outstanding hereunder to be due and payable and the same shall thereupon forthwith become immediately due and payable to the Trustee, and (ii) on the occurrence of an Event of Default under Sections 8.1(a)(v), (f) or (viii), the principal of and interest and premium, if any, on all debentures then outstanding hereunder and all other monies outstanding hereunder, shall automatically without any declaration or other act on the part of the Trustee or any Debentureholder become immediately due and payable to the Trustee and, in either case, upon such amounts becoming due and payable in either (i) or (ii) above, the Corporation shall forthwith pay to the Trustee for the benefit of the Debentureholders such principal, accrued and unpaid interest and premium, if any, and interest on amounts in default on such Debenture and all other monies outstanding hereunder, together with subsequent interest at the rate borne by the Debentures on such principal, interest, premium and such other monies from the date of such declaration or event until payment is received by the Trustee, such subsequent interest to be payable at the times and places and in the manner mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Trustee shall be applied in the manner provided in Section 8.6.

22. In November 2014, the holders of the Debentures were contacted by Jacob Shavit, the CEO, and Kenneth Rotman, the Board Chairman, of Discovery Air and encouraged to vote in favour of amendments to the Debenture Agreement which:

(a) Extended the maturity date from June 30, 2016 to June 30, 2018; and

(b) Amended the definition of "change in control" to permit Clairvest to obtain a majority interest in Discovery Air without triggering the change in control provisions of the Debenture Agreement.

23. The communication from Shavit and Rotman addressed the need to push out the maturity of the debentures to ensure the financial stability of Discovery Air while several key strategies involving Top Aces (referred to as "Discovery Air Defense Services" at that time) could be successfully completed, for the benefit of all stakeholders including the unsecured debenture holders. The voting holders of the debentures approved the amendment. A copy of the November 2014 Debenture Amendment Agreement is attached to my affidavit as **Exhibit "B".**

B. Discovery Air and Top Aces

1. Discovery Air and its Subsidiaries

24. Today, Discovery Air is owned 95.5% by the Clairvest and 4.5% by current and former management of Discovery Air. Clairvest is also Discovery Air's largest secured creditor. Kenneth Rotman controls the boards of Clairvest, where he is the CEO and managing director, and Discovery Air, where he has been a member of the board since 2013 and the Chairman since 2015.

25. Discovery Air is a holding company that currently has four wholly-owned operational subsidiaries. These subsidiaries are Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. ("ATL"), Discovery Mining Services Ltd. ("DSH") and Discovery Air Technical Services Inc. ("DATS") (collectively "Discovery's Subsidiaries").

26. Until recently, Discovery Air was also the 100% shareholder of Top Aces. As a result of a series of transactions, with which I take issue as described below, Discovery Air's interest in Top Aces has been reduced to approximately 9.7%.

27. Discovery Air's Subsidiaries provide a variety of flight and air support services to various communities. These operational subsidiaries have joint and/or several obligations with Discovery Air including maturing principal debt and other principal debt amounts and guaranteed debt amounts.

2. Top Aces

28. Top Aces (at various times known as Discovery Air Defence Services, or "DADS") is the exclusive supplier of combat airborne training services to the Canadian Armed Forces. It provides joint terminal attack controller training to Canadian special operations and ground forces, Red Air and electronic attack training to CF-18 aircrew and navy, as well as live-fire target practice to the Canadian military. Top Aces possesses the largest private fleet of fighter jets globally.

29. In 2005, Top Aces received its first Interim Contracted Airborne Training Services ("ICATS") contract with the Canadian government. As a result, Top Aces acquired financing to double the size of its military aircraft fleet to provide these services, and saw its revenue grow in excess of 500% between 2005 and 2006.

30. On August 1, 2007, Discovery Air acquired 100% of Top Aces' outstanding common shares for the sum of $35,000,000 in cash and the issuance of 20,000,000 common shares of Discovery Air (market value at the time of acquisition as $1.40) for a total laid down cost of $63,000,000. Top Aces became a wholly-owned subsidiary of Discovery Air.

31. This valuation was largely based on the value of the ICATS contract held by Top Aces. At that time, Top Aces had over $30 million in revenue. I have attached a copy of a press release dated June 20, 2007, relating to this transaction to my affidavit as **Exhibit "C"**.

32. In August 2015, the Canadian government issued a request for proposals for the permanent CATS contract. Top Aces always had a significant advantage in, and was expected to win, this bid process for a variety of reasons:

(a) Top Aces was already a significant provider of contracted airborne training service provider to the Canadian, German, and Australian armed forces, and, as such, the most experienced provider of turnkey tactical airborne training in the world;

(b) Top Aces had proven its capabilities by delivering over 66,000 accident-free flight hours; and,

(c) Top Aces had eight operating bases across three continents, operating the world's largest privately-owned fleet of aggressor and combat support aircraft.

33. As expected, in October 2017, Top Aces announced that the government of Canada had awarded it the long-term CATS contract. The contract term is 10 years with one two-year renewal option and a second 17-month renewal option.

34. Prior to being acquired by Clairvest in December 2017, Top Aces was the strongest and most valuable business held by Discovery Air. With the bulk of its revenue derived from exclusive government funded cost-plus contracts, and with a growing number of additional procurements from the Royal Air Force in the United Kingston and the US Armed Forces, its enviable reputation makes it a leading candidate to secure a growing, predictable revenue stream.

C. Recent Transactions Entered into by Discovery Air

35. I have been concerned, since December 2016, that, Discovery Air has engaged in a series of related party transactions that are oppressive and unfairly prejudicial to the legitimate interests of the holders of its unsecured debentures, to the benefit of Clairvest, its majority shareholder and senior secured lender.

1. December 2016 Credit Agreement between Clairvest and Top Aces

36. On December 20, 2016, Top Aces entered into a credit agreement with Clairvest, in which Clairvest provided it with a revolving credit facility of up to $25 million (the "December 2016 Credit Agreement"). I have attached a press release dated December 20, 2016, announcing to this transaction to my affidavit as **Exhibit "D",** and a copy of the December 2016 Credit Agreement to my affidavit as **Exhibit "E".**

37. The December 2016 Credit Agreement was guaranteed by certain other subsidiaries and secured by various assets owned by Top Aces and the guarantors.

38. The original term of the December 2016 Credit Agreement was from December 20, 2016, to June 30, 2017. The term was subsequently extended to October 31, 2017, and then extended again to February 28, 2018. It appears to me that, in each instance, the term of the agreement coincided with the expected date for the announcement of the award of the CATS contract.

39. Critically, unlike any previous operating credit agreement between these parties, section 3.01 of the December 2016 Credit Agreement included an optional conversion feature allowing Clairvest to convert its debt into equity of Top Aces. This conversion would occur at an undisclosed strike price, to be determined on the basis of the value of the Top Aces business, after the application of certain agreed upon adjustments between Clairvest and Discovery Air. No details concerning the methodology for valuation or agreed upon adjustments was disclosed. Without this information, there is no way for the holders of Debentures or other stakeholders in Discovery Air to understand or evaluate the impact of this related-party transaction or any future such transactions utilizing the same valuation methodology.

40. Section 3.03 of the December 2016 Credit Agreement did contemplate that the conversion option would comply with Multilateral Instrument 61-101—Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Among other things, MI 61-101 establishes a regulatory framework intended to mitigate risks to minority security holders when a related party of the issuer, who may have superior access to information or significant influence, is involved in a material transaction. MI 61-101 implements these principles through procedural protections for minority security holders that include requirements for formal independent valuations, enhanced disclosure, and

approval by a majority of minority security holders. However, MI 61-101 also allows for exemptions from the formal valuation and minority approval requirements.

41. The December 2016 Credit Agreement was a "related party transaction" within the meaning of MI 61-101. However, Discovery Air claimed that it was not required under MI 61-101 to obtain a formal valuation in respect of the December 2016 Credit Agreement, and that it would be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101. Specifically, Discovery Air claimed that it was exempted because (i) the December 2016 Credit Agreement was being provided on reasonable commercial terms that were not less advantageous to Discovery Air than if the December 2016 Credit Agreement had been obtained from an arm's length party; and (ii) the December 2016 Credit Agreement did not contain an equity component, and the future exercise of the conversion option by Clairvest would be contingent on satisfying the requirements of MI 61-101 and the TSX Company Manual.

2. The Going Private Transaction

42. On March 24, 2017, Discovery Air announced that it had agreed to enter into a definitive agreement with Clairvest to effect a plan of arrangement under the *Canadian Business Corporations Act,* pursuant to which Clairvest and certain senior officers and directors of Discovery Air would acquire all of the issued and outstanding shares in the capital of Discovery Air (the "Going Private Transaction"). I have attached a press release dated March 24, 2017, relating to this transaction to my affidavit as **Exhibit "F".**

43. In the Going Private Transaction, public shareholders of Discovery Air received cash consideration of $0.20 per share, and the Debentures remained outstanding/listed

and were to be treated in accordance with their terms. The total transaction cash consideration was approximately $1.5 million. Discovery Air's common shareholders approved the Going-Private transaction at a special meeting of the shareholders held on May 23, 2017. The Ontario Superior Court of Justice approved the Going-Private Transaction on May 24, 2017 and it was implemented and closed on May 26, 2017. The shares of Discovery Air were de-listed from the TSX the same day.[2]

44. The Going Private Transaction appears to me to be inconsistent with Discovery Air's obligation under Article 7.9 of the Debenture Agreement to "use reasonable commercial efforts to maintain the listing of the Class A Shares... on the Toronto Stock Exchange". The holders of the unsecured debentures were not asked to waive their rights under the Debenture in connection with the Going Private Transaction.

3. June 5, 2017

45. On June 5, 2017, Clairvest entered into three agreements with Discovery Air and Top Aces.

(a) Extension of December 2016 Credit Agreement

46. First, Top Aces agreed to extend the December 2017 Credit Agreement, initially dated June 30, 2017, to October 31, 2017.

(b) New June 2017 Credit Agreement

47. Second, Clairvest entered into a subordinated credit agreement with Top Aces, providing for a revolving subordinated credit facility of up to $13 million (the "June 2017

---

[2] I note that Discovery Air remained a reporting issuer subject to Ontario securities law, due to its publicly-held debt.

Credit Agreement"). This agreement also included a conversion feature allowing debt under the Subordinated Credit Agreement to be converted to equity of Top Aces.

48. The conversion feature allowed debt to be converted to equity at the same undisclosed strike price contained in the December 2016 Credit Agreement. The mechanism for determining the confidential strike price has never been disclosed.

49. The conversion option in the June 2017 Credit Agreement is subject to the prior satisfaction of the following condition (the "Conversion Condition"):

> 1) if required under Applicable Securities Law, the Borrower shall have obtained a "formal valuation" (as defined in MI61-101) of the Borrower in accordance with the applicable requirements of Applicable Securities Laws (including MI 61-101).

50. As with the December 2016 Credit Agreement, the June 2017 Credit Agreement was a "related party transaction" within the meaning of MI 61-101 and would typically have required Discovery Air to obtain a formal valuation. However, Discovery Air again claimed an exemption from the minority approval requirement in section 5.7(f) of MI 61-101 on the basis that (i) the Revolving Credit Facility was "being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Revolving Credit Facility was obtained from an arm's length party"; and (ii) the Revolving Credit Facility did not contain an equity component, and the future exercise of the conversion option by Clairvest would be contingent on satisfying the requirements of MI 61-101 and the TSX Company Manual.

51. I have attached a press release dated June 5, 2017, relating to this transaction to my affidavit as **Exhibit "G"** and a copy of the June 2017 Credit Agreement to my affidavit as **Exhibit "H"**.

(c) June 2017 Swap Agreement

52. Third, Discovery Air entered into a letter agreement with Clairvest granting Clairvest the right to exchange up to $18.4 million principal amount of Discovery Air's senior secured debentures for that number of common shares of Top Aces having an aggregate value equal to $14.7 million, calculated using the value per common share of Top Aces determined in accordance with the same confidential strike price contained in the December 2016 Credit Agreement (the "June 2017 Swap Agreement").

53. I have attached a copy of the June 2017 Swap Agreement to my affidavit as **Exhibit "I".**

4. August 2017 Exemption

54. On August 2, 2017, Discovery Air announced that, because it no longer had any public shareholders, it had received an exemption under MI 61-101 from any formal valuation requirement in connection with the December 2016 Credit Agreement, the June 2017 Credit Agreement, and the Swap Agreement. In essence, there was never going to be a valuation in connection with the exercise by Clairvest of the stock options arising under those agreements. I have attached a copy of the exemption decision of the Ontario Securities Commission dated August 1, 2017, to my affidavit as **Exhibit "J".**

5. October 2017: Top Aces Awarded CATS Contract

55. On October 31, 2017, Top Aces announced it had been awarded the long-term CATS contract by the government of Canada. The term of the contract is ten years with one two-year renewal option and a second 17-month renewal option, and press reports suggest that it has a value of $1.5 billion over 10 years.

6. December 2017: Top Aces Transactions

56. On December 14, 2017, Clairvest exercised its three previously arranged options to acquire and hold directly the majority ownership of the common shares of Top Aces, which it had previously owned and controlled indirectly through it 95.5% ownership of Discovery Air Inc. Prior to the Conversion Transaction Discovery Air owned 100% of Top Aces, since its acquisition in 2007. A news release was issued by Discovery Air the same day which included the following statement:

> Following the completion of the Conversion Transaction, Discovery Air will have approximately $60 million less of secured debt and will continue to own 26% of DA Defence. The future capital required to finance the upgrade of DA Defence's aircraft pursuant to its obligations on the recently awarded contract with the Canadian government will be raised at the DA Defence level and will not increase debt levels at Discovery Air.

57. A press release dated December 14, 2017, announcing the Top Aces Transaction is attached to my affidavit as **Exhibit "K"**.

58. As part of the Conversion Transaction noted above, and arising specifically from the June 5, 2017 Swap Letter, $18.4 million of secured debenture debt on the Discovery Air balance sheet owing to Clairvest was eliminated in exchange for $14.7 million of the Top Aces common shares. With this part of the Conversion Transaction completed, Clairvest now held 19.5% of the issued and outstanding common shares of Top Aces, and Discovery Air held the remaining 80.5%.

59. The Top Aces Transaction then exchanged $41.2 million of secured revolving credit debt and accrued interest on the Top Aces balance sheet (under the December 2016 Credit Agreement and the June 2017 Credit Agreement respectively) for previously un-issued Top Aces treasury shares. This $41.2 million transaction appears

to have had *no impact* on the remaining secured debt on the balance sheet of Discovery Air, nor did it affect any pre-existing guarantee as Discovery Air was not a party to, or guarantor of the Credit Agreements, However, it did effectively dilute the asset ownership percentage of the remaining Top Aces shares held by Discovery Air, dropping its net position from 80.5% to 26%, with Clairvest now holding directly 74% of the now issued and outstanding common shares of Top Aces.

60. I can find no evidence of the $60 million reduction in Discovery Air's secured debt as stated in the December 14, 2017 news release, with only the $18.4 million reduction noted above being affected by the Top Aces Transaction. Top Aces' secured debt position did improve by the $41.2 million pay down of the December 2016 and June 2017 secured credit lines, but these were not on Discovery Air's books and were not secured by a guarantee from Discovery Air.

61. Accordingly, I believe the December 14, 2017, news release was disingenuous and misleading, and consisted of simply adding the $18.4 million and the $41.2 million and deeming this combined total of $59.6 million to result in "Discovery Air [having] approximately $60 million less of secured debt".

62. What I do assume to be true in the December 14, 2017, news release is the disclosure that Discovery Air had given up a 74% stake in Top Aces, in return for an $18.4 million reduction in its secured debt. This infers that the 100% valuation of Top Aces under which this transfer took place between Clairvest and Discovery Air was only $24,864,864 ($18.4 million divided by 76%).

63. A subsequent transaction with JP Morgan suggests that the Top Aces Transaction was consummated at a significant discount to Top Aces' true market value, and, therefore, a very poor deal for Discovery Air and the holders of its unsecured Debentures.

7. December 22, 2017: JP Morgan Transaction

64. On December 22, 2017, approximately one week after the Top Aces Transaction, Discovery Air announced a new equity subscription for shares of Top Aces whereby (i) Discovery Air sold the majority of its remaining shares in Top Aces to a group of third-party investors led by JP Morgan for $25 million, with Discovery Air retaining a 13.2% share of Top Aces, and (ii) Top Aces issued an additional $25 million treasury shares to the investors, resulting in a net $50 million investment to effectively acquire approximately 25.6% of Top Aces.

65. As a result of the issue of the new treasury shares, Discovery Air saw its 13.2% position diluted down to 9.7%. Following the completion of this transaction, the ownership of the equity of Top Aces is (i) Clairvest – 64.7%; (ii) JP Morgan Investors – 25.6%; and (iii) Discovery Air – 9.7%.

66. Following the JP Morgan Transaction, Discovery Air used $24 million of the funds it received from JP Morgan to discharge a further portion of the outstanding balance of principle and accrued interest owing to Clairvest under the secured debenture.

67. JP Morgan's net $50 million arms' length investment to acquire 25.6% of Top Aces places the enterprise value of Top Aces at approximately $195.3 million. Based on this valuation, the 90.3% interest that Discovery Air disposed of in December 2017 via

the transactions above was in fact worth $176 million. This valuation, as measured by an independent transaction with an unrelated third-party, arms' length purchaser, suggests the Board of Discovery Air transferred $176 million of fair market valued assets to Clairvest, a related party, in return for the net reduction of $42.4 million in secured liabilities of their Company.

68. It appears that this was an undervaluation of $133.6 million in the completed transaction, which would have been, coincidentally, sufficient to pay off the $72 million still owing to Clairvest, the other $26.8 million of secured debt on the Discovery Air books, and the $34.5 million in unsecured debentures, a total of $133.3 million.

69. Moreover, even assuming that the facilities under the December 2016 Credit Agreement and the June 2017 Credit Agreement were fully advanced at all times, it appears to me that the effective annual rate of return (interest) on those loans was 154% and 277%, respectively. To the extent that the amounts available under the Credit Agreements were not entirely advanced, the effective annual rate of return (interest) would be even higher. This is considerably more than 60%, which I understand to be the maximum annual rate of interest legally payable on a loan in Canada.

D. The CCAA Proceedings

70. If Clairvest had paid fair value for the shares acquired in the Top Aces Transaction, or if the Top Aces Transaction had not occurred, I believe that there would be sufficient value in Discovery Air to repay all of its indebtedness to all creditors.

71. Having significantly eroded Discovery Air's interest in Top Aces by transferring shares at below fair value, and allowing treasury shares of Top Aces to be issued at

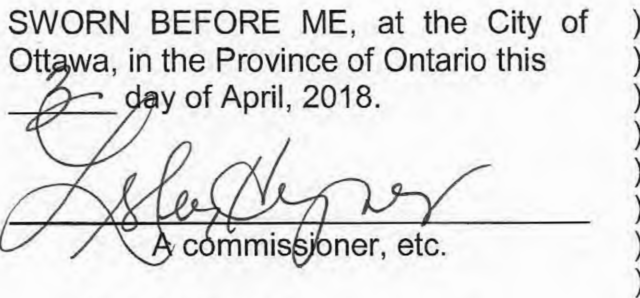
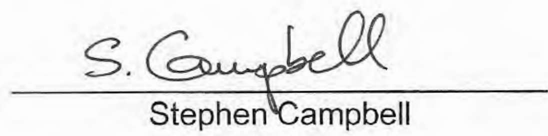
below market value, to its own account and benefit, Clairvest has now positioned itself to be able to foreclose on the remaining assets of Discovery Air using its outstanding secured debt of $72 million and thereby fully deprive the holders of Debentures of the value of their investment.

72. I am concerned that Clairvest is using its control over the board of Discovery Air, together with its position as a senior pre-filing secured lender to Discovery Air, the DIP Lender to Discovery Air, and the stalking horse bidder for Discovery Air, to drive the result that it wants in this process. I believe that it is essential that balance be restored to the process through the reallocation of some of these roles. If these proceedings continue, I believe that the fairness of the process would be enhanced by the appointment of an independent Chief Restructuring Officer to direct Discovery Air's restructuring efforts. I am informed by counsel to the Ad Hoc Committee that they have spoken with Kevin McElcheran, and that he is available to be retained in that role. Mr. McElcheran has been recognized as one of Canada's leading insolvency lawyers. I am informed by counsel to the Ad Hoc Committee that Mr. McElcheran has three decades of experience, including leading the restructuring practices of Blake, Cassels & Graydon LLP and McCarthy Tétrault LLP, and that he has played a significant role in most of Canada's largest and most complex restructuring and insolvency cases. Since his retirement from McCarthy Tétrault LLP, Mr. McElcheran has worked in interim management, and performed a similar role overseeing the restructuring in the FirstOnSite CCAA process throughout 2016-217.

73. In addition, I have had a number of discussions with potential arms-length DIP Lenders and it appears to me that, if these proceedings continue, the market would be

interested in providing a DIP Loan to Discovery Air on the same terms as those contained in the existing term sheet. I believe that it would be to the advantage of Discovery Air and all of its stakeholders for it to have an independent source of financing for these proceedings, to ensure that the credit decisions made by its DIP Lender are not intended to seek an advantage in this process.

74. Unfortunately, the Ad Hoc Committee has not had sufficient opportunity, in the time available, to organize itself for the purpose of being able to provide instructions to counsel in connection with the matters raised above, and to respond to the Initial Application, much less the sales process now presented by Discovery Air. Accordingly, the Ad Hoc Committee asks that the relief that is presently before the court on April 4, 2018, be adjourned to afford the Ad Hoc Committee to organize itself and provide those instructions, if that is its decision.

SWORN BEFORE ME, at the City of Ottawa, in the Province of Ontario this 2 day of April, 2018.  A commissioner, etc.	))))))))	 Stephen Campbell

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

Tab 3A

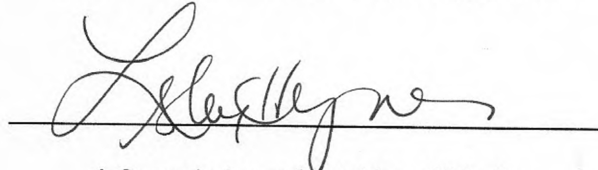
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "A"

This is Exhibit "A" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

CONVERTIBLE DEBENTURE INDENTURE

DATED AS OF THE 12TH DAY OF MAY, 2011

DISCOVERY AIR INC.

AND

COMPUTERSHARE TRUST COMPANY OF CANADA

PROVIDING FOR THE ISSUE OF DEBENTURES

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THIS INDENTURE made as of the 12th day of May, 2011,

BETWEEN:

DISCOVERY AIR INC., a corporation continued under the federal laws of the Canada and having its head office in the City of Yellowknife, Northwest Territories (hereinafter called the "**Corporation**")

AND

COMPUTERSHARE TRUST COMPANY OF CANADA, a trust company duly incorporated under the federal laws of Canada and having an office in the City of Toronto, in the Province of Ontario (hereinafter called the "**Trustee**").

WITNESSETH THAT:

WHEREAS the Corporation wishes to create and issue the Debentures in the manner and subject to the terms and conditions of this Indenture;

NOW THEREFORE THIS INDENTURE WITNESSES that in consideration of the respective covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Corporation and the Trustee covenant and agree, for the benefit of each other and for the equal and rateable benefit of the Debentureholders, as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

(a) "**90% Redemption Right**" has the meaning ascribed thereto in Section 2.4(j)(ii);

(b) "**this Indenture**", "**hereto**", "**herein**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;

(c) "**Additional Debentures**" means Debentures of any one or more series, other than the first series of Debentures, being the Initial Debentures, issued under this Indenture;

(d) "**Applicable Procedures**" means, with respect to any transfer or exchange of beneficial ownership interests in, or any conversion, redemption, repayment or

repurchase of, a Global Debenture, the rules and procedures of the Depository as in effect from time to time, to the extent applicable;

(e) "**Applicable Securities Legislation**" means applicable securities laws (including rules, regulations, policies and instruments) in each of the provinces and territories of Canada;

(f) "**Articles of Continuance**" means the certificate and articles of continuance of the Corporation dated March 27, 2006;

(g) "**Auditors of the Corporation**" means an independent firm of chartered accountants duly appointed as auditors of the Corporation;

(h) "**Authorized Investments**" means short term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a Province or a Canadian chartered bank (which may include an Affiliate or related party of the Trustee) provided that such obligation is rated at least R1 (middle) by DBRS Inc. or an equivalent rating service;

(i) "**Base Shares**" has the meaning ascribed thereto in Section 2.4(k)(ii);

(j) "**Beneficial Holder**" means any Person who holds a beneficial interest in a Global Debenture as shown on the books of the Depository or a Depository Participant;

(k) "**Board of Directors**" means the board of directors of the Corporation or any committee thereof;

(l) "**Business Day**" means any day other than a Saturday, Sunday or any other day that the Trustee in Toronto, Ontario is not generally open for business;

(m) "**Cash Change of Control**" means a Change of Control in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares or cash payments made in respect of dissenter's appraisal rights); (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange;

(n) "**Cash Change of Control Conversion Period**" has the meaning ascribed thereto in Section 2.4(k)(i);

(o) "**Change of Control**" means the acquisition by any Person, or group of Persons acting jointly or in concert (within the meaning of MI 62-104), of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or (ii) more than 50% of the consolidated assets of the Corporation;

(p) "**Change of Control Notice**" has the meaning ascribed thereto in Section 2.4(j)(i);

(q) "**Change of Control Purchase Date**" has the meaning ascribed thereto in Section 2.4(j)(i);

(r) "**Change of Control Purchase Offer**" has the meaning ascribed thereto in Section 2.4(j)(i);

(s) "**Class A Shares**" means the Class A common voting shares in the capital of the Corporation, having the rights, privileges, restrictions and conditions set out in the Articles of Continuance;

(t) "**Class B Shares**" means the Class B variable voting shares in the capital of the Corporation, having the rights, privileges, restrictions and conditions set out in the Corporation's Articles of Continuance;

(u) "**Common Shares**" means the Class A Shares and/or the Class B Shares, as the context may require, as such shares are constituted on the date of execution and delivery of this Indenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 6.5, "Common Shares" shall mean the shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;

(v) "**Common Share Bid Request**" means a request for bids to purchase Class A Shares (to be issued by the Corporation on the Common Share Delivery Date) made by the Trustee in accordance with the Common Share Interest Payment Election Notice and which shall make the acceptance of any bid conditional upon the acceptance of sufficient bids to result in aggregate proceeds from such issue and sale of Class A Shares which, together with the cash payments by the Corporation in lieu of fractional Class A Shares, if any, equal the Interest Obligation;

(w) "**Common Share Delivery Date**" means a date, not more than 90 days and not less than one Business Day prior to the applicable Interest Payment Date, upon which Class A Shares are issued by the Corporation and delivered to the Trustee for sale pursuant to Common Share Purchase Agreements;

(x) "**Common Share Interest Payment Election**" means an election to satisfy an Interest Obligation on the applicable Interest Payment Date in the manner described in the Common Share Interest Payment Election Notice;

(y) "**Common Share Interest Payment Election Amount**" means the sum of the amount of the aggregate proceeds resulting from the sale of Class A Shares on the Common Share Delivery Date pursuant to acceptable bids obtained pursuant to the Common Share Bid Requests, together with any amount paid by the Corporation in respect of fractional Class A Shares pursuant to Section 10.1(g), that is equal to the aggregate amount of the Interest Obligation in respect of which the Common Share Interest Payment Election Notice was delivered;

(z) "**Common Share Interest Payment Election Notice**" means a written notice made by the Corporation to the Trustee specifying:

(i) the Interest Obligation to which the election relates;

(ii) the Common Share Interest Payment Election Amount;

(iii) the investment banks, brokers or dealers through which the Trustee shall seek bids to purchase the Class A Shares and the conditions of such bids, which may include the minimum number of Class A Shares, minimum price per Class A Share, timing for closing for bids and such other matters as the Corporation may specify; and

(iv) that the Trustee shall accept through the investment banks, brokers or dealers selected by the Corporation only those bids which comply with such notice;

(aa) "**Common Share Proceeds Investment**" has the meaning attributed thereto in Section 10.1(h);

(bb) "**Common Share Purchase Agreement**" means an agreement in customary form among the Corporation, the Trustee and the Persons making acceptable bids pursuant to a Common Share Bid Request, which complies with all applicable laws, including the Applicable Securities Legislation and the rules and regulations of any stock exchange on which the Debentures or Class A Shares are then listed;

(cc) "**Common Share Redemption Right**" has the meaning attributed thereto in Section 4.6(a);

(dd) "**Common Share Repayment Right**" has the meaning attributed thereto in Section 4.10(a);

(ee) "**Conversion Price**" means the dollar amount for which each Common Share may be issued from time to time upon the conversion of Debentures or any series of Debentures which are by their terms convertible in accordance with the provisions of Article 6;

(ff) "**Corporation**" means Discovery Air Inc. and includes any successor to or of the Corporation which shall have complied with the provisions of Article 11;

(gg) "**Counsel**" means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Trustee or retained or employed by the Corporation and acceptable to the Trustee;

(hh) "**Current Market Price**" means, generally, the volume weighted average trading price of the Class A Shares on the Toronto Stock Exchange, if the Class A Shares are listed on the Toronto Stock Exchange, for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date. If the Class A Shares are not listed on the Toronto Stock Exchange, reference shall be made for the purpose of the above calculation to the principal securities exchange or market on which the Class A Shares are listed or quoted or if not listed or quoted on any exchange or market, the fair value of a Class A Share as reasonably determined by the Board of Directors;

(ii) "**Date of Conversion**" has the meaning ascribed thereto in Section 6.4(b);

(jj) "**Debenture Liabilities**" has the meaning ascribed thereto in Section 5.1;

(kk) "**Debentureholders**" or "**holders**" means the Persons for the time being entered in the register for Debentures as registered holders of Debentures or any transferees of such Persons by endorsement or delivery;

(ll) "**Debentures**" means the debentures, notes or other evidence of indebtedness of the Corporation issued and certified hereunder, or deemed to be issued and certified hereunder, including the Initial Debentures, and for the time being outstanding, whether in definitive or interim form;

(mm) "**Defeased Debentures**" has the meaning ascribed thereto in Section 9.6(b);

(nn) "**Depository**" means, with respect to the Debentures of any series issuable or issued in the form of one or more Global Debentures, the Person designated as depository by the Corporation pursuant to Section 3.2 until a successor depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depository" shall mean each Person who is then a depository hereunder, and if at any time there is more than one such Person, "Depository" as used with respect to the Debentures of any series shall mean each depository with respect to the Global Debentures of such series;

(oo) "**Depository Participant**" means a broker, dealer, bank, other financial institution or other Person for whom, from time to time, a Depository effects book entry for a Global Debenture deposited with the Depository;

(pp) "**Dividends Paid in the Ordinary Course**" means dividends paid on the Common Shares after June 30, 2014;

(qq) "**Effective Date**" has the meaning ascribed thereto in Section 2.4(k)(i);

(rr) "**Event of Default**" has the meaning ascribed thereto in Section 8.1;

(ss) "**Extraordinary Resolution**" has the meaning ascribed thereto in Section 13.12;

(tt) "**Freely Tradeable**" means, in respect of shares of capital of any class of any corporation, shares which: (i) are issuable without the necessity of filing a prospectus or any other similar offering document (other than any prospectus or similar offering document that has already been filed) under Applicable Securities Legislation; and (ii) can be traded by the holder thereof without any restriction under Applicable Securities Legislation, such as hold periods, except in the case of a distribution by a control person;

(uu) "**Fully Registered Debentures**" means Debentures registered as to both principal and interest;

(vv) "**generally accepted accounting principles**" or "**GAAP**" means generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants (including as further described in Section 1.16);

(ww) "**Global Debenture**" means a Debenture that is issued to and registered in the name of the Depository, or its nominee, pursuant to Section 2.6 for purposes of being held by or on behalf of the Depository as custodian for participants in the Depository's book-entry only registration system;

(xx) "**Government Obligations**" means securities issued or guaranteed by the Government of Canada or any province thereof;

(yy) "**Guarantees**" means any guarantee, undertaking to assume, endorse, contingently agree to purchase, or to provide funds for the payment of, or otherwise become liable in respect of, any indebtedness, liability or obligation of any Person;

(zz) "**Initial Debentures**" means the Debentures designated as "8.375% Convertible Unsecured Subordinated Debentures" and described in Section 2.4;

(aaa) "**Interest Account**" has the meaning ascribed thereto in Section 10.1(h);

(bbb) "**Interest Obligation**" means the obligation of the Corporation to pay interest on the Debentures, as and when the same becomes due;

(ccc) "**Interest Payment Date**" means a date specified in a Debenture as the date on which interest on such Debenture shall become due and payable;

(ddd) "**Make Whole Premium**" has the meaning ascribed thereto in Section 2.4(k);

(eee) "**Make Whole Premium Shares**" has the meaning ascribed thereto in Section 2.4(k)(ii);

(fff) "**Maturity Account**" means an account or accounts required to be established by the Corporation (and which shall be maintained by and subject to the control of the Trustee) for each series of Debentures issued pursuant to and in accordance with this Indenture;

(ggg) "**Maturity Date**" means the date specified for maturity of any Debentures;

(hhh) "**Maturity Notice**" has the meaning ascribed thereto in Section 2.4(g);

(iii) "**MI 62-104**" means Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids*;

(jjj) "**Offer Price**" has the meaning ascribed thereto in Section 2.4(j)(i);

(kkk) "**Offeror's Notice**" has the meaning ascribed thereto in Section 12.3;

(lll) "**Offering**" means the public offering by short form prospectus dated May 5, 2011 of $30,000,000 aggregate principal amount of Initial Debentures ($34,500,000 in the event that the over-allotment option granted by the Corporation to the underwriters is exercised in full);

(mmm) "**Officer's Certificate**" means a certificate of the Corporation signed by any one authorized officer or director of the Corporation, in his or her capacity as an officer or director of the Corporation, as the case may be, and not in his or her personal capacity;

(nnn) "**Periodic Offering**" means an offering of Debentures of a series from time to time, the specific terms of which Debentures, including the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Corporation upon the issuance of such Debentures from time to time;

(ooo) "**Person**" includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof (and for the purposes of the definition of "Change of Control", in addition to the foregoing, "Person" shall include any syndicate or group that would be deemed to be a "Person" under MI 62-104);

(ppp) "**Privacy Laws**" has the meaning ascribed thereto in Section 15.19;

(qqq) "**Qualified Canadian**" means a Canadian for the purposes of the *Canada Transportation Act*;

(rrr) "**Redemption Date**" has the meaning ascribed thereto in Section 4.3;

(sss) "**Redemption Notice**" has the meaning ascribed thereto in Section 4.3;

(ttt) "**Redemption Price**" means, in respect of a Debenture, the amount, including accrued and unpaid interest up to (but excluding) the Redemption Date fixed for such Debenture, payable on the Redemption Date, which amount, except as specifically provided herein, may be payable by the issuance of Freely Tradeable Common Shares as provided for in Section 4.6;

(uuu) "**Redemption Principal Amount**" has the meaning ascribed thereto in Section 4.6(a)

(vvv) "**Residency Declaration**" means a declaration substantially in the form attached hereto as Schedule F or such other form as is acceptable to the Corporation or the Trustee, by which a holder of Debentures certifies whether such holder is a Qualified Canadian;

(www) "**Senior Creditor**" means a holder or holders of Senior Indebtedness and includes any representative or representatives, agent or agents or trustee or trustees of any such holder or holders;

(xxx) "**Senior Indebtedness**" means all obligations, liabilities and indebtedness of the Corporation and its Subsidiaries which would, in accordance with GAAP, be classified upon a consolidated balance sheet of the Corporation as liabilities of the Corporation or its Subsidiaries and, whether or not so classified, shall include (without duplication): (a) indebtedness of the Corporation or its Subsidiaries for borrowed money; (b) obligations of the Corporation or its Subsidiaries evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of the Corporation or its Subsidiaries arising pursuant or in relation to bankers' acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Corporation or its Subsidiaries under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Corporation or its Subsidiaries under Guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other Person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Corporation or its Subsidiaries representing the deferred purchase price of any property, including purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; and (i) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same; however, "Senior Indebtedness" shall not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate to or rank *pari passu* with the Debentures;

(yyy) "**Senior Security**" means all mortgages, liens, pledges, charges (whether fixed or floating), security interests or other encumbrances of any kind, contingent or absolute, held by or on behalf of any Senior Creditor and in any manner securing any Senior Indebtedness;

(zzz) "**Serial Meeting**" has the meaning ascribed thereto in Section 13.2(b)(i);

(aaaa) "**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Ontario);

(bbbb) "**Time of Expiry**" means the time of expiry of certain rights with respect to the conversion of Debentures under Article 6 which is to be set forth separately in the form and terms for each series of Debentures which by their terms are to be convertible;

(cccc) "**Total Offer Price**" has the meaning ascribed thereto in Section 2.4(j)(i);

(dddd) "**trading day**" means, with respect to the Toronto Stock Exchange or other market for securities, any day on which such exchange or market is open for trading or quotation;

(eeee) "**Trustee**" means Computershare Trust Company of Canada, or its successor or successors for the time being as trustee hereunder;

(ffff) "**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and

(gggg) "**Written Direction of the Corporation**" means an instrument in writing signed by any one officer or director of the Corporation.

1.2 Meaning of "Outstanding"

Every Debenture certified and delivered by the Trustee hereunder shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Trustee for cancellation, conversion or redemption or monies and/or Common Shares, as the case may be, for the payment thereof shall have been set aside under Section 9.2, provided that:

(a) Debentures which have been partially redeemed, purchased or converted shall be deemed to be outstanding only to the extent of the unredeemed, unpurchased or unconverted part of the principal amount thereof;

(b) when a new Debenture has been issued in substitution for a Debenture which has been lost, stolen or destroyed, only one of such Debentures shall be counted for the purpose of determining the aggregate principal amount of Debentures outstanding; and

(c) for the purposes of any provision of this Indenture entitling holders of outstanding Debentures to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, or to constitute a quorum of any meeting of

Debentureholders, Debentures owned directly or indirectly, legally or equitably, by the Corporation shall be disregarded except that:

(i) for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, requisition or other instrument or action, or on the holders of Debentures present or represented at any meeting of Debentureholders, only the Debentures which the Trustee knows are so owned shall be so disregarded; and

(ii) Debentures so owned which have been pledged in good faith other than to the Corporation shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debentures, sign consents, requisitions or other instruments or take such other actions in his discretion free from the control of the Corporation or a Subsidiary of the Corporation.

1.3 Interpretation

In this Indenture:

(a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and *vice versa*;

(b) all references to Articles and Schedules refer, unless otherwise specified, to articles of and schedules to this Indenture;

(c) all references to Sections, subsections or clauses refer, unless otherwise specified, to Sections, subsections or clauses of this Indenture;

(d) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them;

(e) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time;

(f) unless otherwise indicated, reference to a statute shall be deemed to be a reference to such statute and any regulations thereunder as amended, re-enacted or replaced from time to time; and

(g) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated by including the day on which the period commences and excluding the day on which the period ends.

1.4 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Debentures.

1.5 Time of Essence

Time shall be of the essence of this Indenture.

1.6 Monetary References

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

1.7 Invalidity, Etc.

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.8 Language

Each of the parties hereto hereby acknowledges that it has consented to and requested that this Indenture and all documents relating thereto, including, without limiting the generality of the foregoing, the form of Initial Debenture attached hereto as Schedule A, be drawn up in the English language only.

1.9 Successors and Assigns

All covenants and agreements of the Corporation in this Indenture and the Debentures shall bind its successors and assigns, whether so expressed or not. All covenants and agreements of the Trustee in this Indenture shall bind its successors.

1.10 Severability

In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, such provision shall be deemed to be severed herefrom or therefrom and the validity, legality and enforceability of the remaining provisions shall not in any way be affected, prejudiced or impaired thereby.

1.11 Entire Agreement

This Indenture and all supplemental indentures and Schedules hereto and thereto, and the Debentures issued hereunder and thereunder, together constitute the entire agreement between the parties hereto with respect to the indebtedness created hereunder and thereunder and under the Debentures and supersedes as of the date hereof all prior memoranda, agreements, negotiations, discussions and term sheets, whether oral or written, with respect to the indebtedness created hereunder or thereunder and under the Debentures.

1.12 Benefits of Indenture

Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent, the holders of Debentures, the Senior Creditors (to the extent provided in Article 5 only), and (to the extent provided in Section 8.11) the holders of Common Shares, any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.13 Applicable Law and Attornment

This Indenture, any supplemental indenture and the Debentures shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts. With respect to any suit, action or proceedings relating to this Indenture, any supplemental indenture or any Debenture, the Corporation, the Trustee and each holder irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.14 Currency of Payment

Unless otherwise indicated in a supplemental indenture with respect to any particular series of Debentures, all payments to be made under this Indenture or a supplemental indenture shall be made in Canadian dollars.

1.15 Non-Business Days

Whenever any payment to be made hereunder shall be due, any period of time would begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such payment shall be made, such period of time shall begin or end, such calculation shall be made and such other action shall be taken, as the case may be, unless otherwise specifically provided herein, on or as of the next succeeding Business Day without any additional interest, cost or charge to the Corporation.

1.16 Accounting Terms

Except as hereinafter provided or as otherwise indicated in this Indenture, all calculations required or permitted to be made hereunder pursuant to the terms of this Indenture shall be made in accordance with GAAP. For greater certainty, GAAP shall include any accounting standards, including International Financial Reporting Standards, that may from time to time be approved for general application by the Canadian Institute of Chartered Accountants.

1.17 Calculations

The Corporation shall be responsible for making all calculations called for hereunder, including calculations of Current Market Price. The Corporation shall make such calculations in good faith and will provide a schedule of its calculations to the Trustee and the Trustee shall be entitled to rely conclusively on the accuracy of such calculations without independent verification.

1.18 Schedules

The following Schedules are incorporated into and form part of this Indenture:

Schedule A – Form of Initial Debenture;
Schedule B – Form of Redemption Notice;
Schedule C – Form of Maturity Notice;
Schedule D – Form of Notice of Conversion; and
Schedule E – Residency Declaration Form

In the event of any inconsistency between the provisions of any Section of this Indenture and the provisions of the Schedules which form a part hereof, the provisions of this Indenture shall prevail to the extent of the inconsistency.

ARTICLE 2
THE DEBENTURES

2.1 Limit of Debentures

Subject to the limitation in respect of the Initial Debentures set out in Section 2.4(a), the aggregate principal amount of Debentures authorized to be issued under this Indenture is unlimited, but Debentures may be issued only upon and subject to the conditions and limitations herein set forth.

2.2 Terms of Debentures of any Series

The Debentures may be issued in one or more series. There shall be established herein or in or pursuant to one or more indentures supplemental hereto, prior to the initial issuance of Debentures of any particular series:

(a) the designation of the Debentures of the series (which need not include the term "**Debentures**"), which shall distinguish the Debentures of the series from the Debentures of all other series;

(b) any limit upon the aggregate principal amount of the Debentures of the series that may be certified and delivered under this Indenture (except for Debentures certified and delivered upon registration of, transfer of, amendment of, or in exchange for, or in lieu of, other Debentures of the series pursuant to Sections 2.9, 2.10, 3.2, 3.3 and 3.6 and Article 4 and Article 6);

(c) the date or dates on which the principal of the Debentures of the series is payable;

(d) the rate or rates at which the Debentures of the series shall bear interest, if any, the date or dates from which such interest shall accrue, on which such interest shall be payable and on which record date, if any, shall be taken for the determination of holders to whom such interest shall be payable and/or the method or methods by which such rate or rates or date or dates shall be determined;

(e) the place or places where the principal of and any interest on Debentures of the series shall be payable or where any Debentures of the series may be surrendered for registration of transfer or exchange;

(f) the right, if any, of the Corporation to redeem Debentures of the series, in whole or in part, at its option and the period or periods within which, the price or prices at which and any terms and conditions upon which, Debentures of the series may be so redeemed;

(g) the obligation, if any, of the Corporation to redeem, purchase or repay Debentures of the series pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a holder thereof and the price or prices at which, the period or periods within which, the date or dates on which, and any terms and conditions upon which, Debentures of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligations;

(h) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which Debentures of the series shall be issuable;

(i) subject to the provisions of this Indenture, any trustee, Depository, authenticating or paying agent, transfer agent or registrar or any other agent with respect to the Debentures of the series;

(j) any other events of default or covenants with respect to the Debentures of the series;

(k) whether and under what circumstances the Debentures of the series will be convertible into or exchangeable for securities of any Person;

(l) the form and terms of the Debentures of the series;

(m) if applicable, that the Debentures of the series shall be issuable in whole or in part as one or more Global Debentures and, in such case, the Depository or Depositories for such Global Debentures in whose name the Global Debentures will be registered, and any circumstances other than or in addition to those set forth in Section 2.9 or 3.2 or those applicable with respect to any specific series of Debentures, as the case may be, in which any such Global Debenture may be exchanged for Fully Registered Debentures, or transferred to and registered in the name of a Person other than the Depository for such Global Debentures or a nominee thereof;

(n) if other than Canadian currency, the currency in which the Debentures of the series are issuable; and

(o) any other terms of the Debentures of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Debentures of any one series shall be substantially identical, except as may otherwise be established herein or in an indenture supplemental hereto. All Debentures of any one series need not be issued at the same time and may be issued from time to time, including pursuant to a Periodic Offering, consistent with the terms of this Indenture, if so provided herein, by or pursuant to such resolution of the Board of Directors, Officer's Certificate or in an indenture supplemental hereto.

2.3 Form of Debentures

Except in respect of the Initial Debentures, the form of which is attached hereto as Schedule A, the Debentures of each series shall be substantially in such form or forms (not inconsistent with this Indenture) as shall be established herein or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform to general usage, all as may be determined by the directors or officers of the Corporation executing such Debentures on behalf of the Corporation, as conclusively evidenced by their execution of such Debentures.

2.4 Form and Terms of Initial Debentures

(a) The first series of Debentures (the "**Initial Debentures**") authorized for issue immediately is limited to an aggregate principal amount of $34,500,000 and shall be designated as "8.375% Convertible Unsecured Subordinated Debentures".

(b) The Initial Debentures shall be dated as of the date of closing of the Offering and shall mature June 30, 2016 (the "**Maturity Date**" for the Initial Debentures).

(c) The Initial Debentures shall bear interest from the date of issue at the rate of 8.375% per annum (based on a year of 365 days), payable in equal (with the exception of the first interest payment which will include interest from and including the date of closing of the Offering as set forth below) semi-annual payments in arrears on June 30 and December 31 in each year, the first such payment to fall due on December 31, 2011 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date of the Initial Debentures) to fall due on June 30, 2016, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. For certainty, the first interest payment will include interest accrued from and including the date of closing of the Offering to, but excluding December 31, 2011, which will be equal to $53.23 for each $1,000 principal amount of Initial Debentures. The record dates for the payment of interest on the Initial Debentures will be June 15 and December 15 in each year (or the first Business Day prior to such date if not a Business Day).

(d) The Initial Debentures will be redeemable in accordance with the terms of Article 4, provided that the Initial Debentures will not be redeemable before June 30, 2014, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as provided herein. On and after June 30, 2014 and prior to the Maturity Date, provided that the Current Market Price at the time of the Redemption Notice is at least 125% of the Conversion Price, the Initial Debentures may be redeemed at the option of the Corporation in whole or in part from time to time on notice as provided for in Section 4.3 at a Redemption Price equal to their principal amount plus accrued and unpaid interest thereon up to (but excluding) the Redemption Date. The Redemption Notice for the Initial Debentures shall be substantially in the form of Schedule B. In connection with the redemption of the Initial Debentures, the Corporation may, at its option and subject to the provisions of Section 4.6 and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate Redemption Principal Amount of the Initial Debentures to be redeemed by issuing and delivering to the holders of such Initial Debentures, such number of Freely Tradeable Common Shares as is obtained by dividing the aggregate Redemption Principal Amount of the Initial Debentures to be redeemed by 95% of the Current Market Price in effect on the Redemption Date. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest thereon will be paid in cash. If the Corporation elects to exercise such option, it shall so specify and provide details in the Redemption Notice.

(e) The Initial Debentures will be subordinated to the Senior Indebtedness of the Corporation in accordance with the provisions of Article 5. In accordance with Section 2.2, the Initial Debentures will rank *pari passu* with each other series of Debentures issued under this Indenture or under indentures supplemental to this Indenture (regardless of their actual date or terms of issue) and, except as prescribed by law, with all other existing and future unsecured indebtedness of the Corporation, other than Senior Indebtedness.

(f) (i) Upon and subject to the provisions and conditions of Article 6 and Section 3.7, the holder of each Initial Debenture shall have the right at such holder's option, prior to the close of business on the earliest of: (i) the Business Day immediately preceding the Maturity Date of the Initial Debentures; (ii) if called for redemption, on the Business Day immediately preceding the date fixed by the Corporation for redemption of the Initial Debentures by notice to the holders of Initial Debentures in accordance with Sections 2.4(d) and 4.3; and (iii) if called for repurchase in connection with a Change of Control, on the Business Day immediately preceding the payment date, at the Conversion Price, (the earliest of which will be the "**Time of Expiry**" for the purposes of Article 6 in respect of the Initial Debentures), to convert any part, being $1,000 or an integral multiple thereof, of the principal amount of a Debenture into Common Shares at the Conversion Price in effect on the Date of Conversion. To the extent a redemption is a redemption in part only of the Initial Debentures,

such right to convert, if not exercised prior to the applicable Time of Expiry, shall survive as to any Initial Debentures not redeemed or converted and be applicable to the next succeeding Time of Expiry.

(ii) The Conversion Price in effect on the date hereof for each Common Share to be issued upon the conversion of Initial Debentures shall be equal to $0.73 such that approximately 1,369.863 Common Shares shall be issued for each $1,000 principal amount of Initial Debentures so converted. Except as provided below, no adjustment in the number of Common Shares to be issued upon conversion will be made for dividends or distributions on Common Shares issuable upon conversion, the record date for the payment of which precedes the date upon which the holder becomes a holder of Common Shares in accordance with Article 6. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. No fractional Common Shares will be issued, and holders will receive a cash payment in satisfaction of any fractional interest based on the Current Market Price as of the Date of Conversion. The Conversion Price applicable to and the Common Shares, securities or other property receivable on the conversion of the Initial Debentures is subject to adjustment pursuant to the provisions of Section 2.4(k) and Section 6.5.

(iii) Holders converting their Initial Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest (less any taxes required to be deducted) in respect of the Initial Debentures surrendered for conversion up to but excluding the Date of Conversion from, and including, the most recent Interest Payment Date in accordance with Section 6.4(e).

(iv) Holders of Initial Debentures surrendered for conversion during the period from the close of business on any regular record date for the payment of interest on the Initial Debentures to the opening of business on the next succeeding Interest Payment Date will receive the semi-annual interest payable on such Initial Debentures on the corresponding Interest Payment Date notwithstanding the conversion. In the event that a holder of Initial Debentures exercises its conversion right following a Redemption Notice by the Corporation and during the period from the close of business on any regular record date for the payment of interest on the Initial Debentures to the opening of business on the next succeeding Interest Payment Date, such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the last Interest Payment Date to (but excluding) the Date of Conversion. The Conversion Price will not be adjusted for accrued interest.

(v) Notwithstanding any other provisions of this Indenture, if an Initial Debenture is surrendered for conversion on an Interest Payment Date or

during the five preceding Business Days, the Person or Persons entitled to receive Common Shares in respect of the Initial Debenture so surrendered for conversion shall not become the holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

(vi) An Initial Debenture in respect of which a holder has accepted a notice in respect of a Change of Control Purchase Offer pursuant to the provisions of Section 2.4(j) may be surrendered for conversion only if such notice is withdrawn in accordance with this Indenture.

(g) On redemption or maturity of the Initial Debentures, the Corporation may, at its option and subject to the provisions of Section 4.6 and 4.10, as applicable, and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate principal amount of the Initial Debentures due on redemption or maturity by issuing and delivering to such holders of Initial Debentures Freely Tradeable Common Shares pursuant to the provisions of Sections 4.6 and 4.10, as applicable. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest thereon will be paid in cash. If the Corporation elects to exercise such option, it shall provide details in the Redemption Notice or deliver a maturity notice (the "**Maturity Notice**") to the holders of the Initial Debentures in substantially the form of Schedule C and provide the necessary details.

(h) The Initial Debentures shall be issued in denominations of $1,000 and integral multiples of $1,000. Each Initial Debenture and the certificate of the Trustee endorsed thereon shall be issued in substantially the form set out in Schedule A, with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the directors or officers of the Corporation executing such Initial Debenture in accordance with Section 2.7 hereof, as conclusively evidenced by their execution of an Initial Debenture. Each Initial Debenture shall additionally bear such distinguishing letters and numbers as the Trustee shall approve. Notwithstanding the foregoing, an Initial Debenture may be in such other form or forms as may, from time to time, be, approved by a resolution of the Board of Directors, or as specified in an Officer's Certificate. The Initial Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.

The Initial Debentures shall be issued as one or more Global Debentures and the Global Debentures will be registered in the name of the Depository which, as of the date hereof, shall be CDS Clearing and Depository Services Inc. (or any

nominee of the Depository). No beneficial holder will receive definitive certificates representing its interest in Initial Debentures except as provided in this Section 2.4(h) and Section 3.2. A Global Debenture may be exchanged for Initial Debentures in registered form that are not Global Debentures, or transferred to and registered in the name of a Person other than the Depository for such Global Debentures or a nominee thereof, as provided in Section 3.2.

(i) Upon and subject to the provisions of Article 10, the Corporation may elect, from time to time, to satisfy its Interest Obligation on the Initial Debentures on any Interest Payment Date (including, for greater certainty, following conversion or upon maturity or redemption) by delivering Common Shares to the Trustee pursuant to the Common Share Interest Payment Election.

(j) Within 30 days following the occurrence of a Change of Control, and subject to the provisions and conditions of this Section 2.4(j), the Corporation shall be obligated to offer to purchase all of the Initial Debentures then outstanding. The terms and conditions of such obligation are set forth below:

(i) Within 30 days following the occurrence of a Change of Control, the Corporation shall deliver to the Trustee, and the Trustee shall promptly deliver to the holders of the Initial Debentures, a notice stating that there has been a Change of Control and specifying the date on which such Change of Control occurred and the circumstances or events giving rise to such Change of Control (a "**Change of Control Notice**") together with an offer in writing (the "**Change of Control Purchase Offer**") to purchase, on the Change of Control Purchase Date (as defined below), all (or any portion actually tendered to such offer) of the Initial Debentures then outstanding from the holders thereof made in accordance with the requirements of Applicable Securities Legislation at a price per Initial Debenture equal to 100% of the principal amount thereof (the "**Offer Price**") plus accrued and unpaid interest on such Initial Debentures up to, but excluding, the Change of Control Purchase Date (collectively, the "**Total Offer Price**"). If such Change of Control Purchase Date is after a record date for the payment of interest on the Initial Debentures but on or prior to an Interest Payment Date, then the interest payable on such date will be paid to the holder of record of the Initial Debentures on the relevant record date. The "**Change of Control Purchase Date**" shall be the date that is 30 Business Days after the date that the Change of Control Notice and Change of Control Purchase Offer are delivered or mailed to holders of Initial Debentures.

(ii) If 90% or more in aggregate principal amount of Initial Debentures outstanding on the date the Corporation provides the Change of Control Notice and the Change of Control Purchase Offer to holders of the Initial Debentures have been tendered for purchase pursuant to the Change of Control Purchase Offer on the expiration thereof, the Corporation has the right upon written notice provided to the Trustee within 10 days following

the expiration of the Change of Control Purchase Offer, to redeem all the Initial Debentures remaining outstanding on the expiration of the Change of Control Purchase Offer at the Total Offer Price as at the Change of Control Purchase Date (the "**90% Redemption Right**").

(iii) Upon receipt of notice that the Corporation has exercised or is exercising the 90% Redemption Right and is acquiring the remaining Initial Debentures, the Trustee shall promptly provide written notice to each Debentureholder that did not previously accept the Change of Control Purchase Offer that:

(A) the Corporation has exercised the 90% Redemption Right and is purchasing all outstanding Initial Debentures effective on the expiry of the Change of Control Purchase Offer at the Total Offer Price, and shall include a calculation of the amount payable to such holder as payment of the Total Offer Price as at the Change of Control Purchase Date;

(B) each such holder must transfer its Initial Debentures to the Trustee on the same terms as those holders that accepted the Change of Control Purchase Offer and must send its respective Initial Debentures to the Trustee within 10 days after the sending of such notice; and

(C) the rights of such holder under the terms of the Initial Debentures and this Indenture cease to be effective as of the date of expiry of the Change of Control Purchase Offer provided the Corporation has, on or before the time of notifying the Trustee of the exercise of the 90% Redemption Right, paid the Total Offer Price to, or to the order of, the Trustee and thereafter the Initial Debentures shall not be considered to be outstanding and the holder shall not have any right except to receive such holder's Total Offer Price upon surrender and delivery of such holder's Initial Debentures in accordance with the Indenture.

(iv) The Corporation shall, on or before 12:00 p.m. (Toronto Time) on the Business Day immediately prior to the Change of Control Purchase Date, deposit with the Trustee or any paying agent to the order of the Trustee, such sums of money or Common Shares (in respect of the aggregate principal amount of the Total Offer Price) as may be sufficient to pay the Total Offer Price of the Initial Debentures to be purchased or redeemed by the Corporation on the Change of Control Purchase Date (less any tax required by law to be deducted in respect of accrued and unpaid interest), provided the Corporation may elect to satisfy this requirement by providing the Trustee with a wire transfer or certified cheque for such amounts required under this Section 2.4(j)(iv) post-dated (in respect of a certified cheque) to the date of expiry of the Change of Control Purchase

Offer. The Corporation shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such purchase. Every such deposit shall be irrevocable, except as provided herein. From the sums so deposited, the Trustee shall pay or cause to be paid to the holders of such Initial Debentures, the Total Offer Price to which they are entitled (less any tax required by law to be deducted in respect of accrued and unpaid interest) on the Corporation's purchase.

(v) In the event that one or more of such Initial Debentures being purchased in accordance with this Section 2.4(j) becomes subject to purchase in part only, upon surrender of such Initial Debentures for payment of the Total Offer Price, the Corporation shall execute and the Trustee shall certify and deliver without charge to the holder thereof or upon the holder's order, one or more new Initial Debentures for the portion of the principal amount of the Initial Debentures not purchased.

(vi) Initial Debentures for which holders have accepted the Change of Control Purchase Offer and Initial Debentures which the Corporation has elected to redeem in accordance with this Section 2.4(j) shall become due and payable at the Total Offer Price on the Change of Control Purchase Date, in the same manner and with the same effect as if it were the date of maturity specified in such Initial Debentures, anything therein or herein to the contrary notwithstanding, and from and after the Change of Control Purchase Date, if the money necessary to purchase or redeem, or the Common Shares necessary to purchase or redeem, the Initial Debentures shall have been deposited as provided in this Section 2.4(j) and affidavits or other proofs satisfactory to the Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest on the Initial Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

(vii) In case the holder of any Initial Debenture to be purchased or redeemed in accordance with this Section 2.4(j) shall fail on or before the Change of Control Purchase Date so to surrender such holder's Initial Debenture or shall not within such time accept payment of the monies payable, to take delivery of certificates representing such Common Shares issuable in respect thereof, or give such receipt therefor, if any, as the Trustee may require, such monies may be set aside in trust, or such certificates may be held in trust, without interest, either in the deposit department of the Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum or the Common Shares so set aside and the Debentureholder shall have no other right except to receive payment of the monies so paid and deposited, or take delivery of the certificates so deposited, or both, upon surrender and

delivery up of such holder's Initial Debenture. In the event that any money or certificates representing Common Shares required to be deposited hereunder with the Trustee or any depository or paying agent on account of principal, premium, if any, or interest, if any, on Initial Debentures issued hereunder shall remain so deposited for a period of six years from the Change of Control Purchase Date, then such monies, or certificates representing Common Shares, together with any distributions paid thereon, shall at the end of such period be paid over or delivered over by the Trustee or such depository or paying agent to the Corporation and the Trustee shall not be responsible to Debentureholders for any amounts owing to them. Notwithstanding the foregoing, the Trustee will pay any remaining funds deposited hereunder prior to the expiry of six years after the Change of Control Purchase Date to the Corporation upon receipt from the Corporation of an unconditional letter of credit from a Canadian chartered bank in an amount equal to or in excess of the amount of the remaining funds. If the remaining funds are paid to the Corporation prior to the expiry of six years after the Change of Control Purchase Date, the Corporation shall reimburse the Trustee for any amounts required to be paid by the Trustee to a holder of a Debenture pursuant to the Change of Control Purchase Offer after the date of such payment of the remaining funds to the Corporation but prior to six years after the Change of Control Purchase Date.

(viii) Subject to the provisions above related to Initial Debentures purchased in part, all Initial Debentures redeemed and paid under this Section 2.4(j) shall forthwith be delivered to the Trustee and cancelled and no Initial Debentures shall be issued in substitution therefor.

(k) Subject to the receipt of any required regulatory approval, the following provisions shall apply in respect of the conversion of Initial Debentures pursuant to this Indenture in connection with the occurrence of a Cash Change of Control:

(i) In the event of the occurrence of a Cash Change of Control, the Conversion Price in effect during the period (the "**Cash Change of Control Conversion Period**") beginning on the 10th trading day prior to the effective date of the Change of Control (the "**Effective Date**") and ending at the close of business on the date that is 30 days after the date on which the Change of Control Purchase Offer in respect of the Cash Change of Control is delivered or mailed to holders of Initial Debentures in accordance with Section 2.4(j) (the "**Cash Change of Control Conversion Price**") shall be calculated in accordance with the following formula (the "**Make Whole Premium**"):

CCOCCP = OCP/(1+(CP x (c/t)))

where:

(iv) if provided for in such procedures, such Written Direction of the Corporation may authorize certification and delivery pursuant to oral or electronic instructions from the Corporation which oral or electronic instructions shall be promptly confirmed in writing;

(c) an opinion of Counsel, in form and substance satisfactory to the Trustee, acting reasonably, to the effect that all requirements imposed by this Indenture and by law in connection with the proposed issue of Additional Debentures have been complied with, subject to the delivery of certain documents or instruments specified in such opinion; and

(d) an Officer's Certificate (which Officer's Certificate shall be in such form that satisfies all applicable laws) certifying that the Corporation is not in default under this Indenture, that the terms and conditions for the certification and delivery of Additional Debentures (including those set forth in Section 15.5), have been complied with subject to the delivery of any documents or instruments specified in such Officer's Certificate and that no Event of Default exists or will exist upon such certification and delivery.

2.6 Issue of Global Debentures

(a) The Corporation may specify that the Debentures of a series are to be issued in whole or in part as one or more Global Debentures registered in the name of a Depository, or its nominee, designated by the Corporation in the Written Direction of the Corporation delivered to the Trustee at the time of issue of such Debentures, and in such event the Corporation shall execute and the Trustee shall certify and deliver one or more Global Debentures that shall:

(i) represent an aggregate amount equal to the principal amount of the outstanding Debentures of such series to be represented by one or. more Global Debentures;

(ii) be delivered by the Trustee to such Depository or pursuant to such Depository's instructions; and

(iii) bear a legend substantially to the following effect:

"This Debenture is a Global Debenture within the meaning of the Indenture herein referred to and is registered in the name of a Depository or a nominee thereof. This Debenture may not be transferred to or exchanged for Debentures registered in the name of any Person other than the Depository or a nominee thereof and no such transfer may be registered except in the limited circumstances described in the Indenture. Every Debenture authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, this Debenture shall be a Global Debenture subject to the foregoing, except in such limited circumstances described in the Indenture.

CCOCCP = the Cash Change of Control Conversion Price;

OCP = the Conversion Price in effect on the Effective Date;

CP = means 46%;

c = means the number of days from and including the Effective Date to but excluding the Maturity Date; and

t = means the number of days from and including the date hereof to but excluding the Maturity Date.

In the event that the Cash Change of Control Conversion Price calculated in accordance with the formula above is less than any regulatory permitted discount to market price, the Cash Change of Control Conversion Price shall be deemed to be that implied by the maximum permitted discount to market price.

(ii) Notwithstanding the foregoing, if the Date of Conversion of any Initial Debentures occurs during the period beginning on the 10th trading day prior to the Effective Date and ending at the close of business on the Effective Date, the holders of such Initial Debentures shall, on conversion of their Initial Debentures, only be entitled to that number of Common Shares resulting from the Cash Change of Control Conversion Price in excess of the number of Base Shares (as defined below) (such excess number of Common Shares being the "**Make Whole Premium Shares**") only on the Business Day immediately following the Effective Date and, for greater certainty, only if the Change of Control occurs. "**Base Shares**" means the number of Common Shares to which the holders of Initial Debentures would have been entitled to at the Conversion Price that would have been in effect but for the Cash Change of Control. The Base Share will be issued in accordance with the terms of this Indenture applicable to a conversion of Initial Debentures otherwise than during the Cash Change of Control Conversion Period, including at the then applicable Conversion Price.

(iii) The Make Whole Premium Shares shall be deemed to have been issued upon conversion of Initial Debentures on the Business Day immediately following the Effective Date. Section 6.5 shall apply to such conversion and, for greater certainty, the former holders of Initial Debentures in respect of which the Make Whole Premium Shares are issuable shall be entitled to receive and shall accept, in lieu of the Make Whole Premium Shares, the number of shares or other securities or cash or other property of the Corporation or of the Person or other entity resulting from the transaction that constitutes the Cash Change of Control that such holders would have been entitled to receive if such holders had been the registered

holders of the applicable number of Make Whole Premium Shares on the Effective Date.

(iv) Except as otherwise provided in this Section 2.4(k), all other provisions of this Indenture applicable to a conversion of Initial Debentures shall apply to a conversion of Initial Debentures during the Cash Change of Control Conversion Period.

(l) The Trustee shall be provided with the documents and instruments referred to in Sections 2.5(b), (c) and (d) with respect to the Initial Debentures prior to the issuance of the Initial Debentures.

2.5 Certification and Delivery of Additional Debentures

The Corporation may from time to time request the Trustee to certify and deliver Additional Debentures of any series by delivering to the Trustee the documents referred to below in this Section 2.5 whereupon the Trustee shall certify such Debentures and cause the same to be delivered in accordance with the Written Direction of the Corporation referred to below or pursuant to such procedures acceptable to the Trustee as may be specified from time to time by a Written Direction of the Corporation. The maturity date, issue date, interest rate (if any) and any other terms of the Debentures of such series shall be set forth in or determined by or pursuant to such Written Direction of the Corporation and procedures. In certifying such Debentures, the Trustee shall be entitled to receive and shall be fully protected in relying upon, unless and until such documents have been superseded or revoked:

(a) an executed supplemental indenture by or pursuant to which the form and terms of such Additional Debentures were established;

(b) a Written Direction of the Corporation requesting certification and delivery of such Additional Debentures and setting forth delivery instructions, provided that, with respect to Debentures of a series subject to a Periodic Offering:

(i) such Written Direction of the Corporation may be delivered by the Corporation to the Trustee prior to the delivery to the Trustee of such Additional Debentures of such series for certification and delivery;

(ii) the Trustee shall certify and deliver Additional Debentures of such series for original issue from time to time, in an aggregate principal amount not exceeding the aggregate principal amount, if any, established for such series, pursuant to a Written Direction of the Corporation or pursuant to procedures acceptable to the Trustee as may be specified from time to time by a Written Direction of the Corporation;

(iii) the maturity date or dates, issue date or dates, interest rate or rates (if any) and any other terms of Additional Debentures of such series shall be determined by an executed supplemental indenture or by Written Direction of the Corporation or pursuant to such procedures; and

Unless this certificate is presented by an authorized representative of CDS Clearing and Depository Services Inc. ("**CDS**") to Discovery Air Inc. or its agent for registration of transfer, exchange or payment, and any certificate issued in respect thereof is registered in the name of CDS & CO., or in such other name as is requested by an authorized representative of CDS (and any payment is made to CDS & CO. or to such other entity as is requested by an authorized representative of CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered holder hereof, CDS & CO., has a property interest in the securities represented by this certificate herein and it is a violation of its rights for another person to hold, transfer or deal with this certificate."

(b) Each Depository designated for a Global Debenture must, at the time of its designation and at all times while it serves as such Depository, be a clearing agency registered or designated under the securities legislation of the jurisdiction where the Depository has its principal offices.

(c) If the Corporation decides, at any time to terminate the Global Debenture in respect of any Debentures and substitute Debentures in their registered and definitive forms for such Global Debenture, then the Corporation will provide written notice of such termination and substitution of Debentures to the Toronto Stock Exchange and to the Trustee no less than 30 days prior to such termination.

2.7 Execution of Debentures

All Debentures shall be signed (either manually or by facsimile signature) by any one authorized director or officer of the Corporation holding office at the time of signing. A facsimile signature upon a Debenture shall for all purposes of this Indenture be deemed to be the signature of the person whose signature it purports to be. Notwithstanding that any person whose signature, either manual or in facsimile, appears on a Debenture as a director or officer may no longer hold such office at the date of the Debenture or at the date of the certification and delivery thereof, such Debenture shall be valid and binding upon the Corporation and entitled to the benefits of this Indenture.

2.8 Certification

(a) No Debenture shall be issued or, if issued, shall be obligatory or shall entitle the holder to the benefits of this Indenture, until it has been manually certified by or on behalf of the Trustee substantially in the form set out in this Indenture, in the relevant supplemental indenture, or in some other form approved by the Trustee. Such certification on any Debenture shall be conclusive evidence that such Debenture is duly issued, is a valid obligation of the Corporation and the holder is entitled to the benefits hereof.

(b) The certificate of the Trustee signed on the Debentures, or interim Debentures hereinafter mentioned, shall not be construed as a representation or warranty by

the Trustee as to the validity of this Indenture or of the Debentures or interim Debentures or as to the issuance of the Debentures or interim Debentures and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or interim Debentures or any of them or the proceeds thereof. The certificate of the Trustee on the Debentures or interim Debentures shall, however, be a representation and warranty by the Trustee that the Debentures or interim Debentures have been duly certified by or on behalf of the Trustee pursuant to the provisions of this Indenture.

2.9 Interim Debentures or Certificates

Pending the delivery of definitive Debentures of any series to the Trustee, the Corporation may issue and the Trustee certify in lieu thereof interim Debentures in such forms and in such denominations and signed in such manner as provided herein, entitling the holders thereof to definitive Debentures of the series when the same are ready for delivery; or the Corporation may execute and the Trustee certify a temporary Debenture for the whole principal amount of Debentures of the series then authorized to be issued hereunder and deliver the same to the Trustee and thereupon the Trustee may issue its own interim certificates in such form and in such amounts, not exceeding in the aggregate the principal amount of the temporary Debenture so delivered to it, as the Corporation and the Trustee may approve entitling the holders thereof to definitive Debentures of the series when the same are ready for delivery; and, when so issued and certified, such interim or temporary Debentures or interim certificates shall, for all purposes but without duplication, rank in respect of this Indenture equally with Debentures duly issued hereunder and, pending the exchange thereof for definitive Debentures, the holders of the interim or temporary Debentures or interim certificates shall be deemed without duplication to be Debentureholders and entitled to the benefit of this Indenture to the same extent and in the same manner as though the said exchange had actually been made. Forthwith after the Corporation shall have delivered the definitive Debentures to the Trustee, the Trustee shall cancel such temporary Debentures, if any, and shall call in for exchange all interim Debentures or certificates that shall have been issued and forthwith after such exchange shall cancel the same. No charge shall be made by the Corporation or the Trustee to the holders of such interim or temporary Debentures or interim certificates for the exchange thereof. All interest paid upon interim or temporary Debentures or interim certificates shall be noted thereon as a condition precedent to such payment unless paid by cheque to the registered holders thereof.

2.10 Mutilation, Loss, Theft or Destruction

In case any of the Debentures issued hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation, in its discretion, may issue, and thereupon the Trustee shall certify and deliver, a new Debenture upon surrender and cancellation of the mutilated Debenture, or in the case of a lost, stolen or destroyed Debenture, in lieu of and in substitution for the same, and the substituted Debenture shall be in a form approved by the Trustee and shall be entitled to the benefits of this Indenture and rank equally in accordance with its terms with all other Debentures issued or to be issued hereunder. In case of loss, theft or destruction the applicant for a substituted Debenture shall furnish to the Corporation and to the Trustee such evidence of the loss, theft or destruction of the Debenture as shall be satisfactory to the Trustee in its discretion and shall also furnish an indemnity and surety bond satisfactory to the Trustee in its discretion.

The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Debenture.

2.11 Concerning Interest

(a) All Debentures issued hereunder, whether originally or upon exchange or in substitution for previously issued Debentures which are interest bearing, shall bear interest (i) from and including their issue date, or (ii) from and including the last Interest Payment Date to which interest shall have been paid or made available for payment on the outstanding Debentures of that series, whichever shall be the later, or, in respect of Debentures subject to a Periodic Offering, from and including their issue date or from and including the last Interest Payment Date to which interest shall have been paid or made available for payment on such Debentures, in all cases, to and excluding the next Interest Payment Date.

(b) Unless otherwise specifically provided in the terms of the Debentures of any series, interest shall be computed on the basis of a year of 365 days. With respect to any series of Debentures, whenever interest is computed on the basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

2.12 Debentures to Rank *Pari Passu*

The Debentures will be direct unsecured obligations of the Corporation. Each Debenture of the same series of Debentures will rank *pari passu* with each other Debenture of the same series (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of the Corporation, other than Senior Indebtedness.

2.13 Payments of Amounts Due on Maturity

Except as may otherwise be provided herein or in any supplemental indenture in respect of any series of Debentures and subject to Section 4.10, payments of amounts due upon maturity of the Debentures will be made in the following manner. The Corporation will establish and maintain with the Trustee a Maturity Account for each series of Debentures. Each such Maturity Account shall be maintained by and be subject to the control of the Trustee for the purposes of this Indenture. On or before 12:00 p.m. (Toronto time) on the Business Day immediately prior to each Maturity Date for Debentures outstanding from time to time under this Indenture, the Corporation will deliver to the Trustee a certified cheque or wire transfer for deposit in the applicable Maturity Account in an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted), provided the Corporation may elect to satisfy this requirement by providing the Trustee with a cheque for such amounts required under this Section 2.13 post-dated to the applicable Maturity Date. The Trustee, on behalf of the

Corporation, will pay to each holder entitled to receive payment the principal amount of and premium (if any) and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Trustee designated for such purpose from time to time by the Corporation and the Trustee. The delivery of such funds to the Trustee for deposit to the applicable Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled.

2.14 Payment of Interest

The following provisions shall apply to Debentures, except as otherwise provided in Section 2.4(c) or specified in a supplemental indenture relating to a particular series of Additional Debentures:

(a) As interest becomes due on each Debenture (except, subject to certain exceptions set forth herein including in Section 2.4(c), on conversion or on redemption, when interest may at the option of the Corporation be paid upon surrender of such Debenture) the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest (less any tax required to be withheld therefrom) to the order of the registered holder of such Debenture appearing on the registers maintained by the Trustee at the close of business on the fifth Business Day prior to the applicable Interest Payment Date and addressed to the holder at the holder's last address appearing on the register, unless such holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three days prior to each date on which interest becomes due and if payment is made by other means (such as electronic transfer of funds, provided the Trustee must receive confirmation of receipt of funds prior to being able to wire funds to holders), such payment shall be made in a manner whereby the holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the Person to whom it is so sent as aforesaid, the Trustee will issue to such Person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee

with the same effect as though payment had been made in the manner provided above.

(b) All payments of interest on a Global Debenture shall be made by electronic funds transfer or certified cheque made payable to the Depository or its nominee on the day interest is payable for subsequent payment to Beneficial Holders of the applicable Global Debenture, unless the Corporation and the Depository otherwise agree. None of the Corporation, the Trustee or any agent of the Trustee for any Debenture issued as a Global Debenture will be liable or responsible to any Person for any aspect of the records related to or payments made on account of beneficial interests in any Global Debenture or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

(c) On or before 12:00 p.m. (Toronto time) on the Business Day immediately prior to an Interest Payment Date, the Corporation will deliver to the Trustee by certified cheque or wire transfer sufficient funds to satisfy the Corporation's obligations pursuant to this Section 2.14.

ARTICLE 3
REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP

3.1 Fully Registered Debentures

(a) With respect to each series of Debentures issuable as Fully Registered Debentures, the Corporation shall cause to be kept by and at the principal office of the Trustee in Toronto, Ontario and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as may be specified in the Debentures of such series or as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the names and addresses of the holders of Fully Registered Debentures and particulars of the Debentures held by them respectively and of all transfers of Fully Registered Debentures. Such registration shall be noted on the Debentures by the Trustee or other registrar unless a new Debenture shall be issued upon such transfer.

(b) No transfer of a Fully Registered Debenture shall be valid unless made on such register referred to in Section 3.1(a) by the registered holder or such holder's executors, administrators or other legal representatives or an attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee or other registrar upon surrender of the Debentures together with a duly executed form of transfer acceptable to the Trustee and upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe, including the requirements of Section 3.2(e), or unless the name of the transferee shall have been noted on the Debenture by the Trustee or other registrar.

3.2 Global Debentures

(a) With respect to each series of Debentures issuable in whole or in part as one or more Global Debentures, the Corporation shall cause to be kept by and at the principal offices of the Trustee in Toronto, Ontario and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the name and address of the holder of each such Global Debenture (being the Depository, or its nominee, for such Global Debenture) as holder thereof and particulars of the Global Debenture held by it, and of all transfers thereof. If any Debentures of such series are at any time not Global Debentures, the provisions of Section 3.1 shall also apply with respect to registrations and transfers of such Debentures.

(b) Notwithstanding any other provision of this Indenture, a Global Debenture may not be transferred by the registered holder thereof and accordingly, no Fully Registered Debentures represented by definitive certificates shall be issued to Beneficial Holders except in the following circumstances or, other than with respect to the Initial Debentures, as otherwise specified in a resolution of the Trustee, a resolution of the Board of Directors, Officer's Certificate or supplemental indenture relating to a particular series of Additional Debentures:

(i) Global Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;

(ii) Global Debentures may be transferred at any time after the Depository for such Global Debentures (A) has notified the Trustee, or the Corporation has notified the Trustee, that it is unwilling or unable to continue as Depository for such Global Debentures, or (B) ceases to be eligible to be a Depository under Section 2.6(b), provided that at the time of such transfer the Corporation has not appointed a successor Depository for such Global Debentures;

(iii) Global Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the book-entry only registration system in respect of such Global Debentures and has communicated such determination to the Trustee in writing;

(iv) Global Debentures may be transferred at any time after the Trustee has determined that an Event of Default has occurred and is continuing with respect to the Debentures of the series issued as a Global Debenture, provided that Beneficial Holders representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures of such series advise the Depository in writing, through the Depository Participants, that the continuation of the book-entry only registration

system for such series of Debentures is no longer in their best interest and also provided that at the time of such transfer the Trustee has not waived the Event of Default pursuant to Section 8.3;

(v) Global Debentures may be transferred if required by applicable law; or

(vi) Global Debentures may be transferred if the book-entry only registration system ceases to exist.

(c) Notwithstanding any other provision of this Indenture, with respect to the Global Debentures, unless and until Fully Registered Debentures represented by definitive certificates have been issued to Beneficial Holders pursuant to subsection 3.2(b):

(i) the Corporation and the Trustee may deal with the Depository for all purposes (including paying interest on the Debentures) as the sole holder of such series of Debentures and the authorized representative of the Beneficial Holders;

(ii) the rights of the Beneficial Holders shall be exercised only through the Depository and shall be limited to those established by law and agreements between such Beneficial Holders and the Depository or the Depository Participants;

(iii) the Depository will make book-entry transfers among the Depository Participants; and

(iv) whenever this Indenture requires or permits actions to be taken based upon instruction or directions of Debentureholders evidencing a specified percentage of the outstanding Debentures, the Depository shall be deemed to be counted in that percentage only to the extent that it has received instructions to such effect from the Beneficial Holders or the Depository Participant, and has delivered such instructions to the Trustee.

(d) Whenever a notice or other communication is required to be provided to Debentureholders, unless and until Fully Registered Debentures represented by definitive certificates have been issued to Beneficial Holders pursuant to this Section 3.2, the Trustee shall provide all such notices and communications to the Depository and the Depository shall deliver such notices and communications to such Beneficial Holders in accordance with Applicable Securities Legislation. Upon the termination of the book-entry only registration system on the occurrence of one of the conditions specified in Section 3.2(b) with respect to a series of Debentures issued hereunder, the Trustee shall notify all applicable Depositary Participants and Beneficial Holders, through the Depository, of the availability of Fully Registered Debentures represented by definitive certificates. Upon surrender by the Depository of the certificate(s) representing the Global Debentures and receipt of new registration instructions from the Depository, the Trustee shall deliver the definitive Debenture certificates for such Debentures to

the holders thereof in accordance with the new registration instructions and thereafter, the registration and transfer of such Debentures will be governed by Section 3.1 and the remaining Sections of this Article 3, provided that any Fully Registered Debentures represented by definitive certificates issued or exchanged for a Restricted Global Debenture shall be issued in the form of Restricted Physical Debentures.

(e) Except as may be required by the Trustee or the Depository, no written orders or instructions shall be required to be delivered to the Trustee to effect a transfer of a beneficial interest in a Global Debenture to Persons who take delivery thereof in the form of a beneficial interest in the same or another Global Debenture.

3.3 Transferee Entitled to Registration

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

3.4 No Notice of Trusts

Neither the Corporation nor the Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

3.5 Registers Open for Inspection

The registers referred to in Sections 3.1 and 3.2 shall be open for inspection by the Corporation, the Trustee or any Debentureholder during the regular business hours of the Trustee. Every registrar, including the Trustee, shall from time to time when requested so to do by the Corporation or by the Trustee, in writing, furnish the Corporation or the Trustee, as the case may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount and serial numbers of the Debentures held by each such holder, provided the Trustee shall be entitled to charge a reasonable fee to provide such a list.

3.6 Exchanges of Debentures

(a) Subject to Section 3.2 and Section 3.7, Debentures in any authorized form or denomination, other than Global Debentures, may be exchanged for Debentures in any other authorized form or denomination, of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Debentures so exchanged.

(b) In respect of exchanges of Debentures permitted by Section 3.6(a), Debentures of any series may be exchanged only at the principal office of the Trustee in Toronto, Ontario or at such other place or places, if any, as may be specified in the Debentures of such series and at such other place or places as may from time to time be designated by the Corporation with the approval of the Trustee. Any Debentures tendered for exchange shall be surrendered to the Trustee. The Corporation shall execute and the Trustee shall certify all Debentures necessary to carry out exchanges as aforesaid. All Debentures surrendered for exchange shall be cancelled.

(c) Debentures issued in exchange for Debentures which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

3.7 Closing of Registers

(a) Neither the Corporation nor the Trustee nor any registrar shall be required to:

(i) make transfers or exchanges or convert any of Fully Registered Debentures on any Interest Payment Date for such Debentures or during the five preceding Business Days;

(ii) make transfers or exchanges of, or convert any Debentures on the day of any selection by the Trustee of Debentures to be redeemed or during the five preceding Business Days; or

(iii) make exchanges of any Debentures which will have been selected or called for redemption unless upon due presentation thereof for redemption such Debentures shall not be redeemed.

(b) Subject to any restriction herein provided, the Corporation with the approval of the Trustee may at any time close any register for any series of Debentures, other than those kept at the principal office of the Trustee in Toronto, Ontario, and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

3.8 Charges for Registration, Transfer and Exchange

For each Debenture exchanged, registered, transferred or discharged from registration, the Trustee or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued (such amounts to be agreed upon from time to time by the Trustee and the Corporation), and payment of such charges and reimbursement of the Trustee or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration as a condition precedent thereto.

Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder:

(a) for any exchange, registration, transfer or discharge from registration of any Debenture applied for within a period of two months from the date of the first delivery of Debentures of that series or, with respect to Debentures subject to a Periodic Offering, within a period of two months from the date of delivery of any such Debenture, which amount will be paid by the Corporation;

(b) for any exchange of any interim or temporary Debenture or interim certificate that has been issued under Section 2.9 for a definitive Debenture;

(c) for any exchange of a Global Debenture as contemplated in Section 3.2; or

(d) for any exchange of any Debenture resulting from a partial redemption under Section 4.2.

3.9 Ownership of Debentures

(a) Unless otherwise required by law, the Person in whose name any registered Debenture is registered shall for all the purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered holder.

(b) The registered holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all Persons may act accordingly and the receipt of any such registered holder for any such principal, premium or interest shall be a good discharge to the Trustee, any registrar and to the Corporation for the same and none shall be bound to inquire into the title of any such registered holder.

(c) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof may be paid to the order of all such holders, failing written instructions from them to the contrary, and the receipt of any one of such holders therefor shall be a valid discharge, to the Trustee, any registrar and to the Corporation.

(d) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Trustee and any registrar and to the Corporation.

ARTICLE 4
REDEMPTION AND PURCHASE OF DEBENTURES

4.1 Right to Redeem

(a) Subject to regulatory approval, Section 2.4(d) and Article 5, the Corporation shall have the right at its option to redeem, either in whole at any time or in part from time to time before the Maturity Date of such Debentures, either by payment of money, by issuance of Freely Tradeable Common Shares as provided in Section 4.6 or any combination thereof, any Debentures issued hereunder of any series which by their terms are made so redeemable (subject, however, to any applicable restriction on the redemption of Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debentures and as shall have been expressed in this Indenture, in the Debentures, or in a supplemental indenture authorizing or providing for the issue thereof, or in the case of Additional Debentures issued pursuant to a Periodic Offering, in the Written Direction of the Corporation requesting the certification and delivery thereof.

(b) Subject to regulatory approval and Article 5, the Corporation shall also have the right at its option to repay, either in whole or in part, on maturity, either by payment of money in accordance with Section 2.13, by issuance of Freely Tradeable Common Shares as provided in Section 4.10 or any combination thereof, any Debentures issued hereunder of any series which by their terms are made so repayable on maturity (subject however, to any applicable restriction on the repayment of the principal amount of the Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debenture and shall have been expressed in this Indenture, in the Debentures, in an Officer's Certificate, or in a supplemental indenture authorizing or providing for the issue thereof, or in the case of Additional Debentures issued pursuant to a Periodic Offering, in the Written Direction of the Corporation requesting the certification and delivery thereof.

4.2 Partial Redemption

If less than all the Debentures of any series for the time being outstanding are at any time to be redeemed, or if a portion of the Debentures being redeemed are being redeemed for cash and a portion of such Debentures are being redeemed by the payment of Freely Tradeable Common Shares pursuant to Section 4.6, the Debentures to be so redeemed shall be selected by the Trustee on a *pro rata* basis to the nearest multiple of $1,000 in accordance with the principal amount of the Debentures registered in the name of each holder or in such other manner as the Trustee deems equitable, subject to the approval of the Toronto Stock Exchange or such other exchange on which the Debentures are then listed and posted for trading, as may be required from time to time. Unless otherwise specifically provided in the terms of any series of Debentures, no Debenture shall be redeemed in part unless the principal amount redeemed is $1,000 or a

multiple thereof. For this purpose, the Trustee may make, and from time to time vary, regulations with respect to the manner in which such Debentures may be drawn for redemption and regulations so made shall be valid and binding upon all holders of such Debentures notwithstanding that as a result thereof one or more of such Debentures may become subject to redemption in part only or for cash only. In the event that one or more of such Debentures becomes subject to redemption in part only, upon surrender of any such Debentures for payment of the Redemption Price, the Corporation shall execute and the Trustee shall certify and deliver without charge to the holder thereof or upon the holder's order one or more new Debentures for the unredeemed part of the principal amount of the Debenture or Debentures so surrendered or, with respect to a Global Debenture, the Depository shall make notations on the Global Debenture of the principal amount thereof so redeemed. Unless the context otherwise requires, the terms "Debenture" or "Debentures" as used in this Article 4 shall be deemed to mean or include any part of the principal amount of any Debenture which in accordance with the foregoing provisions has become subject to redemption.

4.3 Notice of Redemption

Notice of redemption (the "**Redemption Notice**") of any series of Debentures shall be given to the holders of the Debentures so to be redeemed, with a copy sent at the same time to the Toronto Stock Exchange, not more than 60 days nor less than 30 days prior to the date fixed for redemption (the "**Redemption Date**") in the manner provided in Section 14.2. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the Redemption Price and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date. In addition, unless all the outstanding Debentures are to be redeemed, the Redemption Notice shall specify:

(a) the distinguishing letters and numbers of the registered Debentures which are to be redeemed (or of such thereof as are registered in the name of such Debentureholder);

(b) in the case of a published notice, the distinguishing letters and numbers of the Debentures which are to be redeemed or, if such Debentures are selected by terminal digit or other similar system, such particulars as may be sufficient to identify the Debentures so selected;

(c) in the case of a Global Debenture, that the redemption will take place in such manner as may be agreed upon the Depository, the Trustee and the Corporation; and

(d) in all cases, the principal amounts of such Debentures or, if any such Debenture is to be redeemed in part only, the principal amount of such part.

4.4 Debentures Due on Redemption Dates

Notice having been given as aforesaid, all the Debentures so called for redemption shall thereupon be and become due and payable at the Redemption Price on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of

maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after such Redemption Date, if the monies necessary to redeem, or the Common Shares to be issued to redeem, such Debentures shall have been deposited as provided in Section 4.5 and affidavits or other proof satisfactory to the Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest upon the Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

4.5 Deposit of Redemption Monies or Common Shares

Redemption of Debentures shall be provided for by the Corporation depositing with the Trustee or any paying agent to the order of the Trustee, on or before 12:00 p.m. (Toronto time) on the Business Day immediately prior to the Redemption Date specified in such notice, such sums of money, or certificates representing such Common Shares, or both as the case may be, as may be sufficient to pay the Redemption Price of the Debentures so called for redemption, provided the Corporation may elect to satisfy this requirement by providing the Trustee with a certified cheque or wire transfer for such amounts required under this Section 4.5 post-dated to the Redemption Date. The Corporation shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such redemption. Every such deposit shall be irrevocable. From the sums so deposited, or certificates so deposited, or both, the Trustee shall pay or cause to be paid, or issue or cause to be issued, to the holders of such Debentures so called for redemption, upon surrender of such Debentures, the principal, premium (if any) and interest (if any) to which they are respectively entitled on redemption.

4.6 Right to Repay Redemption Principal Amount in Common Shares

(a) Subject to the receipt of any required regulatory approvals, the provisions governing any series of Debentures and the other provisions of this Section 4.6, the Corporation may, at its option, in exchange for or in lieu of paying the aggregate principal amount of Debentures (the "**Redemption Principal Amount**") to be redeemed in money, elect to satisfy its obligation to pay all or any portion of the Redemption Principal Amount of Debentures to be redeemed by issuing and delivering to holders on the Redemption Date that number of Freely Tradeable Common Shares obtained by dividing the Redemption Principal Amount of the Debentures to be redeemed (or applicable portion thereof to be satisfied by the issuance and delivery of Freely Tradeable Common Shares) by 95% of the then Current Market Price of the Common Shares on the Redemption Date (the "**Common Share Redemption Right**"). Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest on the Debentures to be redeemed will be paid to the holders of Debentures in cash in the manner contemplated in Section 4.5.

(b) The Corporation shall exercise the Common Share Redemption Right by so specifying in the Redemption Notice, which shall be delivered to the Trustee and

the holders of Debentures not more than 60 days and not less than 40 days prior to the Redemption Date, and which shall also specify the aggregate principal amount of Debentures in respect of which it is exercising the Common Share Redemption Right in such notice.

(c) Prior to the issuance of Common Shares pursuant to Section 4.6(a), the Trustee will provide the holders of Debentures with a Residency Declaration Form in substantially the form of Schedule F and instructions with respect to its completion and transmission to the Trustee. Each holder of Debentures who is a Qualified Canadian is entitled to receive Class A Shares upon the delivery to the Trustee of a duly completed Residency Declaration to the effect that such holder is a Qualified Canadian. Each holder of Debentures who is not a Qualified Canadian is entitled to receive Class B Shares upon the delivery to the Trustee of a duly completed Residency Declaration to the effect that such holder is not a Qualified Canadian. Notwithstanding any other provision of this Indenture, in the case of Global Securities, Residency Declarations may be delivered in accordance with the Applicable Procedures. Holders of Debentures will not be issued Common Shares until a Residency Declaration Form in a form acceptable to the Corporation is delivered.

(d) The Corporation's right to exercise the Common Share Redemption Right shall be conditional upon the following conditions being met on the Business Day preceding the Redemption Date:

(i) the issuance of the Common Shares on the exercise of the Common Share Redemption Right shall be made in accordance with Applicable Securities Legislation and such Common Shares shall be issued as Freely Tradeable Common Shares;

(ii) such additional Freely Tradeable Class A Shares shall be listed on each stock exchange on which the Class A Shares are then listed, the Toronto Stock Exchange or a national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association;

(iii) the Corporation shall be a reporting issuer in good standing under Applicable Securities Legislation where the distribution of such Freely Tradeable Common Shares occurs;

(iv) no Event of Default shall have occurred and be continuing;

(v) the Trustee shall have received an Officer's Certificate stating that conditions (i), (ii), (iii) and (iv) above have been satisfied and setting forth the number of Common Shares to be delivered for each $1,000 principal amount of Debentures and the Current Market Price of the Common Shares on the Redemption Date; and

(vi) the Trustee shall have received an opinion of Counsel to the effect that such Common Shares have been duly authorized and, when issued and

delivered pursuant to the terms of this Indenture in payment of the Redemption Principal Amount, will be validly issued as fully paid and non-assessable, that conditions (i) and (ii) above have been satisfied and that, relying exclusively on certificates of good standing issued by the relevant securities authorities, condition (iii) above is satisfied, except that the opinion in respect of condition (iii) need not be expressed with respect to those provinces where certificates are not issued.

(vii) If the foregoing conditions are not satisfied prior to the close of business on the Business Day preceding the Redemption Date, the Corporation shall pay the entire Redemption Price, including the Redemption Principal Amount, in cash in accordance with Section 4.5 unless the Debentureholder waives the conditions which are not satisfied. The Corporation may not change the form of components or percentage of consideration to be paid for the Debentures except as described in the preceding sentence. When the Corporation determines the actual number of the Common Shares to be issued pursuant to the Corporation's exercise of its Common Share Redemption Right, it will issue a press release on a national newswire disclosing the Current Market Price and such actual number of Common Shares.

(e) In the event that the Corporation duly exercises its Common Share Redemption Right, upon presentation and surrender of the Debentures for payment on the Redemption Date, at any place where a register is maintained pursuant to Article 3 or any other place specified in the Redemption Notice, the Corporation shall on or before 12:00 p.m. (Toronto time) on the Business Day immediately prior to the Redemption Date make the delivery to the Trustee for delivery to and on account of the holders, of certificates representing the Freely Tradeable Common Shares to which such holders are entitled.

(f) No fractional Freely Tradeable Common Shares shall be delivered upon the exercise of the Common Share Redemption Right but, in lieu thereof, the Corporation shall pay to the Trustee for the account of the holders, at the time contemplated in Section 4.6(e), the cash equivalent thereof determined on the basis of the Current Market Price of the Common Shares on the Redemption Date (less any tax required to be deducted, if any).

(g) A holder shall be treated as the shareholder of record of the Freely Tradeable Common Shares issued on due exercise by the Corporation of its Common Share Redemption Right effective immediately after the close of business on the Redemption Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including distributions and dividends in kind) thereon and arising thereafter, and in the event that the Trustee receives the same, it shall hold the same in trust for the benefit of such holder.

(h) The Corporation shall at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue and delivery upon the exercise of the Common Share Redemption Right as provided herein, and shall issue to Debentureholders to whom Freely Tradeable Common Shares will be issued pursuant to exercise of the Common Share Redemption Right, such number of Freely Tradeable Common Shares as shall be issuable in such event. All Freely Tradeable Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

(i) The Corporation shall comply with all Applicable Securities Legislation regulating the issue and delivery of Freely Tradeable Common Shares upon exercise of the Common Share Redemption Right and shall cause to be listed and posted for trading such Class A Shares on each stock exchange on which the Class A Shares are then listed.

(j) The Corporation shall from time to time promptly pay, or make provision satisfactory to the Trustee for the payment of, all taxes and charges which may be imposed by the laws of Canada or any province thereof (except income tax, withholding tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Freely Tradeable Common Shares to holders upon exercise of the Common Share Redemption Right pursuant to the terms of the Debentures and of this Indenture.

(k) If the Corporation elects to satisfy its obligation to pay all or any portion of the Redemption Principal Amount by issuing Freely Tradeable Common Shares in accordance with this Section 4.6 and if the Redemption Principal Amount (or any portion thereof) to which a holder is entitled is subject to withholding taxes and the amount of the cash payment of the Redemption Principal Amount, if any, is insufficient to satisfy such withholding taxes, the Trustee, on the Written Direction of the Corporation but for the account of the holder, shall sell, through the investment banks, brokers or dealers selected by the Corporation, out of the Freely Tradeable Common Shares issued by the Corporation for this purpose, such number of Freely Tradeable Common Shares that together with the cash payment of the Redemption Principal Amount, if any, is sufficient to yield net proceeds (after payment of all costs) to cover the amount of taxes required to be withheld, and shall remit same on behalf of the Corporation to the proper tax authorities within the period of time prescribed for this purpose under applicable laws.

4.7 Failure to Surrender Debentures Called for Redemption

In case the holder of any Debenture so called for redemption shall fail on or before the Redemption Date so to surrender such holder's Debenture, or shall not within such time accept payment of the redemption monies payable, or take delivery of certificates representing such Common Shares issuable in respect thereof, or give such receipt therefor, if any, as the Trustee may require, such redemption monies may be set aside in trust, or such certificates may be held

in trust without interest, either in the deposit department of the Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum or Common Shares so set aside and, to that extent, the Debenture shall thereafter not be considered as outstanding hereunder and the Debentureholder shall have no other right except to receive payment out of the monies so paid and deposited, or take delivery of the certificates so deposited, or both, upon surrender and delivery up of such holder's Debenture of the Redemption Price, as the case may be, of such Debenture. In the event that any money, or certificates representing Common Shares, required to be deposited hereunder with the Trustee or any depository or paying agent on account of principal, premium, if any, or interest, if any, on Debentures issued hereunder shall remain so deposited for a period of six years from the Redemption Date, then such monies or certificates representing Common Shares, together with any distribution paid thereon, shall at the end of such period be paid over or delivered over by the Trustee or such depository or paying agent to the Corporation on its demand, and thereupon the Trustee shall not be responsible to Debentureholders for any amounts owing to them and subject to applicable law, thereafter the holder of a Debenture in respect of which such money was so repaid to the Corporation shall have no rights in respect thereof except to obtain payment of the money or certificates due from the Corporation, subject to any limitation period provided by the laws of Ontario. Notwithstanding the foregoing, the Trustee will pay any remaining funds prior to the expiry of six years after the Redemption Date to the Corporation upon receipt from the Corporation, of an unconditional letter of credit from a Canadian chartered bank in an amount equal to or in excess of the amount of the remaining funds. If the remaining funds are paid to the Corporation prior to the expiry of six years after the Redemption Date, the Corporation shall reimburse the Trustee for any amounts required to be paid by the Trustee to a holder of a Debenture pursuant to the redemption after the date of such payment of the remaining funds to the Corporation but prior to six years after the redemption.

4.8 Cancellation of Debentures Redeemed

Subject to the provisions of Sections 4.2 and 4.9 as to Debentures redeemed or purchased in part, all Debentures redeemed and paid under this Article 4 shall forthwith be delivered to the Trustee and cancelled and no Debentures shall be issued in substitution for those redeemed.

4.9 Purchase of Debentures by the Corporation

(a) Unless otherwise specifically provided with respect to a particular series of Debentures, the Corporation may, if it is not at the time in default hereunder, at any time and from time to time, purchase Debentures in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by contract, at any price. All Debentures so purchased will be delivered to the Trustee and shall be cancelled and no Debentures shall be issued in substitution therefor.

(b) If, upon an invitation for tenders, more Debentures are tendered at the same lowest price that the Corporation is prepared to accept, the Debentures to be purchased by the Corporation shall be selected by the Trustee on a *pro rata* basis or in such other manner consented to by the Toronto Stock Exchange or such other exchange on which the Debentures are then listed and posted for trading

which the Trustee considers appropriate, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Trustee may make, and from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more of such Debentures become subject to purchase in part only. The holder of a Debenture of which a part only is purchased, upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such holder, one or more new Debentures for the unpurchased part so surrendered, and the Trustee shall certify and deliver such new Debenture or Debentures upon receipt of the Debenture so surrendered or, with respect to a Global Debenture, the Depository shall make notations on the Global Debenture of the principal amount thereof so purchased.

4.10 Right to Repay Principal Amount in Common Shares

(a) Subject to the receipt of any required regulatory approvals, the provisions governing any series of Debentures and the other provisions of this Section 4.10, the Corporation may, at its option, in exchange for or in lieu of repaying the principal amount of the Debentures in money, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures outstanding by issuing and delivering to holders on the Maturity Date of such Debentures that number of Freely Tradeable Common Shares obtained by dividing the principal amount of the Debentures (or applicable portion thereof to be satisfied by the issuance and delivery of Freely Tradeable Common Shares) by 95% of the then Current Market Price of the Common Shares on the Maturity Date (the "**Common Share Repayment Right**"). Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest on the Debentures will be paid to the holders of Debentures in cash in the manner contemplated in Section 4.5.

(b) The Corporation shall exercise the Common Share Repayment Right by so specifying in the Maturity Notice, which shall be delivered to the Trustee and the holders of Debentures not more than 60 days and not less than 40 days prior to the Maturity Date, and which shall also specify the aggregate principal amount of Debentures in respect of which it is exercising the Common Share Repayment Right on the Maturity Date.

(c) Prior to the issuance of Common Shares pursuant to Section 4.10(a), the Trustee will provide the holders of Debentures with a Residency Declaration Form in substantially the form of Schedule F and instructions with respect to its completion and transmission to the Trustee. Each holder of Debentures who is a Qualified Canadian is entitled to receive Class A Shares upon the delivery to the Trustee of a duly completed Residency Declaration to the effect that such holder is a Qualified Canadian. Each holder of Debentures who is not a Qualified Canadian is entitled to receive Class B Shares upon the delivery to the Trustee of a duly completed Residency Declaration to the effect that such holder is not a

Qualified Canadian. Notwithstanding any other provision in this Indenture, in the case of Global Securities, Residency Declarations may be delivered in accordance with the Applicable Procedures. Holders of Debentures will not be issued Common Shares until a Residency Declaration Form in a form acceptable to the Corporation is delivered.

(d) The Corporation's right to exercise the Common Share Repayment Right shall be conditional upon the following conditions being met on the Business Day preceding the Maturity Date:

(i) the issuance of the Common Shares on the exercise of the Common Share Repayment Right shall be made in accordance with Applicable Securities Legislation and such Common Shares shall be issued as Freely Tradeable Common Shares;

(ii) such additional Freely Tradeable Class A Shares shall be listed on each stock exchange on which the Class A Shares are then listed, the Toronto Stock Exchange or a national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association;

(iii) the Corporation shall be a reporting issuer in good standing under Applicable Securities Legislation where the distribution of such Freely Tradeable Common Shares occurs;

(iv) no Event of Default shall have occurred and be continuing;

(v) the Trustee shall have received an Officer's Certificate stating that conditions (i), (ii), (iii) and (iv) above have been satisfied and setting forth the number of Common Shares to be delivered for each $1,000 principal amount of Debentures and the Current Market Price of the Common Shares on the Maturity Date; and

(vi) the Trustee shall have received an opinion of Counsel to the effect that such Common Shares have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the principal amount of the Debentures outstanding, will be validly issued as fully paid and non-assessable, that conditions (i) and (ii) above have been satisfied and that, relying exclusively on certificates of good standing issued by the relevant securities authorities, condition (iii) above is satisfied, except that the opinion in respect of condition (iii) need not be expressed with respect to those provinces where certificates are not issued.

If the foregoing conditions are not satisfied prior to the close of business on the Business Day preceding the Maturity Date, the Corporation shall pay the principal amount of the Debentures outstanding, together with all accrued and unpaid interest thereon, in cash in accordance with Section 2.13, unless the Debentureholder waives the conditions which are not satisfied. The Corporation may not change the form of components or

percentages of consideration to be paid for the Debentures once it has given the notice required to be given to Debentureholders hereunder, except as described in the preceding sentence. When the Corporation determines the actual number of Common Shares to be issued pursuant to the exercise of its Common Share Repayment Right, it will issue a press release on a national newswire disclosing the Current Market Price and such actual number of Common Shares.

(e) In the event that the Corporation duly exercises its Common Share Repayment Right, upon presentation and surrender of the Debentures for payment on the Maturity Date, at any place where a register is maintained pursuant to Article 3 or any other place specified in the Maturity Notice, the Corporation shall on or before 12:00 p.m. (Toronto time) on the Business Day immediately prior to the Maturity Date make the delivery to the Trustee for delivery to and on account of the holders, of certificates representing the Freely Tradeable Common Shares to which such holders are entitled. The Corporation shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with the Common Share Repayment Right. Every such deposit shall be irrevocable. From the certificates so deposited in addition to amounts payable by the Trustee pursuant to Section 2.13, the Trustee shall pay or cause to be paid, to the holders of such Debentures, upon surrender of such Debentures, the principal amount of and premium (if any) on the Debentures to which they are respectively entitled on maturity and deliver to such holders the certificates to which such holders are entitled. The delivery of such certificates to the Trustee will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of certificates relates to the extent of the amount delivered (plus the amount of any certificates sold to pay applicable taxes in accordance with this Section 4.10) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such holder will have no other right in regard thereto other than to receive out of the certificates so delivered, the certificate(s) to which it is entitled.

(f) No fractional Freely Tradeable Common Shares shall be delivered upon the exercise of the Common Share Repayment Right but, in lieu thereof, the Corporation shall pay to the Trustee for the account of the holders, at the time contemplated in Section 4.10(e), the cash equivalent thereof determined on the basis of the Current Market Price of the Common Shares on the Maturity Date (less any tax required to be deducted, if any).

(g) A holder shall be treated as the shareholder of record of the Freely Tradeable Common Shares issued on due exercise by the Corporation of its Common Share Repayment Right effective immediately after the close of business on the Maturity Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including dividends and distributions in kind) thereon and arising thereafter, and in the event that the Trustee receives the same, it shall hold the same in trust for the benefit of such holder.

(h) The Corporation shall at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue and delivery upon the exercise of the Corporation's Common Share Repayment Right as provided herein, and shall issue to Debentureholders to whom Freely Tradeable Common Shares will be issued pursuant to exercise of the Common Share Repayment Right, such number of Freely Tradeable Common Shares as shall be issuable in such event. All Freely Tradeable Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

(i) The Corporation shall comply with all Applicable Securities Legislation regulating the issue and delivery of Freely Tradeable Common Shares upon exercise of the Common Share Repayment Right and shall cause to be listed and posted for trading such Freely Tradeable Class A Shares on each stock exchange on which the Class A Shares are then listed.

(j) The Corporation shall from time to time promptly pay, or make provision satisfactory to the Trustee for the payment of, all taxes and charges which may be imposed by the laws of Canada or any province thereof (except income tax, withholding tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Freely Tradeable Common Shares to holders upon exercise of the Common Share Repayment Right pursuant to the terms of the Debentures and of this Indenture.

(k) If the Corporation elects to satisfy its obligation to pay all or any portion of the principal amount of Debentures due on maturity by issuing Freely Tradeable Common Shares in accordance with this Section 4.10 and if the amount (or any portion thereof) to which a holder is entitled is subject to withholding taxes and the amount of the cash payment of the amount due on maturity, if any, is insufficient to satisfy such withholding taxes, the Trustee, on the Written Direction of the Corporation but for the account of the holder, shall sell, through the investment banks, brokers or dealers selected by the Corporation, out of the Freely Tradeable Common Shares issued by the Corporation for this purpose, such number of Freely Tradeable Common Shares that together with the cash component of the amount due on maturity, including any interest accrued thereon is sufficient to yield net proceeds (after payment of all costs) to cover the amount of taxes required to be withheld, and shall remit same on behalf of the Corporation to the proper tax authorities within the period of time prescribed for this purpose under applicable laws.

(l) Interest accrued and unpaid on the Debentures on the Maturity Date will be paid to holders of Debentures, in cash, in the manner contemplated in Section 2.14.

ARTICLE 5
SUBORDINATION OF DEBENTURES

5.1 Subordination

The indebtedness, liabilities and obligations of the Corporation hereunder (except as provided in Section 15.5) or under the Debentures, whether on account of principal, premium, if any, interest or otherwise, but excluding the issuance of Common Shares upon any conversion pursuant to Article 16, upon any redemption pursuant to Article 4, or at maturity pursuant to Article 4 (collectively, the "**Debenture Liabilities**"), shall be subordinated and postponed and subject in right of payment, to the extent and in the manner hereinafter set forth in the following Sections of this Article 5, to the full and final payment of all Senior Indebtedness, and each holder of any such Debenture by his acceptance thereof agrees to and shall be bound by the provisions of this Article 5.

5.2 Order of Payment

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation:

(a) all Senior Indebtedness shall first be paid in full, or provision made for such payment, before any payment is made on account of Debenture Liabilities;

(b) any payment or distribution of assets of the Corporation, whether in cash, property or securities, to which the holders of the Debentures or the Trustee on behalf of such holders would be entitled except for the provisions of this Article 5, shall be paid or delivered by the trustee in bankruptcy, receiver, assignee for the benefit of creditors, or other liquidating agent making such payment or distribution, directly to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, to the extent necessary to pay all Senior Indebtedness in full after giving effect to any concurrent payment or distribution, or provision therefor, to the holders of such Senior Indebtedness; and

(c) the Senior Creditors or a receiver or a receiver-manager of the Corporation or of all or part of its assets or any other enforcement agent may sell, mortgage, or otherwise dispose of the Corporations assets in whole or in part, free and clear of all Debenture Liabilities and without the approval of the Debentureholders or the Trustee or any requirement to account to the Trustee or the Debentureholders.

The rights and priority of the Senior Indebtedness and the subordination pursuant hereto shall not be affected by:

(a) whether or not the Senior Indebtedness is secured;

(b) the time, sequence or order of creating, granting, executing, delivering of, or registering, perfecting or failing to register or perfect any security notice, caveat, financing statement or other notice in respect of the Senior Security;

(c) the time or order of the attachment, perfection or crystallization of any security constituted by the Senior Security;

(d) the taking of any collection, enforcement or realization proceedings pursuant to the Senior Security;

(e) the date of obtaining of any judgment or order of any bankruptcy court or any court administering bankruptcy, insolvency or similar proceedings as to the entitlement of the Senior Creditors, or any of them or the Debentureholders or any of them to any money or property of the Corporation;

(f) the failure to exercise any power or remedy reserved to the Senior Creditors under the Senior Security or to insist upon a strict compliance with any terms thereof;

(g) whether any Senior Security is now perfected, hereafter ceases to be perfected, is avoidable by any trustee in bankruptcy or like official or is otherwise set aside, invalidated or lapses;

(h) the date of giving or failing to give notice to or making demand upon the Corporation; or

(i) any other matter whatsoever.

5.3 Subrogation to Rights of Holders of Senior Indebtedness

(a) Subject to the prior payment in full of all Senior Indebtedness, the holders of the Debentures shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Corporation to the extent of the application thereto of such payments or other assets which would have been received by the holders of the Debentures but for the provisions hereof until the principal of, premium, if any, and interest on the Debentures shall be paid in full, and no such payments or distributions to the holders of the Debentures of cash, property or securities, which otherwise would be payable or distributable to the holders of the Senior Indebtedness, shall, as between the Corporation, its creditors other than the holders of Senior Indebtedness, and the holders of Debentures, be deemed to be a payment by the Corporation to the holders of the Senior Indebtedness or on account of the Senior Indebtedness, it being understood that the provisions of this Article 5 are and are intended solely for the purpose of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of Senior Indebtedness, on the other hand.

(b) The Trustee, for itself and on behalf of each of the Debentureholders, hereby waives any and all rights to require a Senior Creditor to pursue or exhaust any rights or remedies with respect to the Corporation or any property and assets

subject to any Senior Security or in any other manner to require the marshalling of property, assets or security in connection with the exercise by the Senior Creditors of any rights, remedies or recourses available to them.

5.4 Obligation to Pay Not Impaired

Nothing contained in this Article 5 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Corporation, its creditors other than the holders of Senior Indebtedness, and the holders of the Debentures, the obligation of the Corporation, which is absolute and unconditional, to pay to the holders of the Debentures the principal of, premium, if any, and interest on the Debentures, as and when the same shall become due and payable in accordance with their terms, or affect the relative rights of the holders of the Debentures and creditors of the Corporation other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 5 of the holders of Senior Indebtedness.

5.5 No Payment if Senior Indebtedness in Default

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, or any other enforcement of any Senior Indebtedness, then, except as provided in Section 5.8, all such Senior Indebtedness shall first be paid in full, or shall first have been duly provided for, before any payment is made on account of the Debenture Liabilities.

(b) In case of a circumstance constituting a default or event of default with respect to any Senior Indebtedness permitting (whether at that time or upon notice, lapse of time, or satisfaction of any other condition precedent) a Senior Creditor to demand payment or accelerate the maturity thereof where the notice of such default or event of default has been given by or on behalf of the holders of Senior Indebtedness to the Corporation or the Corporation otherwise has knowledge thereof, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, no payment (by purchase of Debentures or otherwise) shall be made by the Corporation (except as provided in Section 5.8) with respect to the Debenture Liabilities and neither the Trustee nor the holders of Debentures shall be entitled to demand, institute proceedings for the collection of (which shall, for certainty include proceedings related to an adjudication or declaration as to the insolvency or bankruptcy of the Corporation and other similar creditor proceedings), or receive any payment or benefit (including by set-off, combination of accounts or otherwise in any manner whatsoever) on account of the Debentures after the happening of such a default or event of default (except as provided in Section 5.8), and unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, such payments shall be held in trust for the benefit of, and, if and when such Senior Indebtedness shall have become due and payable, shall be paid over to, the holders of the Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing an amount of the

Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

(c) The fact that any payment hereunder is prohibited by this Section 5.5 shall not prevent the failure to make such payment from being an Event of Default hereunder.

5.6 Payment on Debentures Permitted

Nothing contained in this Article 5 or elsewhere in this Indenture, or in any of the Debentures, shall affect the obligation of the Corporation to make, or prevent the Corporation from making, at any time except as prohibited by Sections 5.2 or 5.5, any payment of principal of or, premium, if any, or interest on the Debentures. The fact that any such payment is prohibited by Sections 5.2 or 5.5 shall not prevent the failure to make such payment from being an Event of Default hereunder. Nothing contained in this Article 5 or elsewhere in this Indenture, or in any of the Debentures, shall prevent the conversion of the Debentures. or, except as prohibited by Sections 5.2 or 5.5, the application by the Trustee of any monies deposited with the Trustee hereunder for the purpose, to the payment of or on account of the Debenture Liabilities.

5.7 Confirmation of Subordination

Each holder of Debentures by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effect the subordination as provided in this Article 5 and appoints the Trustee his attorney-in-fact for any and all such purposes. Upon request of the Corporation, and upon being furnished an Officer's Certificate stating that one or more named Persons are Senior Creditors and specifying the amount and nature of the Senior Indebtedness of such Senior Creditor, the Trustee shall enter into a written agreement or agreements with the Corporation and the Person or Persons named in such Officer's Certificate providing that such Person or Persons are entitled to all the rights and benefits of this Article 5 as a Senior Creditor and for such other matters, such as an agreement not to amend the provisions of this Article 5 and the definitions herein without the consent of such Senior Creditor, as the Senior Creditor may reasonably request. Such agreement shall be conclusive evidence that the indebtedness specified therein is Senior Indebtedness, however, nothing herein shall impair the rights of any Senior Creditor who has not entered into such an agreement.

5.8 Knowledge of Trustee

Notwithstanding the provisions of this Article 5 or any provision in this Indenture or in the Debentures contained, the Trustee will not be charged with knowledge of any Senior Indebtedness or of any default in the payment thereof, or of the existence of any Event of Default or any other fact that would prohibit the making of any payment of monies to or by the Trustee, or the taking of any other action by the Trustee, unless and until the Trustee has received written notice thereof from the Corporation, any Debentureholder or any Senior Creditor. The Trustee may assume for all purposes that there has been no Event of Default unless it has received

notification in writing that an Event of Default has occurred, which notification shall give in reasonable detail the nature of the default in question.

5.9 Trustee May Hold Senior Indebtedness

The Trustee is entitled to all the rights set forth in this Article 5 with respect to any Senior Indebtedness at the time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture deprives the Trustee of any of its rights as such holder.

5.10 Rights of Holders of Senior Indebtedness Not Impaired

No right of any present or future holder of any Senior Indebtedness to enforce the subordination herein will at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Corporation or by any non-compliance by the Corporation with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

5.11 Altering the Senior Indebtedness

The holders of the Senior Indebtedness have the right to extend, renew, modify or amend the terms of the Senior Indebtedness or any security therefor and to release, sell or exchange such security and otherwise to deal freely with the Corporation, all without notice to or consent of the Debentureholders or the Trustee and without affecting the liabilities and obligations of the parties to this Indenture or the Debentureholders.

5.12 Additional Indebtedness

This Indenture does not restrict the Corporation from incurring additional indebtedness for borrowed money or other obligations or liabilities (including Senior Indebtedness) or mortgaging, pledging or charging its properties to secure any indebtedness or obligations or liabilities.

5.13 Right of Debentureholder to Convert Not Impaired

The subordination of the Debentures to the Senior Indebtedness and the provisions of this Article 5 do not impair in any way the right of a Debentureholder to convert its Debentures pursuant to Article 6.

5.14 Invalidated Payments

In the event that any of the Senior Indebtedness shall be paid in full and subsequently, for whatever reason, such formerly paid or satisfied Senior Indebtedness becomes unpaid or unsatisfied, the terms and conditions of this Article 5 shall be reinstated and the provisions of this Article shall again be operative until all Senior Indebtedness is repaid in full, provided that such reinstatement shall not give the Senior Creditors any rights or recourses against the Trustee or the Debentureholders for amounts paid to the Debentureholders subsequent to such payment or satisfaction in full and prior to such reinstatement.

5.15 Contesting Security

The Trustee, for itself and on behalf of the Debentureholders, agrees that it shall not contest or bring into question the validity, perfection or enforceability of any of the Senior Indebtedness, the Senior Security, or the relative priority of the Senior Security.

5.16 No Set Off

Each of the Corporation and the Trustee agrees, and each holder of a Debenture, by his acceptance thereof, likewise agrees, that it shall have no right of set-off or counterclaim with respect to the principal of, premium, if any, and interest on the Debentures, at any time when any payment of, or in respect of, such amounts to the Trustee or the holder of a Debenture is prohibited by this Article 5 or is otherwise required to be paid to the holders of Senior Indebtedness.

ARTICLE 6
CONVERSION OF DEBENTURES

6.1 Conversion Right

(a) Any Debentures issued hereunder of any series which by their terms are convertible (subject, however, to any applicable restriction of the conversion of Debentures of such series) will be convertible into Common Shares or other securities of the Corporation, at such conversion rate or rates, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debentures and shall have been expressed in this Indenture (including Sections 2.4(f), 2.4(j)(viii) and 3.7), in such Debentures or in a supplemental indenture authorizing or providing for the issue thereof.

(b) Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of the Debenture or Debentures surrendered for conversion at any one time by the holder thereof may be converted. Subject to the conversion procedures set forth in Section 6.4, holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 6.6.

6.2 Notice of Expiry of Conversion Privilege

Notice of the expiry of the conversion privileges of the Debentures shall be given by or on behalf of the Corporation, not more than 60 days and not less than 40 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 14.2.

6.3 Revival of Right to Convert

If the redemption of any Debenture called for redemption by the Corporation is not made or the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made, in the case of a

redemption upon due surrender of such Debenture or in the case of a purchase on the date on which such purchase is required to be made, as the case may be, then, provided the Time of Expiry has not passed, the right to convert such Debentures shall revive and continue as if such Debenture had not been called for redemption or tendered in acceptance of the Corporation's offer, respectively.

6.4 Manner of Exercise of Right to Convert

(a) The holder of a Debenture desiring to convert such Debenture in whole or in part into Common Shares shall surrender such Debenture to the Trustee at its principal office in Toronto, Ontario together with: (1) a conversion notice substantially in the form of Schedule D Schedule E or any other written notice in a form satisfactory to the Trustee; and (2) a Residency Declaration Form, substantially in the form of Schedule E, duly executed by the holder or his, her or its executors or administrators or other legal representatives or his, her or its attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee, exercising such holder's right to convert such Debenture in accordance with the provisions of this Article; provided that with respect to a Global Debenture, the obligation to surrender a Debenture to the Trustee shall be satisfied if the Trustee makes notation on the Global Debenture of the principal amount thereof so converted and the Trustee is provided with all other documentation which it may request in accordance with the Applicable Procedures. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Section 6.4(b)) as the holder of the number of Class A Shares or Class B Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Class A Shares or Class B Shares, as applicable, and make or cause to be made any payment of interest to which such holder is entitled in accordance with Section 6.4(e).

(b) For the purposes of this Article, a Debenture shall be deemed to be surrendered for conversion on the Business Day immediately after the date (herein called the "**Date of Conversion**") on which it is so surrendered when the register of the Trustee is open and in accordance with the provisions of this Article or, in the case of a Global Debenture which the Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the Business Day immediately after the date on which it is received by the Trustee at one of its offices specified in Section 6.4(a); provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the Person or Persons entitled to receive Common Shares shall become the

holder or holders of record of such Common Shares as at the date on which such registers are next reopened.

(c) Any part, being $1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of $1,000 may be converted as provided in this Article and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

(d) The holder of any Debenture of which only a part is converted shall, upon the exercise of his right of conversion surrender such Debenture to the Trustee in accordance with Section 6.4(a), and the Trustee shall cancel the same and shall without charge forthwith certify and deliver to the holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered or, with respect to a Global Debenture, the Depository shall make notations on the Global Debentures of the principal amount thereof so converted.

(e) The holder of a Debenture surrendered for conversion in accordance with this Section 6.4 shall be entitled (subject to any applicable restriction on the right to receive interest on conversion of Debentures of any series) to receive accrued and unpaid interest in respect thereof, up to but excluding the Date of Conversion and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 6.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

6.5 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

(a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than the issue of Common Shares to holders of Common Shares who have elected to receive dividends or distributions in the form of Common Shares in lieu of Dividends Paid in the Ordinary Course), the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a dividend or distribution, as the case may be, shall be the product of the Conversion Price immediately prior to such effective date or record date and the quotient of the number of Common Shares outstanding immediately before such effective or record date divided by the number of

Common Shares outstanding on such effective date or record date after giving effect to the applicable transaction. Such adjustment shall be made successively whenever any event referred to in this Section 6.5(a) shall occur. Any such issue of Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (b) and (c) of this Section 6.5.

(b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription, or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Current Market Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect if only the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.

(c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares or other securities of any class other than Common Shares and other than shares or other securities distributed to holders of Common Shares who have elected to receive dividends or distributions in the form of such shares or other securities in lieu of Dividends Paid in the Ordinary Course, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), (iii) evidences of its indebtedness, or (iv) assets (excluding Dividends Paid in the Ordinary Course) then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price

determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price per Common Share on such record date, less the fair market value (as determined by the Board of Directors with the approval of the Trustee, which determination shall be conclusive) of such shares or other securities or rights, options or warrants or evidences of indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price per Common Share. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or other securities or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be. In clause (iv) of this subsection (c) the term "Dividends Paid in the Ordinary Course" shall include the value of any securities or other property or assets distributed in lieu of cash dividends or cash distributions paid in the ordinary course on the Common Shares at the option of shareholders.

(d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 6.5(a) or a consolidation, amalgamation, arrangement, merger or acquisition of the Corporation with or into or by any other Person or other entity or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of a Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger or acquisition, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger or acquisition, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger or acquisition, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the Board of Directors, to give effect to or to evidence the provisions of this Section 6.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or

contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent reasonably possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the holder of Debentures to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as reasonably possible, with respect to any shares, other securities or property to which a holder of Debentures is entitled on the exercise of its conversion rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this Section 6.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 16. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 6.5(d) and which shall apply to successive reclassifications, capital reorganizations, consolidations, amalgamations, mergers, acquisitions, sales or conveyances and to any successive liquidation, dissolution or winding up. For greater certainty, nothing in this Section 6.5(d) shall affect or reduce the requirement for any Person to make a Change of Control Purchase Offer or to pay the Make Whole Premium in accordance with Section 2.4, and notice of any transaction to which this Section 6.5(d) applies shall be given in accordance with Section 6.10.

(e) If and whenever at any time prior to June 30, 2014, the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares, the Conversion Price shall be adjusted immediately after such record date so that it shall be reduced by the amount of such payment. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Conversion Price shall be readjusted to the Conversion Price which would have been in effect if such record date had not been fixed.

(f) In any case in which this Section 6.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such holder would, but for the provisions of this Section 6.5(f), have become the holder of record of such additional Common Shares pursuant to Section 6.4(b).

(g) The adjustments provided for in this Section 6.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 6.5(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(h) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.

(i) In the event of any question arising with respect to the adjustments provided in this Section 6.5, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Trustee, and the Debentureholders.

(j) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 6.5, which in the opinion of the Board of Directors, would materially affect the rights of Debentureholders, the Conversion Price shall be adjusted in such manner and at such time, by action of the Board of Directors, subject to the prior written consent of the Toronto Stock Exchange or such other exchange on which the Debentures are then listed, as the Board of Directors, in its sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

(k) Subject to the prior written consent of the Toronto Stock Exchange or such other exchange on which the Debentures are then listed, no adjustment in the Conversion Price shall be made in respect of any event described in Sections 6.5(a), 6.5(b) or 6.5(c) other than the events described in 6.5(a)(i) or 6.5(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted their Debentures prior to the effective date or record date, as the case may be, of such event.

(l) Except as stated above in this Section 6.5, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Conversion Price.

6.6 No Requirement to Issue Fractional Common Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of whole Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the holder of such Debenture of an amount equal to the fractional interest which would have been issuable multiplied by the Current Market Price.

6.7 Corporation to Reserve Common Shares

The Corporation covenants with the Trustee that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures as in this Article provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of all outstanding Debentures. The Corporation covenants with the Trustee that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

6.8 Cancellation of Converted Debentures

Subject to the provisions of Section 6.4 as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Debenture shall be issued in substitution for those converted.

6.9 Certificate as to Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 6.5, deliver an Officer's Certificate to the Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation) and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 14.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price; provided that, if the Corporation has given notice under this Section 6.9 covering all the relevant facts in respect of such event and if the Trustee approves, no such notice need be given under this Section 6.9.

6.10 Notice of Special Matters

(a) The Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 14.2, of its intention to fix a record date for any event referred to in Section 6.5(a), (b), (c), (d), (e), (f) or (g) other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than fourteen (14) days in each case prior to such applicable record date.

(b) In addition, the Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 14.2, at least 30 days prior to the effective date of any transaction referred to in Section 6.5(d) stating the consideration into which the Debentures will be convertible after the effective date of such transaction.

6.11 Protection of Trustee

Subject to Section 15.3, the Trustee:

(a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture; and

(c) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares or share certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article.

ARTICLE 7
COVENANTS OF THE CORPORATION

The Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Debentureholders, that so long as any Debentures remain outstanding:

7.1 To Pay Principal, Premium (if any) and Interest

The Corporation will duly and punctually pay or cause to be paid to every Debentureholder the principal of, premium (if any) and interest accrued on the Debentures of which it is the holder on the dates, at the places and in the manner mentioned herein and in the Debentures.

7.2 To Pay Trustee's Remuneration

The Corporation will pay the Trustee reasonable remuneration for its services as Trustee hereunder and will repay to the Trustee on demand all monies which shall have been paid by the Trustee in connection with the execution of the trusts hereby created and such monies including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to payment of any principal of the Debentures or interest or premium thereon. Such remuneration shall continue to be payable until the trusts hereof be finally wound up and whether or not the trusts of this Indenture shall be in the course of administration by or under the direction of a court of competent jurisdiction. Any amount due under this Section 7.2 and unpaid 30 days after request for such payment shall bear interest from the expiration of such 30 days at a rate per annum equal to the rate normally charged by the Trustee for similar accounts, payable on demand. Such remuneration shall continue to be payable until the duties hereof shall be finally wound up, whether or not the duties of the Trustee shall be in the course of administration by or under the direction of a court.

7.3 To Give Notice of Default

The Corporation shall notify the Trustee immediately upon obtaining knowledge of any Event of Default hereunder.

7.4 Preservation of Existence, Etc.

Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its and its Subsidiaries' respective existences and rights.

7.5 Keeping of Books

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

7.6 Annual Certificate of Compliance

The Corporation shall deliver to the Trustee, within 120 days after the end of each calendar year, an Officer's Certificate as to the knowledge of such officers of the Corporation who executes the Officer's Certificate of the Corporation's compliance with all conditions and covenants in this Indenture certifying that after reasonable investigation and inquiry, the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the

circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

7.7 Performance of Covenants by Trustee

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Trustee may notify the Debentureholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it, but shall be under no obligation to do so or to notify the Debentureholders. All sums so expended or advanced by the Trustee shall be repayable as provided in Section 7.2. No such performance, expenditure or advance by the Trustee shall be deemed to relieve the Corporation of any default hereunder.

7.8 No Dividends on Common Shares if Event of Default

The Corporation shall not declare or pay any dividend to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

7.9 Maintain Listing

The Corporation will use reasonable commercial efforts to maintain the listing of the Class A Shares and the Debentures on the Toronto Stock Exchange, and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation; provided that the foregoing covenant shall not prevent or restrict the Corporation from carrying out a transaction to which Article 11 would apply if carried out in compliance with Article 11 even if as a result of such transaction the Corporation ceases to be a "reporting issuer" in all or any of the provinces of Canada or the Class A Shares or Debentures cease to be listed on the Toronto Stock Exchange or any other stock exchange.

ARTICLE 8
DEFAULT

8.1 Events of Default

(a) Each of the following events constitutes, and is herein sometimes referred to as, an "**Event of Default**":

  (i) failure for ten days to pay interest on the Debentures when due;

  (ii) failure to pay principal or premium (whether by way of payment of cash or delivery of Common Shares), if any, when due on the Debentures whether at maturity, upon redemption or a Change of Control, by declaration or otherwise;

  (iii) default in the delivery, when due, of all cash and any Common Shares or other consideration, including any Make Whole Premium, payable on conversion with respect to the Debentures, which default continues for 15 days;

(iv) default in the observance or performance of any covenant or condition of the Indenture by the Corporation and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation to rectify such default or obtain a waiver for same;

(v) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days;

(vi) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

(vii) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 11.1 are duly observed and performed;

(viii) if, after the date of this Indenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction; or

(ix) if any indebtedness of the Corporation in excess of $100,000 is declared due and payable prior to the date on which it would otherwise become or be due and payable, unless such default is cured or waived pursuant to the terms of the indebtedness.

(b) In the event of the occurrence of an Event of Default, the Trustee may, in its discretion, and shall, upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding, subject to the provisions of Section 8.3, by notice in writing to the Corporation declare the principal of and interest and premium, if any, on all Debentures then outstanding and all other monies outstanding hereunder to be due and payable and

the same shall thereupon forthwith become immediately due and payable to the Trustee, and (ii) on the occurrence of an Event of Default under Sections 8.1(a)(v), (f) or (viii), the principal of and interest and premium, if any, on all Debentures then outstanding hereunder and all other monies outstanding hereunder, shall automatically without any declaration or other act on the part of the Trustee or any Debentureholder become immediately due and payable to the Trustee and, in either case, upon such amounts becoming due and payable in either (i) or (ii) above, the Corporation shall forthwith pay to the Trustee for the benefit of the Debentureholders such principal, accrued and unpaid interest and premium, if any, and interest on amounts in default on such Debenture and all other monies outstanding hereunder, together with subsequent interest at the rate borne by the Debentures on such principal, interest, premium and such other monies from the date of such declaration or event until payment is received by the Trustee, such subsequent interest to be payable at the times and places and in the manner mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Trustee shall be applied in the manner provided in Section 8.6.

(c) For greater certainty, for the purposes of this Section 8.1, a series of Debentures shall be in default in respect of an Event of Default if such Event of Default relates to a default in the payment of principal, premium, if any, or interest on the Debentures of such series in which case references to Debentures in this Section 8.1 refer to Debentures of that particular series.

(d) For purposes of this Article 8, where the Event of Default refers to an Event of Default with respect to a particular series of Debentures as described in this Section 8.1, then this Article 8 shall apply *mutatis mutandis* to the Debentures of such series and references in this Article 8 to the Debentures shall mean Debentures of the particular series and references to the Debentureholders shall refer to the Debentureholders of the particular series, as applicable.

8.2 Notice of Events of Default

If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it receives written notice of the occurrence of such Event of Default, give notice of such Event of Default to the Debentureholders in the manner provided in Section 14.2, provided that notwithstanding the foregoing, unless the Trustee shall have been requested to do so by the holders of at least 25% of the principal amount of the Debentures then outstanding, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Debentureholders and shall have so advised the Corporation in writing. The Trustee may assume for all purposes that there has been no Event of Default unless it has received notification in writing that an Event of Default has occurred, which notification shall give in reasonable detail the nature of the default in question.

8.3 Waiver of Default

Upon the happening of any Event of Default hereunder:

(a) the holders of the Debentures shall have the power (in addition to the powers exercisable by Extraordinary Resolution as hereinafter provided) by requisition in writing by the holders of more than 50% of the principal amount of Debentures then outstanding, to instruct the Trustee to waive any Event of Default and to cancel any declaration made by the Trustee pursuant to Section 8.1 and the Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such requisition; provided that notwithstanding the foregoing if the Event of Default has occurred by reason of the non-observance or non-performance by the Corporation of any covenant applicable only to one or more series of Debentures, then the holders of more than 50 % of the principal amount of the outstanding Debentures of that series shall be entitled to exercise the foregoing power and the Trustee shall so act and it shall not be necessary to obtain a waiver from the holders of any other series of Debentures; and

(b) the Trustee, so long as it has not become bound to declare the principal and interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable.

No such act or omission either of the Trustee or of the Debentureholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

8.4 Enforcement by the Trustee

(a) Subject to the provisions of Section 8.3 and to the provisions of any Extraordinary Resolution that may be passed by the Debentureholders, if the Corporation shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 8.1, the principal of and premium (if any) and interest on all Debentures then outstanding, together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding and upon being funded and indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as trustee hereunder to obtain or enforce payment of such principal of and premium (if any) and interest on all the Debentures then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity as the Trustee in such request shall have been directed to take, or if such request contains no such direction, or if

the Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Trustee shall deem expedient.

(b) The Trustee shall be entitled and empowered, either in its own name or as Trustee of an express trust, or as attorney-in-fact for the holders of the Debentures, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Debentures allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective holders of the Debentures by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Debentures with authority to make and file in the respective names of the holders of the Debentures or on behalf of the holders of the Debentures as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the holders of the Debentures themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such holders of the Debentures, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the holders of the Debentures against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that subject to Section 8.3, nothing contained in this Indenture shall be deemed to give to the Trustee, unless so authorized by Extraordinary Resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Debentureholder.

(c) The Trustee shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Debentureholders.

(d) All rights of action hereunder may be enforced by the Trustee without the possession of any of the Debentures or the production thereof on the trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the holders of the Debentures subject to the provisions of this Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debentures, and it shall not be necessary to make any holders of the Debentures parties to any such proceeding.

8.5 No Suits by Debentureholders

No holder of any Debenture shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal of or interest on the Debentures or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless:

(a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder;

(b) the Debentureholders by Extraordinary Resolution or by written instrument signed by the holders of at least 25% in principal amount of the Debentures then outstanding shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose;

(c) the Debentureholders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(d) the Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the holder of any Debentures.

8.6 Application of Monies by Trustee

(a) Except as herein otherwise expressly provided, any monies received by the Trustee from the Corporation pursuant to the foregoing provisions of this Article 8, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation, shall be applied, together with any other monies in the hands of the Trustee available for such purpose, as follows:

(i) first, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other monies furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;

(ii) second, but subject as hereinafter in this Section 8.6 provided, in payment, rateably and proportionately to the holders of Debentures, of the principal of and premium (if any) and accrued and unpaid interest and interest on amounts in default on the Debentures which shall then be outstanding in

the priority of principal first and then premium and then accrued and unpaid interest and interest on amounts in default unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal, premium (if any) and interest as may be directed by such resolution; and

(iii) third, in payment of the surplus, if any, of such monies to the Corporation or its assigns;

provided, however, that no payment shall be made pursuant to clause (ii) above in respect of the principal, premium or interest on any Debenture held, directly or indirectly, by or for the benefit of the Corporation or any Subsidiary (other than any Debenture pledged for value and in good faith to a Person other than the Corporation or any Subsidiary but only to the extent of such Person's interest therein) except subject to the prior payment in full of the principal, premium (if any) and interest (if any) on all Debentures which are not so held.

(b) The Trustee shall not be bound to apply or make any partial or interim payment of any monies coming into its hands if the amount so received by it, after reserving thereout such amount as the Trustee may think necessary to provide for the payments mentioned in Section 8.6(a) is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Debentures, but it may retain the money so received by it and invest or deposit the same as provided in Section 15.9 until the money or the investments representing the same, with the income derived therefrom, together with any other monies for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall, however, not apply to a final payment in distribution hereunder.

8.7 Notice of Payment by Trustee

Not less than 15 days notice shall be given in the manner provided in Section 14.2 by the Trustee to the Debentureholders of any payment to be made under this Article 8. Such notice shall state the time when and place where such payment is to be made and also the liability under this Indenture to which it is to be applied. After the day so fixed, unless payment shall have been duly demanded and have been refused, the Debentureholders will be entitled to interest only on the balance (if any) of the principal monies, premium (if any) and interest due (if any) to them, respectively, on the Debentures, after deduction of the respective amounts payable in respect thereof on the day so fixed.

8.8 Trustee May Demand Production of Debentures

The Trustee shall have the right to demand production of the Debentures in respect of which any payment of principal, interest or premium required by this Article 8 is made and may cause to be endorsed on the same a memorandum of the amount so paid and the date of payment, but the Trustee may, in its discretion, dispense with such production and endorsement, upon such indemnity being given to it and to the Corporation as the Trustee shall deem sufficient.

8.9 Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee, or upon or to the holders of Debentures is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

8.10 Judgment Against the Corporation

The Corporation covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Debentureholders, judgment may be rendered against it in favour of the Debentureholders or in favour of the Trustee, as trustee for the Debentureholders, for any amount which may remain due in respect of the Debentures and premium (if any) and the interest thereon and any other monies owing hereunder.

8.11 Immunity of Directors, Officers and Others

The Debentureholders and the Trustee hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer, director or employee of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of the Debentures or on any covenant, agreement, representation or warranty by the Corporation contained herein or in the Debentures.

ARTICLE 9
SATISFACTION AND DISCHARGE

9.1 Cancellation and Destruction

All Debentures shall forthwith after payment thereof be delivered to the Trustee and cancelled by it. All Debentures cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Trustee and, if required by the Corporation, the Trustee shall furnish to it a destruction certificate setting out the designating numbers of the Debentures so destroyed.

9.2 Non-Presentation of Debentures

In case the holder of any Debenture shall fail to present the same for payment on the date on which the principal of, premium (if any) or the interest thereon or represented thereby becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor, if any, as the Trustee may require:

(a) the Corporation shall be entitled to pay or deliver to the Trustee and direct it to set aside; or

(b) in respect of monies or Common Shares in the hands of the Trustee which may or should be applied to the payment of the Debentures, the Corporation shall be entitled to direct the Trustee to set aside; or

(c) if the redemption was pursuant to notice given by the Trustee, the Trustee may itself set aside;

the monies or Common Shares, as the case may be, in trust to be paid to the holder of such Debenture upon due presentation or surrender thereof in accordance with the provisions of this Indenture; and thereupon the principal of, premium (if any) or the interest payable on or represented by each Debenture in respect whereof such monies or Common Shares, if applicable, have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving delivery and payment of the monies or Common Shares, if applicable, so set aside by the Trustee upon due presentation and surrender thereof, subject always to the provisions of Section 9.3.

9.3 Repayment of Unclaimed Monies or Common Shares

Subject to applicable law, any monies or Common Shares, if applicable, set aside under Section 9.2 and not claimed by and paid to holders of Debentures as provided in Section 9.2 within six years after the date of such setting aside shall be repaid and delivered to the Corporation by the Trustee and thereupon the Trustee shall be released from all further liability with respect to such monies or Common Shares, if applicable, and thereafter the holders of the Debentures in respect of which such monies or Common Shares, if applicable, were so repaid to the Corporation shall have no rights in respect thereof except to obtain payment and delivery of the monies or Common Shares, if applicable, from the Corporation subject to any limitation provided by the laws of the Province of Ontario. Notwithstanding the foregoing, the Trustee will pay any remaining funds without interest prior to the expiry of six years after the setting aside described in Section 9.2 to the Corporation upon receipt from the Corporation, of an unconditional letter of credit from a Canadian chartered bank in an amount equal to or in excess of the amount of the remaining funds. If the remaining funds are paid to the Corporation. prior to the expiry of six years after such setting aside, the Corporation shall reimburse the Trustee for any amounts so set aside which are required to be paid by the Trustee to a holder of a Debenture after the date of such payment of the remaining funds to the Corporation but prior to six years after such setting aside.

9.4 Discharge

The Trustee shall at the written request of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of, premium (if any) and interest (including interest on amounts in default, if any), on all the Debentures and all other monies payable hereunder have been paid or satisfied or that all the Debentures having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on such Debentures and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

9.5 Satisfaction

(a) The Corporation shall be deemed to have fully paid, satisfied and discharged all of the outstanding Debentures of any series and the Trustee, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Debentures, when, with respect to all of the outstanding Debentures or all of the outstanding Debentures of any series, as applicable:

(i) the Corporation has deposited or caused to be deposited with the Trustee as trust funds or property in trust for the purpose of making payment on such Debentures, an amount in money or Common Shares, if applicable, sufficient to pay, satisfy and discharge the entire amount of principal of, premium, if any, and interest, if any, to maturity, or any repayment date or Redemption Dates, or any Change of Control Purchase Date, or upon conversion or otherwise as the case may be, of such Debentures (including the maximum amount that may be payable as a Make Whole Premium);

(ii) the Corporation has deposited or caused to be deposited with the Trustee as trust property in trust for the purpose of making payment on such Debentures:

(A) if the Debentures are issued in Canadian dollars, such amount in Canadian dollars of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or Common Shares, if applicable; or

(B) if the Debentures are issued in a currency or currency unit other than Canadian dollars, cash in the currency or currency unit in which the Debentures are payable and/or such amount in such currency or currency unit of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or the government that issued the currency or currency unit in which the Debentures are payable or Common Shares, if applicable;

as will, together with the income to accrue thereon and reinvestment thereof, be sufficient to pay and discharge the entire amount of principal of, premium, if any (including the maximum amount that may be payable as a Make Whole Premium) on, and accrued and unpaid interest to maturity or any repayment date, as the case may be, of all such Debentures; or

(iii) all Debentures authenticated and delivered (other than (A) Debentures which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.9 and 2.10 and (B) Debentures for whose payment has been deposited in trust and thereafter repaid to the

Corporation as provided in Section 9.3) have been delivered to the Trustee for cancellation;

so long as in any such event:

(iv) the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Trustee for the payment of all other sums payable or which may be payable (including the maximum amount that may be payable as a Make Whole Premium) with respect to all of such Debentures (together with all applicable expenses of the Trustee in connection with the payment of such Debentures); and

(v) the Corporation has delivered to the Trustee an Officer's Certificate stating that all conditions precedent herein provided relating to the payment, satisfaction and discharge of all such Debentures have been complied with.

Any deposits with the Trustee referred to in this Section 9.5 shall be irrevocable, subject to Section 9.6, and shall be made under the terms of an escrow and/or trust agreement in form and substance satisfactory to the Trustee and which provides for the due and punctual payment of the principal of, premium, if any, and interest on the Debentures being satisfied.

(b) Upon the satisfaction of the conditions set forth in this Section 9.5 with respect to all the outstanding Debentures, or all the outstanding Debentures of any series, as applicable, the terms and conditions of the Debentures, including the terms and conditions with respect thereto set forth in this Indenture (other than those contained in Article 2 and Article 4 and the provisions of Article 1 pertaining to Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

(c) Any funds or obligations deposited with the Trustee pursuant to this Section 9.5 shall be denominated in the currency or denomination of the Debentures in respect of which such deposit is made.

(d) If the Trustee is unable to apply any money or securities in accordance with this Section 9.5 by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Debentures shall be revived and reinstated as though no money or securities had been deposited pursuant to this Section 9.5 until such time as the Trustee is permitted to apply all such money or securities in accordance with this Section 9.5, provided that if the Corporation has made any payment in respect of principal of, premium, if any, or interest on Debentures or, as applicable, other amounts because of the reinstatement of its obligations, the Corporation shall be subrogated to the rights of the holders of such Debentures to receive such payment from the money or securities held by the Trustee.

9.6 Continuance of Rights, Duties and Obligations

(a) Where trust funds or trust property have been deposited pursuant to Section 9.5, the holders of Debentures and the Corporation shall continue to have and be subject to their respective rights, duties and obligations under Article 2 and Article 4.

(b) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5 in respect of a series of Debentures (the "**Defeased Debentures**"), any holder of any of the Defeased Debentures from time to time converts its Debentures to Common Shares or other securities of the Corporation in accordance with Subsection 2.4(f) (in respect of Initial Debentures or the comparable provision of any other series of Debentures), Article 6 or any other provision of this Indenture, the Trustee shall upon receipt of a Written Direction of the Corporation return to the Corporation from time to time the proportionate amount of the trust funds or other trust property deposited with the Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures so converted (which amount shall be based on the applicable principal amount of the Defeased Debentures being converted in relation to the aggregate outstanding principal amount of all the Defeased Debentures).

(c) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5, the Corporation is required to make a Change of Control Purchase Offer to purchase any outstanding Debentures pursuant to Subsection 2.4(j) (in respect of Initial Debentures or the comparable provision of any other series of Debentures), in relation to Initial Debentures or to make an offer to purchase Debentures pursuant to any other similar provisions relating to any other series of Debentures, the Corporation shall be entitled to use any trust money or trust property deposited with the Trustee pursuant to Section 9.5 for the purpose of paying to any holders of Defeased Debentures who have accepted any such offer of the Corporation the Total Offer Price payable to such holders in respect of such Change of Control Purchase Offer in respect of Initial Debentures (or the total offer price payable in respect of an offer relating to any other series of Debentures). Upon receipt of a Written Direction from the Corporation, the Trustee shall be entitled to pay to such holder from such trust money or trust property deposited with the Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures held by such holders who have accepted any such offer to the Corporation (which amount shall be based on the applicable principal amount of the Defeased Debentures held by accepting offerees in relation to the aggregate outstanding principal amount of all the Defeased Debentures).

ARTICLE 10
COMMON SHARE INTEREST PAYMENT ELECTION

10.1 Common Share Interest Payment Election

(a) Provided that the Corporation is not in default under this Indenture and that all applicable regulatory approvals have been obtained (including any required approval of any stock exchange on which the Debentures or Class A Shares are then listed), the Corporation shall have the right, from time to time, to make a Common Share Interest Payment Election in respect of any Interest Obligation by delivering a Common Share Interest Payment Election Notice to the Trustee no later than the earlier of (i) the date required by applicable law or the rules of any stock exchange on which the Debentures or Class A Shares are then listed, and (ii) the day which is 15 Business Days prior to the Interest Payment Date to which the Common Share Interest Payment Election relates.

(b) Upon receipt of a Common Share Interest Payment Election Notice, the Trustee shall, in accordance with this Article 10 and such Common Share Interest Payment Election Notice, deliver Common Share Bid Requests to the investment banks, brokers or dealers identified by the Corporation, in its absolute discretion, in the Common Share Interest Payment Election Notice. In connection with the Common Share Interest Payment Election, the Trustee shall have the power to: (i) accept delivery of Class A Shares from the Corporation and process the Class A Shares in accordance with the Common Share Interest Payment Election Notice; (ii) accept bids with respect to, and consummate, sales of, such Class A Shares, each as the Corporation shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Corporation in the Common Share Interest Payment Election Notice; (iii) invest the proceeds of such sales on the direction of the Corporation in Government Obligations which mature prior to an applicable Interest Payment Date and use such proceeds to pay the Interest Obligation in respect of which the Common Share Interest Payment Election was made; and (iv) perform any other action necessarily incidental thereto as directed by the Corporation in its absolute discretion. The Common Share Interest Payment Election Notice shall direct the Trustee to solicit and accept only, and each Common Share Bid Request shall provide that the acceptance of any bid is conditional on the acceptance of, sufficient bids to result in aggregate proceeds from such issue and sale of Class A Shares which, together with the cash payments by the Corporation in lieu of fractional Class A Shares, if any, equal the Interest Obligation on the Common Share Delivery Date.

(c) The Common Share Interest Payment Election Notice shall provide for, and all bids shall be subject to, the right of the Corporation, by delivering written notice to the Trustee at any time prior to the consummation of such delivery and sale of the Class A Shares on the Common Share Delivery Date, to withdraw the Common Share Interest Payment Election (which shall have the effect of withdrawing each related Common Share Bid Request), whereupon the

Corporation shall be obliged to pay in cash the Interest Obligation in respect of which the Common Share Interest Payment Election Notice has been delivered.

(d) Any sale of Class A Shares pursuant to this Article 10 may be made to one or more Persons whose bids are solicited, but all such sales with respect to a particular Common Share Interest Payment Election shall take place concurrently on the Common Share Delivery Date.

(e) The amount received by a holder of a Debenture in respect of the Interest Obligation or the entitlement thereto will not be affected by whether or not the Corporation elects to satisfy the Interest Obligation pursuant to a Common Share Interest Payment Election.

(f) The Trustee shall inform the Corporation promptly following receipt of any bid or bids for Class A Shares solicited pursuant to the Common Share Bid Requests. The Trustee shall accept such bid or bids as the Corporation, in its absolute discretion, shall direct by Written Direction of the Corporation, provided that the aggregate proceeds of all sales of Class A Shares resulting from the acceptance of such bids, together with the amount of any cash payment by the Corporation in lieu of any fractional Class A Shares, on the Common Share Delivery Date, must be equal to the related Common Share Interest Payment Election Amount in connection with any bids so accepted, the Corporation, the Trustee (if required by the Corporation in its absolute discretion) and the applicable bidders shall, not later than the Common Share Delivery Date, enter into Common Share Purchase Agreements and shall comply with all Applicable Securities Legislation, including the securities rules and regulations of any stock exchange on which the Debentures or Class A Shares are then listed. The Corporation shall pay all fees and expenses in connection with the Common Share Purchase Agreements including the fees and commissions charged by the investment banks, brokers and dealers and the fees of the Trustee.

(g) Provided that: (i) all conditions specified in each Common Share Purchase Agreement to the closing of all sales thereunder have been satisfied, other than the delivery of the Class A Shares to be sold thereunder against payment of the purchase price thereof; and (ii) the purchasers under each Common Share Purchase Agreement shall be ready, willing and able to perform thereunder, in each case on the Common Share Delivery Date, the Corporation shall, on the Common Share Delivery Date, deliver to the Trustee the Class A Shares to be sold on such date, an amount in cash equal to the value of any fractional Class A Shares and an Officer's Certificate to the effect that all conditions precedent to such sales, including those set forth in this Indenture and in each Common Share Purchase Agreement, have been satisfied. Upon such deliveries, the Trustee shall consummate such sales on such Common Share Delivery Date by the delivery of the Class A Shares to such purchasers against payment to the Trustee in immediately available funds of the purchase price therefor in an aggregate amount equal to the Common Share Interest Payment Election Amount (less any amount attributable to any fractional Class A Shares), whereupon the sole right of a holder

of Debentures to receive such holder's portion of the Common Share Interest Payment Election Amount will be to receive same from the Trustee out of the proceeds of such sales of Class A Shares plus any amount received by the Trustee from the Corporation attributable to any fractional Class A Shares in full satisfaction of the Interest Obligation and the holder will have no further recourse to the Corporation in respect of the Interest Obligation.

(h) The Trustee shall, on the Common Share Delivery Date, use the sale proceeds of the Class A Shares (together with any cash received from the Corporation in lieu of any fractional Class A Shares) to purchase, on the direction of the Corporation in writing, Government Obligations which mature prior to the applicable Interest Payment Date and which the Trustee is required to hold until maturity (the "**Common Share Proceeds Investment**") and shall, on such date, deposit the balance, if any, of such sale proceeds in an account established by the Corporation (and which shall be maintained by and subject to the control of the Trustee) (the "**Interest Account**") for such Debentures. The Trustee shall hold such Common Share Proceeds Investment (but not income earned thereon) under its exclusive control in an irrevocable trust for the benefit of the holders of the Debentures. At least one Business Day prior to the Interest Payment Date, the Trustee shall deposit amounts from the proceeds of the Common Share Proceeds Investment in the Interest Account to bring the balance of the Interest Account to the Common Share Interest Payment Election Amount. On the Interest Payment Date, the Trustee shall pay the funds held in the Interest Account to the holders of record of the Debentures on the Interest Payment Date (less any tax required to be deducted, if any) and, provided that there is no Event of Default, shall remit amounts, if any, in respect of income earned on the Common Share Proceeds Investment or otherwise in excess of the Common Share Interest Payment Election Amount to the Corporation.

(i) Neither the making of a Common Share Payment Election nor the consummation of sales of Class A Shares on a Common Share Delivery Date shall (i) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the Interest Obligation payable on such date or (ii) entitle such holders to receive any Class A Shares in satisfaction of such Interest Obligation.

(j) No fractional Class A Shares will be issued in satisfaction of interest but in lieu thereof the Corporation will satisfy such fractional interest by a cash payment equal to the market price of such fractional interest (less any tax required to be deducted, if any).

10.2 Duties of Trustee

Notwithstanding any other provision of this Article 10, the Trustee shall not be required to take any action set out in Article 10 until it has received a written direction of the Company, in form satisfactory to the Trustee, in respect of such action.

ARTICLE 11
SUCCESSORS

11.1 Corporation may Consolidate, Etc., Only on Certain Terms

(a) The Corporation may not, without the consent of the holders, consolidate with or amalgamate or merge with or into any Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) or sell, convey, transfer or lease all or substantially all of the properties and assets of the Corporation to another Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) unless:

(i) the Person formed by such consolidation or into which the Corporation is amalgamated or merged, or the Person which acquires by sale, conveyance, transfer or lease all or substantially all of the properties and assets of the Corporation is a corporation, organized and existing under the laws of Canada or any province or territory thereof or the laws of the United States or any state thereof and such corporation (if other than the Corporation or the continuing corporation resulting from the amalgamation of the Corporation with another corporation under the laws of Canada or any province or territory thereof) expressly assumes, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the obligations of the Corporation under the Debentures and this Indenture and the performance or observance of every covenant and provision of this Indenture and the Debentures required on the part of the Corporation to be performed or observed and the conversion rights shall be provided for in accordance with Article 4, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee, by the Person (if other than the Corporation or the continuing corporation resulting from the amalgamation of the Corporation with another corporation under the laws of Canada or any province or territory thereof) formed by such consolidation or into which the Corporation shall have been merged or by the Person which shall have acquired the Corporation's assets;

(ii) after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(iii) if the Corporation or the continuing corporation resulting from the amalgamation or merger of the Corporation with another Person under the laws of Canada or any province or territory thereof or the laws of the United States or any state thereof will not be the resulting, continuing or surviving corporation, the Corporation shall have, at or prior to the effective date of such consolidation, amalgamation, merger or sale, conveyance, transfer or lease, delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such

consolidation, merger or transfer complies with this Article and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) For purposes of the foregoing, the sale, conveyance, transfer or lease (in a single transaction or a series of related transactions) of the properties or assets of one or more Subsidiaries of the Corporation (other than to the Corporation or another wholly-owned Subsidiary of the Corporation), which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

11.2 Successor Substituted

Upon any consolidation of the Corporation with, or amalgamation or merger of the Corporation into, any other Person or any sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, in accordance with Section 11.1, the successor Person formed by such consolidation or into which the Corporation is amalgamated or merged or to which such sale, conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under this Indenture with the same effect as if such successor Person had been named as the Corporation herein, and thereafter, except in the case of a lease, and except for obligations the predecessor Person may have under a supplemental indenture entered into pursuant to Section 11.1(a)(iii), the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Debentures.

ARTICLE 12
COMPULSORY ACQUISITION

12.1 Compulsory Acquisition Definitions

For the purposes of this Article 12:

(a) "**Affiliate**" and "**Associate**" shall have their respective meanings set forth in the *Securities Act* (Ontario);

(b) "**Dissenting Debentureholders**" means a Debentureholder who does not accept an Offer referred to in Section 12.2 and includes any assignee of the Debenture of a Debentureholder to whom such an Offer is made, whether or not such assignee is recognized under this Indenture;

(c) "**Offer**" means an offer to acquire outstanding Debentures, which is a takeover bid for Debentures within the meaning ascribed thereto in MI 62-104, whereas of the date of the offer to acquire, the Debentures that are subject to the offer to

acquire, together with the Offeror's Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures;

(d) "**offer to acquire**" includes an acceptance of an offer to sell;

(e) "**Offeror**" means a person, or two or more persons acting jointly or in concert, who make an Offer to acquire Debentures;

(f) "**Offeror's Debentures**" means Debentures beneficially owned, or over which control or direction is exercised, on the date of an Offer by the Offeror, any Affiliate or Associate of the Offeror or any person or company acting jointly or in concert with the Offeror; and

(g) "**Offeror's Notice**" means the notice described in Section 12.3.

12.2 Offer for Debentures

If an Offer for all of the outstanding Debentures (other than Debentures held by or on behalf of the Offeror or an Affiliate or Associate of the Offeror) is made and:

(a) within the time provided in the Offer for its acceptance or within 120 days after the date the Offer is made, whichever period is the shorter, the Offer is accepted by Debentureholders representing at least 90% of the outstanding principal amount of the Debentures, other than the Offeror's Debentures;

(b) the Offeror is bound to take up and pay for, or has taken up and paid for the Debentures of the Debentureholders who accepted the Offer;

(c) the Offeror complies with Sections 12.3 and 12.5; and

(d) the Offeror is entitled to acquire, and the Dissenting Debentureholders are required to sell to the Offeror, the Debentures held by the Dissenting Debentureholder for the same consideration per Debenture payable or paid, as the case may be, under the Offer.

12.3 Offeror's Notice to Dissenting Debentureholders

Where an Offeror is entitled to acquire Debentures held by Dissenting Debentureholders pursuant to Section 12.2 and the Offeror wishes to exercise such right, the Offeror shall send by registered mail within 30 days after the date of termination of the Offer a notice (the "**Offeror's Notice**") to each Dissenting Debentureholder stating that:

(a) Debentureholders holding at least 90% of the principal amount of all outstanding Debentures, other than Offeror's Debentures, have accepted the Offer;

(b) the Offeror is bound to take up and pay for, or has taken up and paid for, the Debentures of the Debentureholders who accepted the Offer;

(c) Dissenting Debentureholders must transfer their respective Debentures to the Offeror on the terms on which the Offeror acquired the Debentures of the Debentureholders who accepted the Offer within 21 days after the date of the sending of the Offeror's Notice; and

(d) Dissenting Debentureholders must send their respective Debenture certificate(s) to the Trustee within 21 days after the date of the sending of the Offeror's Notice.

12.4 Delivery of Debenture Certificates

A Dissenting Debentureholder to whom an Offeror's Notice is sent pursuant to Section 12.3 shall, within 21 days after the sending of the Offeror's Notice, send his or her Debenture certificate(s) to the Trustee duly endorsed for transfer.

12.5 Payment of Consideration to Trustee

Within 21 days after the Offeror sends an Offeror's Notice pursuant to Section 12.3, the Offeror shall pay or transfer to the Trustee, or to such other Person as the Trustee may direct, the cash or other consideration that is payable to Dissenting Debentureholders pursuant to Section 12.2. The acquisition by the Offeror of all Debentures held by all Dissenting Debentureholders shall be effective as of the time of such payment or transfer.

12.6 Consideration to be held in Trust

The Trustee, or the Person directed by the Trustee, shall hold in trust for the Dissenting Debentureholders the cash or other consideration they or it receive(s) under Section 12.5. The Trustee, or such Persons, shall deposit cash in a separate account in a Canadian chartered bank, or other body corporate, any of whose deposits are insured by the Canada Deposit Insurance Corporation, and shall place other consideration in the custody of a Canadian chartered bank or such other body corporate.

12.7 Completion of Transfer of Debentures to Offeror

Within 30 days after the date of the sending of an Offeror's Notice pursuant to Section 12.3, the Trustee, if the Offeror has complied with Section 12.5, shall:

(a) do all acts and things and execute and cause to be executed all instruments as in the Trustee's opinion may be necessary or desirable to cause the transfer of the Debentures of the Dissenting Debentureholders to the Offeror;

(b) send to each Dissenting Debentureholder who has complied with Section 12.4 the consideration to which such Dissenting Debentureholder is entitled under this Article 12; and

(c) send to each Dissenting Debentureholder who has not complied with Section 12.4 a notice stating that:

(i) his or her Debentures have been transferred to the Offeror;

(ii) the Trustee or some other Person designated in such notice are holding in trust the consideration for such Debentures; and

(iii) the Trustee, or such other Person, will send the consideration to such Dissenting Debentureholder as soon as possible after receiving such Dissenting Debentureholder's Debenture certificate(s) or such other documents as the Trustee or such other Person may require in lieu thereof;

and the Trustee is hereby appointed the agent and attorney of the Dissenting Debentureholders for the purposes of giving effect to the foregoing provisions.

12.8 Communication of Offer to Corporation

An Offeror cannot make an Offer for Debentures unless, concurrent with the communication of the Offer to any Debentureholder, a copy of the Offer is provided to the Corporation.

ARTICLE 13
MEETINGS OF DEBENTUREHOLDERS

13.1 Right to Convene Meeting

The Trustee or the Corporation may at any time and from time to time, and the Trustee shall, on receipt of a Written Direction of the Corporation or a written request signed by the holders of not less than 25% of the principal amount of the Debentures then outstanding and upon receiving funding and being indemnified to its reasonable satisfaction by the Corporation or by the Debentureholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders. In the event of the Trustee failing, within 30 days after receipt of any such request and such funding of indemnity, to give notice convening a meeting, the Corporation or such Debentureholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Toronto in the Province of Ontario or at such other place as may be approved or determined by the Trustee.

13.2 Notice of Meetings

(a) At least 21 days notice of any meeting shall be given to the Debentureholders in the manner provided in Section 14.2 and a copy of such notice shall be sent by post to the Trustee, unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any holder of Debentures shall not invalidate any resolution passed at any such meeting. A holder may waive notice of a meeting either before or after the meeting.

(b) If the business to be transacted at any meeting by Extraordinary Resolution or otherwise, or any action to be taken or power exercised by instrument in writing

under Section 13.15, especially affects the rights of holders of Debentures of one or more series in a manner or to an extent differing in any material way from that in or to which the rights of holders of Debentures of any other series are affected (determined as provided in Sections 13.2(c) and (d)), then:

(i) a reference to such fact, indicating each series of Debentures in the opinion of the Trustee so especially affected (hereinafter referred to as the "**especially affected series**") shall be made in the notice of such meeting, and in any such case the meeting shall be and be deemed to be and is herein referred to as a "**Serial Meeting**"; and

(ii) the holders of Debentures of an especially affected series shall not be bound by any action taken at a Serial Meeting or by instrument in writing under Section 13.5 unless in addition to compliance with the other provisions of this Article 13:

(A) at such Serial Meeting: (1) there are Debentureholders present in person or by proxy and representing at least 25% in principal amount of the Debentures then outstanding of such series, subject to the provisions of this Article 13 as to quorum at adjourned meetings; and (II) the resolution is passed by the affirmative vote of the holders of more than 50% (or in the case of an Extraordinary Resolution not less than 66 ⅔%) of the principal amount of the Debentures of such series then outstanding voted on the resolution; or

(B) in the case of action taken or power exercised by instrument in writing under Section 13.5, such instrument is signed in one or more counterparts by the holders of not less than 66 ⅔% in principal amount of the Debentures of such series then outstanding.

(c) Subject to Section 13.2(d), the determination as to whether any business to be transacted at a meeting of Debentureholders, or any action to be taken or power to be exercised by instrument in writing under Section 13.15, especially affects the rights of the Debentureholders of one or more series in a manner or to an extent differing in any material way from that in or to which it affects the rights of Debentureholders of any other series (and is therefore an especially affected series) shall be determined by an opinion of Counsel, which shall be binding on all Debentureholders, the Trustee and the Corporation for all purposes hereof.

(d) A proposal:

(i) to extend the maturity of Debentures of any particular series or to reduce the principal amount thereof, the rate of interest or redemption premium thereon or to impair any conversion right thereof;

(ii) to modify or terminate any covenant or agreement which by its terms is effective only so long as Debentures of a particular series are outstanding; or

(iii) to reduce with respect to Debentureholders of any particular series any percentage stated in this Section 13.2 or Sections 13.4, 13.12 and 13.15;

shall be deemed to especially affect the rights of the Debentureholders of such series in a manner differing in a material way from that in which it affects the rights of holders of Debentures of any other series, whether or not a similar extension, reduction, modification or termination is proposed with respect to Debentures of any or all other series.

13.3 Chairman

Some person, who need not be a Debentureholder, nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Debentureholders present in person or by proxy shall choose some person present to be chairman.

13.4 Quorum

Subject to the provisions of Section 13.12, at any meeting of the Debentureholders a quorum shall consist of Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures and, if the meeting is a Serial Meeting, at least 25% of the Debentures then outstanding of each especially affected series. If a quorum of the Debentureholders shall not be present within 30 minutes after the time fixed for holding any meeting, the meeting, if summoned by the Debentureholders or pursuant to a request of the Debentureholders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place, to the extent possible, and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Debentureholders present in person or by proxy shall, subject to the provisions of Section 13.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures or of the Debentures then outstanding of each especially affected series. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum be present at the commencement of business.

13.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Debentureholders is present may, with the consent of the holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

13.6 Show of Hands

Every question submitted to a meeting shall, subject to Section 13.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

13.7 Poll

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Debentureholders or proxies for Debentureholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures and of each especially affected series, if applicable, represented at the meeting and voted on the poll.

13.8 Voting

On a show of hands every person who is present and entitled to vote, whether as a Debentureholder or as proxy for one or more Debentureholders or both, shall have one vote. On a poll each Debentureholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each $1,000 principal amount of Debentures of which he shall then be the holder. In the case of any Debenture denominated in a currency or currency unit other than Canadian dollars, the principal amount thereof for these purposes shall be computed in Canadian dollars on the basis of the conversion of the principal amount thereof at the applicable spot buying rate of exchange for such other currency or currency unit as reported by the Bank of Canada at the close of business on the Business Day next preceding the meeting. Any fractional amounts resulting from such conversion shall be rounded to the nearest $100. A proxy need not be a Debentureholder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

13.9 Proxies

A Debentureholder may be present and vote at any meeting of Debentureholders by an authorized representative. The Corporation (in case it convenes the meeting) or the Trustee (in any other case) for the purpose of enabling the Debentureholders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

(a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any Person signing on behalf of a Debentureholder;

(b) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited; and

(c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, cabled, telegraphed or sent by other electronic means before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only Persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Debentureholders and persons whom Debentureholders have by instrument in writing duly appointed as their proxies.

13.10 Persons Entitled to Attend Meetings

The Corporation and the Trustee, by their respective officers and directors, the Auditors of the Corporation and the legal advisors of the Corporation, the Trustee or any Debentureholder may attend any meeting of the Debentureholders, but shall have no vote as such.

13.11 Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject to receipt of the prior approval of the Toronto Stock Exchange or such other exchange on which the Debentures are then listed, where required:

(a) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;

(b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or the Trustee against the Corporation, or against its property, whether such rights arise under this Indenture or the Debentures or otherwise;

(c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be

agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

(d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation, arrangement, combination or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 11.1 shall have been complied with;

(e) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

(f) power to waive, and direct the Trustee to waive, any default hereunder and/or cancel any declaration made by the Trustee pursuant to Section 8.1 either unconditionally or upon any condition specified in such Extraordinary Resolution;

(g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;

(h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 8.5, of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;

(i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;

(j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations

may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

(k) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture;

(l) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;

(m) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 13.11(a); and

(n) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to Section 13.11(j).

Notwithstanding the foregoing provisions of this Section 13.11, none of such provisions shall in any manner allow or permit any amendment, modification, abrogation or addition to the provisions of Article 5 which could reasonably be expected to detrimentally affect the rights, remedies or recourse of the priority of the Senior Creditors.

13.12 Meaning of "Extraordinary Resolution"

(a) The expression "**Extraordinary Resolution**" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of not less than 25% of the principal amount of the Debentures then outstanding, and if the meeting is a Serial Meeting, at which holders of not less than 25% of the principal amount of the Debentures then outstanding of each especially affected series, are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 ⅔% of the principal amount of the Debentures, and if the meeting is a Serial Meeting by the affirmative vote of the holders of not less than 66 ⅔% of each especially affected series, in each case present or represented by proxy at the meeting and voted upon on a poll on such resolution.

(b) If, at any such meeting, the holders of not less than 25% of the principal amount of the Debentures then outstanding and, if the meeting is a Serial Meeting, 25% of the principal amount of the Debentures then outstanding of each especially affected series, in each case are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by

or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 14 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 14.2. Such notice shall state that at the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of not less than 66 ⅔% of the principal amount of the Debentures and, if the meeting is a Serial Meeting, by the affirmative vote of the holders of not less than 66 ⅔% of the principal amount of the Debentures of each especially affected series, in each case present or represented by proxy at the meeting and voted upon on a poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of not less than 25% in principal amount of the Debentures then outstanding, and if the meeting is a Serial Meeting, holders of not less than 25% of the principal amount of the Debentures then outstanding of each especially affected series, are not present in person or by proxy at such adjourned meeting.

(c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

13.13 Powers Cumulative

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

13.14 Minutes

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Debentureholders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken,

13.15 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Debentureholders at a meeting held as hereinbefore in this Article provided may also be taken and exercised by the holders of 66 ⅔% of the principal amount of all the outstanding Debentures and, if the meeting at

which such actions might be taken would be a Serial Meeting, by the holders of 66 ⅔% of the principal amount of the Debentures then outstanding of each especially affected series, by an instrument in writing signed in one or more counterparts and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

13.16 Binding Effect of Resolutions

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article at a meeting of Debentureholders shall be binding upon all the Debentureholders, whether present at or absent from such meeting, and every instrument in writing signed by Debentureholders in accordance with Section 13.15 shall be binding upon all the Debentureholders, whether signatories thereto or not, and each and every Debentureholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

13.17 Evidence of Rights of Debentureholders

(a) Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Debentureholders may be in any number of concurrent instruments of similar tenor signed or executed by such Debentureholders.

(b) The Trustee may, in its discretion, require proof of execution in cases where it deems proof desirable and may accept such proof as it shall consider proper.

13.18 Serial Meetings

If in the opinion of Counsel any business to be transacted at any meeting, or any action to be taken or power to be exercised by instrument in writing under Section 13.15, does not adversely affect the rights of the holders of Debentures of one or more series, the provisions of this Article 13 shall apply as if the Debentures of such series were not outstanding and no notice of any such meeting need be given to the holders of Debentures of such series. Without limiting the generality of the foregoing, a proposal to modify or terminate any covenant or agreement which is effective only so long as Debentures of a particular series are outstanding shall be deemed not to adversely affect the rights of the holders of Debentures of any other series.

ARTICLE 14
NOTICES

14.1 Notice to Corporation

Any notice to the Corporation under the provisions of this Indenture shall be valid and effective if delivered to the Corporation at: P.O. Box 1530, 126 Bristol Avenue, Yellowknife, Northwest Territories, X1A 2P2, Attention: Corporate Secretary, and a copy delivered to Aird & Berlis LLP, Brookfield Place, Suite 1800, Box 754, 181 Bay Street, Toronto, ON M5J 2T9, Attention: Thomas Fenton, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Trustee in writing of a change of

address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Indenture.

14.2 Notice to Debentureholders

(a) All notices to be given hereunder with respect to the Debentures shall be deemed to be validly given to the holders thereof if: (i) if sent by first class mail, postage prepaid addressed to such holders at their addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given three days following the day of mailing; and (ii) if sent by courier, addressed to such holders at their addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given on the date of delivery by the courier. Accidental error or omission in giving notice or accidental failure to mail notice to any Debentureholder or the inability of the Corporation to give or mail any notice due to anything beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

(b) If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Debentureholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by publication at least once in the City of Toronto (or in such of those cities as, in the opinion of the Trustee, is sufficient in the particular circumstances), each such publication to be made in a daily newspaper of general circulation in the designated city.

(c) Any notice given to Debentureholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

(d) All notices with respect to any Debenture may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of any Persons interested in such Debenture.

14.3 Notice to Trustee

Any notice to the Trustee under the provisions of this Indenture shall be valid and effective if delivered or sent by facsimile transmission to the Trustee at its principal office in Toronto, Ontario at 100 University Avenue, 11th Floor, North Tower, Toronto, Ontario, M5J 2Y1, Attention: Manager, Corporate Trust Department (facsimile: (416) 981-9777) or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Trustee may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Trustee for all purposes of this Indenture.

14.4 Mail Service Interruption

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 14.3, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 14.3.

ARTICLE 15
CONCERNING THE TRUSTEE

15.1 No Conflict of Interest

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder but if, notwithstanding the provisions of this Section 15.1, such a material conflict of interest exists, or hereafter arises, the validity and enforceability of this Indenture, and the Debentures issued hereunder, shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists or arises but the Trustee shall, within 30 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 15.2.

15.2 Replacement of Trustee

(a) The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation 60 days notice in writing or such shorter notice as the Corporation may accept as sufficient. If at any time a material conflict of interest exists in the Trustee's role as a fiduciary hereunder the Trustee shall, within 30 days after ascertaining that such a material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in this Section 15.2. The validity and enforceability of this Indenture and of the Debentures issued hereunder shall not be affected in any manner whatsoever by reason only that such a material conflict of interest exists. In the event of the Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Debentureholders. Failing such appointment by the Corporation, the retiring Trustee or any Debentureholder may apply to a Judge of the Superior Court of Justice of Ontario, on such notice as such Judge may direct at the Corporation's expense, for the appointment of a new Trustee but any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Debentureholders and the appointment of such new Trustee shall be effective only upon such new Trustee becoming bound by this Indenture. Any new Trustee appointed under any provision of this Section 15.2 shall be a corporation authorized to carry on the business of a trust company in all of the Provinces of Canada. On any new appointment the new Trustee shall be vested with the same

powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

(b) Any company into which the Trustee may be merged or, with or to which it may be consolidated, amalgamated or sold, or any company resulting from any merger, consolidation, sale or amalgamation to which the Trustee shall be a party, or any company succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor trustee under this Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Trustee or of the Corporation, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act, and upon payment to the Trustee of all fees and out-of-pocket expenses owing to it and remaining unpaid, shall duly assign, transfer and deliver all property and money held by such Trustee to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Trustee, be made, executed, acknowledged and delivered by the Corporation.

15.3 Duties of Trustee

In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Trustee shall act honestly and in good faith and exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

15.4 Reliance Upon Declarations, Opinions, Etc.

In the exercise of its rights, duties and obligations hereunder the Trustee may, if acting in good faith, rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, opinions, reports or certificates furnished pursuant to any covenant, condition or requirement of this Indenture or required by the Trustee to be furnished to it in the exercise of its rights and duties hereunder, if the Trustee examines such statutory declarations, opinions, reports or certificates and determines that they comply with Section 15.5, if applicable, and with any other applicable requirements of this Indenture. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. Without restricting the foregoing, the Trustee may rely on an opinion of Counsel satisfactory to the Trustee notwithstanding that it is delivered by a solicitor or firm which acts as solicitors for the Corporation.

15.5 Evidence and Authority to Trustee, Opinions, Etc.

(a) The Corporation shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this Indenture relating to any action or step required or permitted to be taken by the Corporation or the Trustee under this

Indenture or as a result of any obligation imposed under this Indenture, including the certification and delivery of Debentures hereunder, the satisfaction and discharge of this Indenture and the taking of any other action to be taken by the Trustee at the request of or on the application of the Corporation, forthwith if and when (a) such evidence is required by any other Section of this Indenture to be furnished to the Trustee in accordance with the terms of this Section 15.5, or (b) the Trustee, in the exercise of its rights and duties under this Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice. Such evidence shall consist of:

(i) a certificate made by any two officers or directors of the Corporation, stating that any such condition precedent has been complied with in accordance with the terms of this Indenture;

(ii) in the case of a condition precedent compliance with which is, by the terms of this Indenture, made subject to review or examination by a solicitor, an opinion of Counsel that such condition precedent has been complied with in accordance with the terms of this Indenture; and

(iii) in the case of any such condition precedent compliance with which is subject to review or examination by auditors or accountants, an opinion or report of the Auditors of the Corporation whom the Trustee for such purposes hereby approves, that such condition precedent has been complied with in accordance with the terms of this Indenture,

(b) Whenever such evidence relates to a matter other than the certificates and delivery of Debentures and the satisfaction and discharge of this Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a trustee, officer or employee of the Corporation it shall be in the form of a statutory declaration. Such evidence shall be, so far as appropriate, in accordance with the immediately preceding paragraph of this Section.

(c) Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in the Indenture shall include (a) a statement by the person giving the evidence that he has read and is familiar with those provisions of this Indenture relating to the condition precedent in question, (b) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in such evidence are based, (c) a statement that, in the belief of the person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein, and (d) a statement whether in the opinion of such person the conditions precedent in question have been complied with or satisfied.

(d) The Corporation shall furnish or cause to be furnished to the Trustee at any time if the Trustee reasonably so requires, its certificate that the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such non-compliance. The Corporation shall, whenever the Trustee so requires, furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Indenture.

15.6 Officer's Certificates Evidence

Except as otherwise specifically provided or prescribed by this Indenture, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee, if acting in good faith, may rely upon an Officer's Certificate.

15.7 Experts, Advisers and Agents

The Trustee may:

(a) employ or retain and act and rely on the opinion or advice of or information obtained from any solicitor, auditor, valuer, engineer, surveyor, appraiser or other expert, whether obtained by the Trustee or by the Corporation, or otherwise, and shall not be liable for acting, or refusing to act, in good faith on any such opinion or advice and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and

(b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the trusts hereof and any solicitors employed or consulted by the Trustee may, but need not be, solicitors for the Corporation.

15.8 Trustee May Deal in Debentures

Subject to Sections 15.1 and 15.3, the Trustee may, in its personal or other capacity, buy, sell, lend upon and deal in the Debentures and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

15.9 Investment of Monies Held by Trustee

(a) Unless otherwise provided in this Indenture, any monies held by the Trustee, which, under the trusts of this Indenture, may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee, may be invested and reinvested in the name or under the control of the Trustee in Authorized Investments, provided that such securities are expressed to mature within two years or such shorter period selected to facilitate any payments expected to be made under this Indenture after their purchase by the Trustee, and unless and until the Trustee shall have declared the principal of and interest on the Debentures to be due and payable, the Trustee shall so invest such monies at the Written Direction of the Corporation given in a reasonably timely manner. Pending the investment of any monies as hereinbefore provided, such monies may be deposited in the name of the Trustee in any chartered bank of Canada or, with the consent of the Corporation, in the deposit department of the Trustee or any other loan or trust company authorized to accept deposits under the laws of Canada or any province thereof at the rate of interest, if any, then current on similar deposits. The Corporation shall receive the Trustee's prevailing rate for all monies held by it, as such rate may change from time to time.

(b) Unless and until the Trustee shall have declared the principal of and interest on the Debentures to be due and payable, and except as otherwise expressly provided herein, the Trustee shall pay over to the Corporation all interest received by the Trustee in respect of any investments or deposits made pursuant to the provisions of this Section.

15.10 Trustee Not Ordinarily Bound

Except as provided in Section 8.2 and as otherwise specifically provided herein, the Trustee shall not, subject to Section 15.3, be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained, nor in any way to supervise or interfere with the conduct of the Corporation's business, unless the Trustee shall have been required to do so in writing by the holders of not less than 25% of the aggregate principal amount of the Debentures then outstanding or by any Extraordinary Resolution of the Debentureholders passed in accordance with the provisions contained in Article 13, and then only after it shall have been funded and indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

15.11 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

15.12 Trustee Not Bound to Act on the Corporation's Request

Except as in this Indenture otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of the Corporation until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

15.13 Conditions Precedent to Trustee's Obligations to Act Hereunder

(a) The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Debentureholders hereunder shall be conditional upon the Debentureholders furnishing when required by notice in writing by the Trustee, funds sufficient to the Trustee to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

(b) None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

(c) The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding require the Debentureholders at whose instance it is acting to deposit with the Trustee the Debentures held by them for which Debentures the Trustee shall issue receipts.

15.14 Authority to Carry on Business

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in each of the provinces of Canada but if, notwithstanding the provisions of this Section 15.14, it ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the securities issued hereunder shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in any of the provinces of Canada, either become so authorized or resign in the manner and with the effect specified in Section 15.2.

15.15 Compensation and Indemnity

(a) The Corporation shall pay to the Trustee from time to time compensation for its services hereunder as agreed separately by the Corporation and the Trustee, and shall pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in the administration or execution of its duties under this Indenture (including the reasonable and documented compensation and disbursements of its Counsel and all other advisers

and assistants not regularly in its employ), both before any default hereunder and thereafter until all duties of the Trustee under this Indenture shall be finally and fully performed. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. Any amount due under this Section 15.5(a) and unpaid 30 days after request for such payment shall bear interest from the expiration of such 30 days at a rate per annum equal to the rate normally charged by the Trustee for similar accounts, payable on demand. Such remuneration shall continue to be payable until the duties hereof shall be finally wound up, whether or not the duties of the Trustee shall be in the course of administration by or under the direction of a court.

(b) The Corporation hereby indemnifies and saves harmless the Trustee and its directors, officers, agents and employees from and against any and all loss, damages, charges, expenses, claims, demands, actions or liability whatsoever which may be brought against the Trustee or which it may suffer or incur as a result of or arising out of the performance of its duties and obligations hereunder save only in the event of the grossly negligent failure to act, or the wilful misconduct or fraud of the Trustee. This indemnity will survive the termination or discharge of this Indenture and the resignation or removal of the Trustee. The Trustee shall notify the Corporation promptly of any claim for which it may seek indemnity. The Corporation shall defend the claim and the Trustee shall co-operate in the defence. The Trustee may have separate Counsel and the Corporation shall pay the reasonable fees and expenses of such Counsel. The Corporation need not pay for any settlement made without its consent, which consent must not be unreasonably withheld. This indemnity shall survive the resignation or removal of the Trustee or the discharge of this Indenture.

(c) The Corporation need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through gross negligence, wilful misconduct or fraud.

15.16 Acceptance of Trust

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various Persons who shall from time to time be Debentureholders, subject to all the terms and conditions herein set forth.

15.17 Third Party Interests

Each party to this Indenture (in this paragraph referred to as a "representing party") hereby represents to the Trustee that any account to be opened by, or interest to held by, the Trustee in connection with this Indenture, for or to the credit of such representing party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such representing party hereby agrees to complete, execute and deliver forthwith to the Trustee a declaration, in the Trustee's prescribed form or in such other form as may be satisfactory to it, as to the particulars of such third party.

15.18 Anti-Money Laundering

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, acting reasonably, determines that such act might cause it to be in noncompliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, acting reasonably, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on ten days' prior written notice sent to the Corporation provided that (i) the Trustee's written notice shall describe the circumstances of such non-compliance; and (ii) if such circumstances are rectified to the Trustee's satisfaction within such ten-day period, then such resignation shall not be effective.

15.19 Privacy Laws

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to certain obligations and activities under this Indenture. Notwithstanding any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and to comply with applicable laws and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved or as permitted by Privacy Laws; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

ARTICLE 16
SUPPLEMENTAL INDENTURES

16.1 Supplemental Indentures

From time to time the Trustee and, when authorized by a resolution of the directors of Corporation, the Corporation, may, and they shall when required by this Indenture, subject to the prior approval of the Toronto Stock Exchange, execute, acknowledge and deliver by their proper officers deeds or indentures supplemental hereto which thereafter shall form part hereof, for any one or more of the following purposes:

(a) providing for the issuance of Additional Debentures under this Indenture;

(b) adding to the covenants of the Corporation herein contained for the protection of the Debentureholders, or of the Debentures of any series, or providing for events of default, in addition to those herein specified;

(c) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Debentures which do not affect the substance thereof and which in the opinion of the Trustee relying on an opinion of Counsel will not be prejudicial to the interests of the Debentureholders;

(d) evidencing the succession, or successive successions, of others to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;

(e) giving effect to any Extraordinary Resolution passed as provided in Article 13; and

(f) for any other purpose not inconsistent with the terms of this Indenture.

Unless the supplemental indenture requires the consent or concurrence of Debentureholders or the holders of a particular series of Debentures, as the case may be, by Extraordinary Resolution, the consent or concurrence of Debentureholders or the holders of a particular series of Debentures, as the case may be, shall not be required in connection with the execution, acknowledgement or delivery of a supplemental indenture. The Corporation and the Trustee may amend any of the provisions of this Indenture related to matters of United States law or permit the issuance of Debentures into the United States in the future in order to ensure that such issuances can be made in accordance with applicable law in the United States without the consent or approval of the Debentureholders. Further, the Corporation and the Trustee may without the consent or concurrence of the Debentureholders or the holders of a particular series of Debentures, as the case may be, by supplemental indenture or otherwise, make any changes or corrections in this Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any indenture supplemental hereto or any Written Direction of the Corporation provided for the issue of Debentures, providing that in the opinion of the Trustee (relying upon an opinion of Counsel) the rights of the Debentureholders are in no way prejudiced thereby.

ARTICLE 17
EXECUTION AND FORMAL DATE

17.1 Execution

This Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

17.2 Formal Date

For the purpose of convenience this Indenture may be referred to as bearing the formal date of May 12, 2011 irrespective of the actual date of execution hereof.

****Remainder of page left blank intentionally****

IN WITNESS whereof the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

DISCOVERY AIR INC.

By: *"David Jennings"*
Name: David Jennings
Title: President and Chief Executive Officer

COMPUTERSHARE TRUST COMPANY OF CANADA

By: *"Daniel Marz"*
Authorized Signing Officer
Corporate Trust Officer

By: *"Lisa M. Kudo"*
Authorized Signing Officer
Corporate Trust Officer

SCHEDULE A
FORM OF INITIAL DEBENTURE

This Debenture is a Global Debenture within the meaning of the Indenture herein referred to and is registered in the name of a Depository or a nominee thereof. This Debenture may not be transferred to or exchanged for Debentures registered in the name of any Person other than the Depository or a nominee thereof and no such transfer may be registered except in the limited circumstances described in the Indenture. Every Debenture authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, this Debenture shall be a Global Debenture subject to the foregoing, except in such limited circumstances described in the Indenture.

Unless this certificate is presented by an authorized representative of CDS Clearing and Depository Services Inc. ("CDS") to Discovery Air Inc. or its agent for registration of transfer, exchange or payment, and any certificate issued in respect thereof is registered in the name of CDS & CO., or in such other name as is requested by an authorized representative of CDS (and any payment is made to CDS & CO. or to such other entity as is requested by an authorized representative of CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered holder hereof, CDS & CO., has a property interest in the securities represented by this certificate herein and it is a violation of its rights for another person to hold, transfer or deal with this certificate.

CUSIP 25470EAB3
ISIN CA 25470EAB35

$30,000,000

No. D-1-2011

DISCOVERY AIR INC.

(A corporation continued under the federal laws of Canada)

8.375% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURE
due June 30, 2016

DISCOVERY AIR INC. (the "**Corporation**" or the "**Issuer**") for value received hereby acknowledges itself indebted and, subject to the provisions of the convertible debenture indenture (the "**Indenture**") dated as of May 12, 2011 between the Corporation and Computershare Trust Company of Canada (the "**Trustee**"), promises to pay to the registered holder hereof on June 30, 2016 (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture the principal sum of Thirty Million Dollars ($30,000,000) in lawful money of Canada on presentation and surrender of this Initial Debenture at the main branch of the Trustee in Toronto, Ontario in accordance with the terms of the Indenture and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 8.375% per annum (based on a year of 365 days), in like money, in arrears in equal (with the exception of the first interest payment which will include interest from May 12, 2011 as set forth below) semi-annual instalments (less any tax required by law to be deducted) on June 30 and December 31 in each year commencing on December 31, 2011 and the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) to fall due on the Maturity Date and, should the Corporation at any time make default in

the payment of any principal, premium, if any, or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued from May 12, 2011 to, but excluding December 31, 2011, which will be equal to $53.23 for each $1,000 principal amount of the Initial Debentures.

Interest hereon shall be payable by cheque mailed by prepaid ordinary mail or by electronic transfer of funds to the registered holder hereof and, subject to the provisions of the Indenture, the mailing of such cheque or electronic transfer of funds, as the case may be, shall, to the extent of the sum represented thereby (plus the amount of any tax withheld), satisfy and discharge all liability for interest on this Initial Debenture.

This Initial Debenture is one of the 8.375% Convertible Unsecured Subordinated Debentures (referred to herein as the "**Initial Debentures**") of the Corporation issued or issuable in one or more series under the provisions of the Indenture. The Initial Debentures authorized for issue immediately are limited to an aggregate principal amount of $34,500,000 in lawful money of Canada. Reference is hereby expressly made to the Indenture for a description of the terms and conditions upon which the Initial Debentures are or are to be issued and held and the rights and remedies of the holders of the Initial Debentures and of the Corporation and of the Trustee, all to the same effect as if the provisions of the Indenture were herein set forth to all of which provisions the holder of this Initial Debenture by acceptance hereof assents.

The Initial Debentures are issuable only in denominations of $1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Debentures of any denomination may be exchanged for an equal aggregate principal amount of Debentures in any other authorized denomination or denominations.

Any part, being $1,000 or an integral multiple thereof, of the principal of this Initial Debenture, provided that the principal amount of this Initial Debenture is in a denomination in excess of $1,000, is convertible, at the option of the holder hereof, upon surrender of this Initial Debenture at the principal office of the Trustee in Toronto, Ontario, at any time prior to the close of business on the Business Day immediately preceding the Maturity Date or, if this Initial Debenture is called for redemption on or prior to such date, then, to the extent so called for redemption, any time prior to the close of business on the earliest of: (i) the Business Day immediately preceding the date specified for redemption of this Initial Debenture; (ii) if called for redemption, on the Business Day immediately preceding the date fixed for redemption; and (iii) if called for repurchase in connection with a Change of Control, on the Business Day immediately preceding the payment date, into Common Shares (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at a conversion price of $0.73 (the "**Conversion Price**") per Common Share, being a rate of approximately 1,369.863 Common Shares for each $1,000 principal amount of Initial Debentures, all subject to the terms and conditions and in the manner set forth in the Indenture. No Initial Debentures may be converted during the five Business Days preceding and including June 30 and December 31 in each year, commencing December 31, 2011, as the registers of the Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Common Shares will be issued on any conversion but in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the market price of such fractional interest determined in accordance

with the Indenture. Holders converting their Initial Debentures will receive accrued and unpaid interest thereon. If an Initial Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or Persons entitled to receive Common Shares in respect of the Debentures so surrendered for conversion shall not become the holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

This Initial Debenture may be redeemed at the option of the Corporation on the terms and conditions set out in the Indenture at the redemption price therein and herein set out provided that this Initial Debenture is not redeemable before June 30, 2014, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after June 30, 2014 and prior to the Maturity Date, and provided that the Current Market Price of the Common Shares is at least 125% of the Conversion Price of the Initial Debentures, the Initial Debentures are redeemable at the option of the Corporation at a price equal to $1,000 per Initial Debenture plus accrued and unpaid interest and otherwise on the terms and conditions described in the Indenture. The Corporation may, on notice as provided in the Indenture, at its option and subject to any applicable regulatory approval, elect to satisfy its obligation to pay all or any portion of the aggregate principal amount of the Initial Debentures to be redeemed by the issue of that number of Common Shares obtained by dividing the aggregate principal amount of the Initial Debentures to be redeemed by 95% of the volume weighted average trading price of the Class A Shares on the Toronto Stock Exchange or other stock exchange on which the Class A Shares may be listed for the 20 consecutive trading days ending on the fifth trading day preceding the Redemption Date. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest theron will be paid in cash.

Upon the occurrence of a Change of Control of the Corporation, the Corporation is required to make an offer to purchase all of the Initial Debentures at a price equal to 100% of the principal amount of such Initial Debentures plus accrued and unpaid interest (if any) up to, but excluding, the date the Initial Debentures are so repurchased (the "**Change of Control Purchase Offer**"). If 90% or more of the principal amount of all Initial Debentures outstanding on the date the Corporation provides notice of a Change of Control to the Trustee have been tendered for purchase pursuant to the Change of Control Purchase Offer, the Corporation has the right to redeem all the remaining outstanding Initial Debentures on the same date and at the same price.

In addition to the requirement for the Corporation to make a Change of Control Purchase Offer in the event of a Change of Control, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares and cash payments made in respect of dissenter's appraisal rights); (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange, or other property that is not traded or intended to be traded immediately following such transactions on a stock exchange, then subject to regulatory approval, during the period beginning ten trading days before the anticipated effective date of the Change of Control and ending 30 days after the Change of Control Purchase Offer is delivered or mailed to holders of Initial Debentures, holders of Initial Debentures will be entitled to convert their Initial Debentures, in whole or in part, and receive, in addition to the number of Common Shares (or cash or other property or securities in

substitution therefor) that such holders are otherwise entitled to receive upon such conversion in accordance with the provisions of the Indenture, an additional number of Common Shares (or cash or other property or securities in substitution therefor) per $1,000 principal amount of Initial Debentures calculated in accordance with the terms of the Indenture.

If an offer is made for the Initial Debentures which is a take-over bid for the Initial Debentures within the meaning of applicable Canadian securities laws and 90% or more of the principal amount of all the Initial Debentures (other than Initial Debentures held at the date of the offer by or on behalf of the Offeror, associates or affiliates of the Offeror or anyone acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Initial Debentures of those holders who did not accept the offer on the same terms as the Offeror acquired the first 90% of the principal amount of the Initial Debentures.

The Corporation may, on notice as provided in the Indenture, at its option and subject to any applicable regulatory approval, elect to satisfy the obligation to repay all or any portion of the principal amount of this Initial Debenture due on the Maturity Date by the issue of that number of Freely Tradeable Common Shares obtained by dividing the principal amount of this Initial Debenture (or that portion to be paid for in Common Shares pursuant to the exercise by the Corporation of the Common Share Repayment Right) by 95% of the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange or other stock exchange on which the Debentures may be listed for the 20 consecutive trading days ending on the fifth trading day preceding the Maturity Date. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest thereon will be paid in cash.

The indebtedness evidenced by this Initial Debenture, and by all other Initial Debentures now or hereafter certified and delivered under the Indenture, is a direct unsecured obligation of the Corporation, and is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment in full of all Senior Indebtedness, whether outstanding at the date of the Indenture or thereafter created, incurred, assumed or guaranteed.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Debentures outstanding thereunder (or in certain circumstances specific series of Debentures) resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding (or specific series), which resolutions or instruments may have the effect of amending the terms of this Initial Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Common Shares and officers, directors and employees of the Corporation in respect of any obligation or claim arising out of the Indenture or this Debenture.

This Initial Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in one of the registers to be kept at the principal office of the Trustee in

Toronto, Ontario and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Trustee may designate. No transfer of this Initial Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Trustee or other registrar, and upon compliance with such reasonable requirements as the Trustee and/or other registrar may prescribe and upon surrender of this Initial Debenture for cancellation. Thereupon a new Initial Debenture or Initial, Debentures in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

This Initial Debenture shall not become obligatory for any purpose until it shall have been certified by the Trustee under the Indenture.

Capitalized words or expressions used in this Initial Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

IN WITNESS WHEREOF DISCOVERY AIR INC. has caused this Debenture to be signed by its authorized representative as of the 12th day of May, 2011.

DISCOVERY AIR INC.

Name:
Title:
Authorized Signing Officer

(FORM OF TRUSTEE'S CERTIFICATE)

This Initial Debenture is one of the 8.375% Convertible Unsecured Subordinated Debentures due June 30, 2016 referred to in the Indenture within mentioned.

COMPUTERSHARE TRUST COMPANY OF CANADA

By: ______________________________
Authorized Signing Officer

Date: ______________________________

(FORM OF REGISTRATION PANEL)
(No Writing Hereon Except By Trustee Or Other Registrar)

Date of Registration	In Whose Name Registered	Signature of Debenture Trustee or Registrar
May 12, 2011	CDS & CO.	

EXHIBIT "1"

TO CDS GLOBAL DEBENTURE

DISCOVERY AIR INC.

8.375% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

DUE JUNE 30, 2016

Initial Principal Amount: $30,000,000

CUSIP 25470EAB3
ISIN CA 25470EAB35

Authorization: ______________________________

ADJUSTMENTS

Date	Amount of Increase	Amount of Decrease	New Principal Amount [$30,000,000]	Authorization

SCHEDULE B
FORM OF REDEMPTION NOTICE

DISCOVERY AIR INC.

8.375% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

REDEMPTION NOTICE

To: Holders of 8.375% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Discovery Air Inc. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.3 of the convertible debenture indenture (the "**Indenture**") dated as of May 12, 2011 among the Corporation and Computershare Trust Company of Canada (the "**Trustee**"), that the aggregate principal amount of $<*> of the $<*> of Debentures outstanding will be redeemed as of <*> (the "**Redemption Date**"), upon payment of a redemption amount of $<*> for each $1,000 principal amount of Debentures, being equal to the aggregate of (i) $<*> total principal amount, and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the "**Redemption Price**").

The Redemption Price will be payable upon presentation and surrender of the Debentures called for redemption at the following corporate trust office:

Computershare Trust Company of Canada
100 University Ave, 9th Floor
Toronto, ON M5J 2Y1
Attention: Manager, Corporate Trust Department

The interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Redemption Price shall not be made on presentation for surrender of such Debentures at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Redemption Price pursuant to the Indenture.

[Pursuant to Section 4.6 of the Indenture, the Corporation hereby irrevocably elects to satisfy its obligation to pay $<*> of the aggregate Redemption Principal Amount of Debentures to be redeemed payable to holders of Debentures in accordance with this notice by issuing and delivering to the holders that number of Freely Tradeable Common Shares obtained by dividing the aggregate Redemption Principal Amount of Debentures to be redeemed by 95% of the Current Market Price of the Class A Shares. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest thereon will be paid in cash as contemplated by the Indenture.]

[No fractional Common Shares shall be delivered upon the exercise by the Corporation of the above-mentioned redemption right but, in lieu thereof, the Corporation shall pay the cash equivalent thereof determined on the basis of the Current Market Price of Common Shares on the Redemption Date (less any tax required to be deducted, if any).]

[In this connection, upon presentation and surrender of the Debentures for payment on the Redemption Date, the Corporation shall, on the Redemption Date, make the delivery to the Trustee, at the above-mentioned corporate trust office, for delivery to and on account of the holders, of certificates representing the Freely Tradeable Common Shares to which holders are entitled together with any accrued and unpaid interest thereon, the cash equivalent in lieu of fractional Common Shares and, if only a portion of the Debentures are to be redeemed by issuing Freely Tradeable Common Shares, cash representing the balance of the aggregate Redemption. Principal Amount of Debentures to be redeemed.]

DATED:

DISCOVERY AIR INC.

____

Name:
Title:

SCHEDULE C
FORM OF MATURITY NOTICE

DISCOVERY AIR INC.

8.375% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

MATURITY NOTICE

To: Holders of 8.375% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Discovery Air Inc. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.10(b) of the convertible debenture indenture (the "**Indenture**") dated as of May 12, 2011 among the Corporation and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), that the Debentures are due and payable as of June 30, 2016 (the "**Maturity Date**") and the Corporation elects to satisfy its obligation to repay to holders of Debentures the principal amount of all of the Debentures outstanding on the Maturity Date by issuing and delivering to the holders that number of Freely Tradeable Common Shares equal to the number obtained by dividing such principal amount of the Debentures by 95% of the Current Market Price of Common Shares on the Maturity Date. Holders who are Qualified Canadians will receive Class A Shares and holders who are not Qualified Canadians will receive Class B Shares. Any accrued and unpaid interest thereon will be paid in cash in accordance with the Indenture.

No fractional Common Shares shall be delivered on exercise by the Corporation of the above mentioned repayment right but, in lieu thereof, the Corporation shall pay the cash equivalent thereof determined on the basis of the Current Market Price of Common Shares on the Maturity Date (less any tax required to be deducted, if any).

In this connection, upon presentation and surrender of the Debentures for payment on the Maturity Date, the Corporation shall, on the Maturity Date, make delivery to the Trustee, at its principal trust office in Toronto, Ontario, for delivery to and on account of the holders, of certificates representing the Freely Tradeable Common Shares to which holders are entitled together with the cash equivalent in lieu of fractional Common Shares, and if only a portion of the Debentures are to be repaid by issuing Freely Tradeable Common Shares, cash representing the balance of the principal amount, premium (if any) and interest due on the Maturity Date.

DATED:

DISCOVERY AIR INC.

____

Name:
Title:

SCHEDULE D
FORM OF NOTICE OF CONVERSION

CONVERSION NOTICE

TO: DISCOVERY AIR INC.

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 8.375% Convertible Unsecured Subordinated Debentures irrevocably elects to convert such Debentures (or $<*> principal amount thereof*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, has completed the Residency Declaration Form and, if applicable, directs that the Common Shares of Discovery Air Inc. issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned and a Residency Declaration Form must be completed and delivered in respect of such other person).

Dated: ______________________________

____
(Signature of Registered Holder)

* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must be $1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "**SIGNATURE GUARANTEED**".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: ______________________________

Address: ______________________________

____
(City, Province and Postal Code)

Name of Guarantor: ______________________________

Authorized signature: ______________________________

SCHEDULE E
RESIDENCY DECLARATION FORM

ALL STATEMENTS SET OUT IN THIS RESIDENCY DECLARATION FORM MUST BE COMPLETED TO THE SATISFACTION OF DISCOVERY AIR INC. BEFORE ANY SHARES OF DISCOVERY AIR INC. WILL BE ISSUED.

TO: **Computershare Trust Company of Canada**

AND TO: **Computershare Investor Services Inc.**

AND TO: **Discovery Air Inc.**

With respect to the issuance of Class A variable voting shares or Class B voting shares of Discovery Air Inc. (the "**Company**"), the undersigned hereby certifies and declares that:

[choose one of (a) and one of (b)] [Capitalized terms are defined below]

(a) ☐ it will be the registered holder and the beneficial owner and will have Control of the shares to be issued; or

☐ it will either be the registered holder (including an agent or a nominee) or the beneficial owner or will have Control of the shares to be issued.

(b) ☐ the registered holder and the beneficial owner and the person who will have Control of the shares to be issued is a Canadian; or

☐ any one of the registered holder or the beneficial owner or the person who will have Control of the shares to be issued is not a Canadian.

For the purposes of this Residency Declaration Form:

(a) "**Control**" means control in any manner that results in control in fact, whether directly through the ownership of securities or indirectly through a trust, an agreement or arrangement, the ownership of any body corporate or otherwise, and, without limiting the generality of the foregoing,

(i) a body corporate is deemed to be controlled by a person if

(1) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are held, otherwise than by way of security only, by or for the benefit of that person; and

(2) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate; and

(ii) a partnership or unincorporated organization is deemed to be controlled by a person if an ownership interest therein representing more than 50% of the assets of the partnership or organization is held, otherwise than by way of security only, by or for the benefit of that person.

If the registered holder, the beneficial owner and the person who Controls shares of the Company are not the same person, all of them need to be Canadians in order to hold Class B voting shares of the Company. If one of them is a non-Canadian, they are only allowed to hold Class A variable voting shares of the Company.

(b) "**Canadian**" shall have the meaning ascribed to it in the *Canada Transportation Act*, namely:

(i) a Canadian citizen pursuant to subsection 3(1) of the *Citizenship Act* or a Permanent Resident within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act*:

(ii) a government in Canada or an agent of such a government; or

(iii) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interest are owned and controlled by Canadians.

(c) "**Canadian citizen**" means, pursuant to subsection 3(1) of the *Citizenship Act*:

(i) a person who was born in Canada after February 14, 1977;

(ii) a person who was born outside of Canada after February 14, 1977 and at the time of his or her birth one of his or her parents, other than a parent who adopted him or her, was a Canadian citizen;

(iii) a person who has been granted or has acquired citizenship and, in the case of a person who is 14 years of age or over on the day that he or she is granted citizenship, he or she has taken the oath of citizenship;

(iv) an adopted person granted citizenship pursuant to the Citizenship Act;

(v) a person who was a citizen immediately before February 15, 1977;

(vi) a person who was entitled, immediately before February 15, 1977, to become a citizen under paragraph 5(1)(b) of the former *Canadian Citizenship Act*; and

(vii) certain other persons as set out in the *Citizenship Act*.

(d) "**Permanent Resident**" means, pursuant to subsection 2(1) of the *Immigration and Refugee Protection Act*, a person who has acquired permanent resident status and has not subsequently lost that status under section 46 of the *Immigration and Refugee Protection Act*.

DATED the ________ day of _________________________

____
Name of the Declarant (please print)

____
Signature of the Declarant (please indicate title if applicable)

____
Address of the Declarant (please print)

Tab 3B

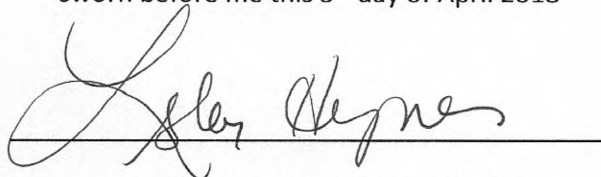
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "B"

This is Exhibit "B" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc.,
Province of Ontario, for Wilson Law Partners LLP,
Barristers and Solicitors. Expires July 18, 2019.

THIS FIRST SUPPLEMENTAL CONVERTIBLE DEBENTURE INDENTURE dated this 27th day of November, 2014.

BETWEEN:

DISCOVERY AIR INC., a corporation continued under the federal laws of Canada

(the "**Corporation**")

- and -

COMPUTERSHARE TRUST COMPANY OF CANADA, a trust company established under the federal laws of Canada

(the "**Trustee**")

WHEREAS the Corporation and the Trustee entered into a convertible debenture indenture dated as of the 12th day of May, 2011 (the "**Debenture Indenture**"), pursuant to which the Corporation issued 8.375% convertible unsecured subordinated debentures due June 30, 2016 (the "**Debentures**") to the Debentureholders (as defined in the Debenture Indenture) subject to the terms of the Debenture Indenture;

AND WHEREAS the Debentureholders and the Corporation desire to amend certain terms of the Debenture Indenture as set forth herein;

AND WHEREAS pursuant to Subsection 16.1 of the Debenture Indenture, the Trustee is permitted to enter into supplemental indentures to the Debenture Indenture in order to give effect to any Extraordinary Resolution (as defined in the Debenture Indenture) passed as provided in Article 13 of the Debenture Indenture;

AND WHEREAS the parties intend to execute this first supplemental convertible Debenture Indenture (the "**First Supplemental Convertible Debenture Indenture**") as a supplement to the Debenture Indenture;

AND WHEREAS all necessary resolutions of the Corporation, the Debentureholders and the Trustee have been duly passed or taken and other proceedings taken and conditions complied with, as the case may be, to make this First Supplemental Convertible Debenture Indenture and the execution thereof legal and valid and in accordance with the laws relating thereto;

AND WHEREAS the foregoing recitals are made as representations by the Corporation and not by the Trustee;

NOW THEREFORE, in consideration of the premises and the covenants of the parties it is hereby agreed and declared as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions.

In this First Supplemental Convertible Debenture Indenture all terms contained herein which are defined in the Debenture Indenture, as supplemented hereby, shall, for all purposes hereof, have the meanings given to such terms in the Debenture Indenture, as supplemented hereby, unless the context otherwise specifies or requires.

1.2 Interpretation.

In this First Supplemental Convertible Debenture Indenture, **"this First Supplemental Convertible Debenture Indenture"**, **"hereof"**, **"hereby"** and similar expressions refer to this First Supplemental Convertible Debenture Indenture and not to any particular Article, Section or other portion hereof, and include any and every instrument supplemental or ancillary hereto or in implementation hereof.

1.3 Gender and Number.

Unless herein otherwise expressly provided or unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.4 Interpretation not Affected by Headings, etc.

The division of this First Supplemental Convertible Debenture Indenture into Articles, Sections, Subsections and paragraphs, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this First Supplemental Convertible Debenture Indenture.

1.5 Time of the Essence.

Time shall be of the essence in all respects in this First Supplemental Convertible Debenture Indenture.

1.6 Severability.

In the event that any provision hereof shall be determined to be invalid or unenforceable in any respect, such determination shall not affect such provision in any other respect or any other provision hereof, all of which shall remain in full force and effect.

1.7 Conflicts.

In the event of any conflict between the provisions of this First Supplemental Convertible Debenture Indenture and the Debentures, the provisions of this First Supplemental Convertible Debenture Indenture will govern.

1.8 Applicable Law.

This Agreement shall be construed and enforced in accordance with the laws of the Province of Ontario and the federal laws applicable therein and shall be treated in all respects as an Ontario contract.

ARTICLE 2
AMENDMENTS TO THE DEBENTURE INDENTURE

2.1 Definitions.

(a) The definition of "**Change of Control**" in Section 1.1 of the Debenture Indenture is hereby deleted in its entirety and replaced with the following:

""**Change of Control**" means the acquisition by any Person, or group of Persons acting jointly or in concert (within the meaning of MI 62-104) who acquire voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, but excluding acquisitions by any Person, or group of Persons acting jointly or in concert (within the meaning of MI 62-104) who acquire voting control or direction of an aggregate of 50% or more of the outstanding Common Shares; where such Person or Persons had voting control or direction of an aggregate of 10% or more of the outstanding Common Shares on September 30, 2014;"

2.2 Other Provisions.

(a) The following amendments are subject to the completion by the Corporation prior to June 29, 2016 of an equity offering of Common Shares for minimum aggregate net proceeds of $5,000,000 (the "**Financing**"), and such amendments shall become effective on the date of the Corporation's press release confirming the closing of such Financing:

(i) Section 2.4(b) of the Debenture Indenture is hereby deleted in its entirety and replaced with the following:

The Initial Debentures shall be dated as of the date of closing of the Offering and shall mature June 30, 2018 (the "**Maturity Date**" for the Initial Debentures).

(ii) The words "to fall due on June 30, 2016" in the sixth line of Section 2.4(c) of the Debenture Indenture are hereby deleted and replaced with the words "to fall due on June 30, 2018".

(iii) All other references in the Debenture Indenture and the Schedules thereto to a Maturity Date of June 30, 2016 are hereby deleted and replaced with the date of June 30, 2018.

ARTICLE 3
SUPPLEMENTAL INDENTURE

3.1 Supplemental Indenture.

This First Supplemental Convertible Debenture Indenture is supplemental to the Debenture Indenture and the Debenture Indenture shall henceforth be read in conjunction with this First Supplemental Convertible Debenture Indenture and the Debenture Indenture and this First Supplemental Convertible Debenture Indenture shall henceforth have effect so far as practicable as if all the provisions of the Debenture Indenture and this First Supplemental Convertible Debenture Indenture were contained in the one instrument.

3.2 No Other Amendments.

Save and except as specifically provided herein, all of the other terms and conditions of the Debenture Indenture shall continue in full force and effect, unamended.

ARTICLE 4
ACCEPTANCE OF THE TRUSTEE

4.1 Acceptance.

The Trustee hereby accepts this First Supplemental Convertible Debenture Indenture declared and provided and agrees to perform the same upon the terms and conditions set forth herein and in the Debenture Indenture, as supplemented and amended hereby.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF the parties hereto have executed this First Supplemental Convertible Debenture Indenture on the date first set forth above.

DISCOVERY AIR INC.

By: *"David Kleiman"*
Authorized Signing Officer

COMPUTERSHARE TRUST COMPANY OF CANADA

By: *"Judith Sebald"*
Authorized Signing Officer

By: *"Mohanie Shivprasad"*
Authorized Signing Officer

Tab 3C

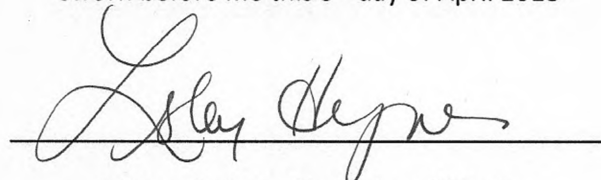
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "C"

This is Exhibit "C" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc.,
Province of Ontario, for Wilson Law Partners LLP,
Barristers and Solicitors. Expires July 18, 2019.

DISCOVERY AIR INC.
ANNOUNCES AGREEMENT TO
PURCHASE SHARES OF TOP ACES INC.

LONDON, June 20, 2007/CNW/ - David Taylor, President & C.E.O. of Discovery Air Inc. (TSX: DA.A) is pleased to announce that Discovery Air has entered into Share Purchase Agreements that provide for the purchase of all issued and outstanding shares of Top Aces Inc. ("Top Aces"). Owners of over 76% of the shares of Top Aces have agreed to the transaction. Agreements with the remaining shareholders will be sought in the upcoming weeks, so that at closing Top Aces will become a wholly-owned subsidiary of Discovery Air.

Top Aces is an approved supplier to the Canadian federal government of airborne training services to the Department of National Defence.

Mr. Taylor stated, "This is a very exciting opportunity for Discovery Air. Didier Toussaint, Paul Bouchard and Dave Jennings, the founders of Top Aces, are experts in their field and have brought together a group of pilots and aviation professionals who join them as the best of the best in flying fighter jets and military aircraft, and who will all have options to become shareholders of Discovery Air."

When asked about the significance of the Top Aces acquisition for Discovery Air, Mr. Taylor said "Top Aces will serve to diversify our investment portfolio both geographically and by product line. The Top Aces business also reduces the seasonality of our revenues. They are a perfect fit for us."

Completion of the acquisition of Top Aces is subject to a number of conditions, including financing and receipt of all necessary regulatory and other approvals. The total purchase price being paid for Top Aces is $35 million cash plus 20 million Class A common shares of Discovery Air. Closing is planned for the later of August 1, 2007 or 10 days after all necessary conditions have been met. Discovery Air intends to finance the cash portion of the purchase price with debt.

Discovery Air's mission is to build shareholder value by creating an alliance of profitable aviation businesses that can realize synergies, economies of scale and deliver safe, professional air services to clients in selected niche markets.

Discovery Air's Class A common shares trade on the Toronto Stock Exchange under the symbol DA.A.

Discovery Air's debentures trade on the Toronto Stock Exchange under the symbol DA.DB.

FOR FURTHER INFORMATION PLEASE CONTACT:

Wade MacBain
Director of Investor Relations

Phone: 519-913-2204, ext. 358
Toll-free: 866-903-3247, ext. 358
E-mail: wadem@discoveryair.com

Tab 3D

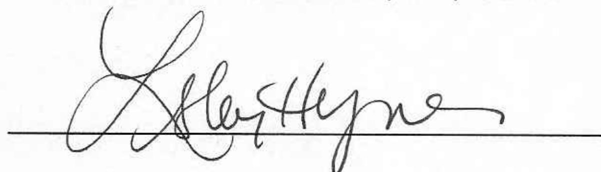
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "D"

This is Exhibit "D" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

DISCOVERY AIR

Discovery Air Announces Revolving Credit Facility from Clairvest

Toronto, ON, December 20, 2016 – Discovery Air Inc. (DA.A) ("**Discovery Air**" or the "**Corporation**") announced today that its subsidiary, Discovery Air Defence Services Inc. ("**DA Defence**"), has entered into a credit agreement (the "**Credit Agreement**") with certain funds or co-investors (such lenders, collectively "**Clairvest**") of Clairvest Group Inc., the majority shareholder of the Corporation, providing for a revolving credit facility in the aggregate principal amount of up to $25,000,000 (the "**Revolving Credit Facility**"). All borrowings under the Revolving Credit Facility are secured, bear interest at a rate of 12% per annum payable on February 15, 2017 and May 15, 2017 and mature on June 30, 2017 subject to acceleration in the event of certain refinancing transactions. DA Defence may repay and re-borrow the principal under the Revolving Credit Facility on customary conditions. Proceeds from the Revolving Credit Facility will be used to (i) refinance an existing equipment loan in favour of the Corporation pursuant to a credit agreement dated as of March 30, 2016 among the Corporation and Clairvest (including by way of repayment of certain existing intercompany indebtedness between DA Defence and the Corporation) and (ii) to re-leverage the German Aircraft (as defined in the Credit Agreement) in support of certain growth initiatives and for business development activities at certain affiliates.

The Revolving Credit Facility also contains an optional conversion feature (the "**Conversion Feature**"), which provides Clairvest with an option, subject to certain conditions described below, to convert the outstanding balance under the Revolving Credit Facility into common shares ("**DAD Shares**") of DA Defence at a conversion price (the "**Conversion Price**") to be determined on the basis of the value of the DA Defence business, after the application of certain agreed upon adjustments between Clairvest and the Corporation, as determined by an independent and qualified valuator pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). In the event Clairvest elects to exercise the Conversion Feature, its exercise is subject to the prior satisfaction of all of the following conditions (the "**Conversion Conditions**"): (i) if required under applicable securities law, approval of the Corporation's shareholders of the Conversion Feature and a unanimous shareholders' agreement (the "**Shareholders' Agreement**") in respect of DA Defence, in each case, in accordance with the requirements of applicable securities laws (including MI 61-101 and the TSX Company Manual); (ii) receipt of all necessary approvals in connection with the Conversion Feature and the Shareholders' Agreement under applicable securities laws (including M1 61-101 and under the TSX Company Manual); (iii) the Shareholders' Agreement shall be entered into on or immediately prior to the time of conversion. In the event Clairvest seeks to exercise the Conversion Feature and shareholder approval is required pursuant to applicable securities laws, the Corporation, acting at the direction of a special committee of independent directors, will retain a valuator to prepare a formal valuation in accordance with MI 61-101.

A material change report will be filed less than 21 days before the closing date of the transaction. This shorter period is reasonable and necessary in the circumstances to allow the Corporation to obtain financing for working capital.

The Revolving Credit Facility is a "related party transaction" within the meaning of MI 61-101. The Corporation is not required under MI 61-101 to obtain a formal valuation in respect of the Revolving Credit Facility and will be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101 as a result of (i) the Revolving Credit Facility being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Revolving Credit Facility was obtained from an arm's length party and (ii) the Revolving Credit Facility not containing any equity component; provided that, as described above, if the Conversion Feature is exercised by Clairvest such exercise is contingent on the Conversion Conditions which include, among other things, satisfying the requirements of MI 61-101 and the TSX Company Manual.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries (including DA Defence) that relate to, among other things: the proposed use of proceeds of the Revolving Credit Facility; the Conversion Feature; the terms, conditions and timing of draws under the Revolving Credit Facility; and, the shareholder and regulatory approval process if the Conversion Feature is exercised. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. As a result of such risks and uncertainties, actual results may differ materially from those discussed in forward-looking statements, and readers should not place undue reliance on such statements.

Forward-looking statements represent expectations as of the date they are made, and Discovery Air disclaims any intention or obligation to update or revise any forward-looking statements it may make, whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air Inc. is a global leader in specialty aviation services. We deliver exceptional air combat training; medevac equipped aircraft services; airborne firefighting services; air charter services; helicopter operations; and transport and logistics support to ensure operational readiness, health, safety, and vital lifelines for our clients and the communities we serve.

Discovery Air's Class A common voting shares and unsecured convertible debentures trade on the Toronto Stock Exchange (symbols DA.A and DA.DB.A, respectively).

For further information, please contact:

Sheila Venman
Investor Relations
sheila.venman@discoveryair.com
866-903-3247

Tab 3E

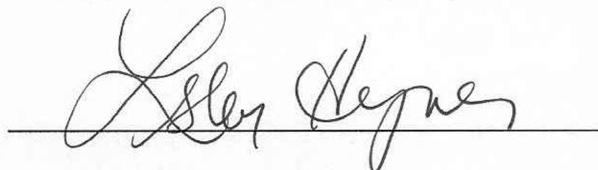
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "E"

This is Exhibit "E" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

**Lesley Leigh Hynes, a Commissioner, etc.,
Province of Ontario, for Wilson Law Partners LLP,
Barristers and Solicitors. Expires July 18, 2019.**

DISCOVERY AIR DEFENCE SERVICES INC.
as Borrower

-and-

CLAIRVEST GP MANAGECO INC.
as Administrative Agent

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP, CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, DA HOLDINGS LIMITED PARTNERSHIP and **G. JOHN KREDIET**
as Lenders

CREDIT AGREEMENT

Dated as of December 20, 2016

THIS AGREEMENT is dated as of December 20, 2016.

AMONG:

DISCOVERY AIR DEFENCE SERVICES INC., as Borrower

OF THE FIRST PART

AND:

CLAIRVEST GP MANAGECO INC. , as Administrative Agent

OF THE SECOND PART

AND:

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP, CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, DA HOLDINGS LIMITED PARTNERSHIP and **G. JOHN KREDIET** as Lenders

OF THE THIRD PART

WHEREAS the Borrower has requested the Loan and the Lenders have agreed to provide the Loan to the Borrower upon and subject to the terms and conditions set out in this Agreement.

NOW THEREFORE in consideration of the mutual covenants and agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.01 Definitions

For the purpose of this agreement, the following terms and phrases shall have the following meanings:

"**Administrative Agent**" means Clairvest GP Manageco Inc.

"**Affiliate**" means any Person that Controls, is Controlled by or is under common Control with a Person.

"**Aircraft Security Agreement**" means the aircraft security agreement dated as of the date hereof between Top Aces Corp. and Discovery Air Defence Services Inc., as debtors and the Administrative Agent on behalf of the Lenders.

"**Applicable Law**" means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (to the extent having the force of law) all applicable official directives, rules, consents, approvals, by-laws, permits, authorizations, guidelines, orders and policies of any Governmental Authority or Persons having authority over that Person, property, transaction or event.

"**Applicable Securities Laws**" means (i) the securities laws, rules, regulations, instruments and orders applicable in the provinces and territories of Canada as interpreted and applied by the securities commissions or equivalent securities authorities of such provinces and territories and (ii) applicable stock exchange rules.

"**Borrower**" has the meaning ascribed thereto in Section 1.03.

"**Borrowing**" has the meaning ascribed thereto in Section 2.01.

"**Business Day**" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday or a day on which lending institutions are closed in the province of Ontario.

[Redacted – Industry specific regulatory definition.]

"**Capitalized Lease Obligation**" means, for any Person, any payment obligation of such Person under an agreement for the lease, license or rental of, or providing such Person with the right to use, property that, in accordance with GAAP, is required to be capitalized.

"**Closing Date**" means the date hereof.

"**Collateral**" has the meaning ascribed thereto in Section 6.02(2).

"**Commitment**" means, for a Lender in respect of the Loan, the amount in respect of the Loan set forth opposite such Lender's name under the heading "Commitment" on Section 1 of the Disclosure Letter as it may be amended from time to time to the extent not permanently reduced, cancelled or terminated pursuant to this agreement by such Lender's Proportionate Share.

"**Common Shares**" means common shares of the Borrower, or such classes of common shares of the Borrower as may be created, if and when necessary, to restrict foreign voting control in order to meet the requirement in the Canada Transportation Act (the "**CTA**") that holders of licences to operate domestic Canadian air services be "Canadian".

"**Control**" means the ownership or right to control through voting proxies of a minimum of 50.1% of the issued and outstanding voting shares, partnership interests or other instruments having the capacity to elect the directors or committees responsible for the control, management and direction of any Person or to otherwise control, management or direction of any Person and the words "**Controlled by**", "**Controlling**" and similar words have corresponding meanings.

"**Controlled Borrowing**" has the meaning ascribed thereto in Section 2.08(a).

"**Controlled Borrowing Effective Date**" has the meaning ascribed thereto in Section 2.08(b).

"**Conversion Conditions**" has the meaning ascribed thereto in Section 3.03.

"**Conversion Notice**" has the meaning ascribed thereto in Section 3.01.

"**Conversion Price**" means an amount per Common Share as is determined (i) if Sections 3.03 - 3.06 do not apply, in accordance with Section 3.01 and in accordance with the calculation and adjustment principles set out in Section 3 of the Disclosure Letter or (ii) if Sections 3.03 - 3.06 apply, in accordance with Sections 3.03 and 3.04, in each case in respect of (i) and (ii) above, as further adjusted in accordance with Article 4, if applicable.

"**Corporate Reorganization**" has the meaning ascribed thereto in Section 4.03.

"**DA Circular**" means the notice of the DA Shareholders' Meeting to be sent to DA Shareholders and the management information circular to be prepared in connection with the DA Shareholders' Meeting together with any amendments thereto or supplements thereof.

"**DA Shareholders**" means the holders of Class A common voting shares and Class B common variable voting shares of Parent entitled to vote on Related Party Matters pursuant to Applicable Securities Laws.

"**DA Shareholders' Meeting**" means such meeting or meetings of DA Shareholders, including any adjournment or postponement thereof, that is to be convened to consider, and if deemed advisable approve, the Related Party Matters.

"**DAD Shareholders' Agreement**" means the unanimous shareholders agreement to be entered into among the Borrower, Parent and the Lenders relating to the holding of Common Shares of the Borrower on substantially the terms set forth in Section 2 of the Disclosure Letter.

"**DA Special Committee**" has the meaning ascribed thereto in Section 3.04.

"**Debt**" of a Person means, at any time and without duplication, calculated as at such time (i) all indebtedness for moneys borrowed (including interest and other charges in respect thereof) and moneys raised by the issue of notes, bonds, debentures or other evidences of moneys borrowed including the face amount of lenders' acceptances and letters of credit or letters of guarantee; (ii) all indebtedness for the deferred purchase price of property or services represented by a note or other evidence of indebtedness; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all indebtedness of another person secured by a lien, charge, hypothec, mortgage or security interest on any assets or undertaking (real, personal, tangible or intangible) of the Person; (v) all obligations under leases which have been or should be, recorded as capital leases in respect of which the Person is liable as lessee; (vi) the aggregate amount at which any shares or equity interests in the capital of the Person which are redeemable at the option of the holder or retractable at the option of the holder, as the case may be, may be so retracted or redeemed for cash or debt provided all conditions precedent for such retraction or redemption have been satisfied; (vii) all current liabilities of a

Person represented by a note, bond, debenture or other evidence of indebtedness; and (viii) all Debt Guaranteed by the Person.

"**Debt Guaranteed**" by any Person means, without duplication, the amount outstanding at any time of all Debt of the kinds referred to in (i) through (viii) of the definition of Debt which is directly or indirectly guaranteed by the Person or which the Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which the Person has otherwise assured a creditor or other Person against loss.

"**Default**" means any event or condition that has occurred which, with notice, lapse of time, or both, would constitute an Event of Default.

"**Disclosure Letter**" means the confidential disclosure letter of the Borrower and the Lenders dated the date of this Agreement.

"**Equity Value**" has the meaning ascribed thereto in Section 3.04.

"**Event of Default**" has the meaning ascribed thereto in Section 6.05.

"**Existing Facilities**" means any Debt Guaranteed by the Borrower or any Debt obligations of the Borrower in favour of a working capital lender, existing on the date hereof.

"**Final Valuation**" has the meaning ascribed thereto in Section 3.04.

"**Force Majeure**" means acts of God, fire, flood or other catastrophe; government, legal or statutory restrictions on forms of commercial activity; an order of any Governmental Authority having authority over the relevant party; national emergencies, insurrections, riots or wars; strikes, lock-outs or work stoppages; or any other event or occurrence beyond the reasonable control of the applicable party.

"**GAAP**" means generally accepted accounting principles in effect from time to time in Canada applied in a consistent manner from period to period.

"**German Aircraft**" means the Aircraft (as defined in the Aircraft Security Agreement) together with the other Collateral (as defined in the Aircraft Security Agreement) related thereto.

"**Governmental Authority**" means any nation or government, any province, state, municipality, local or other political subdivision thereof and any agency, instrumentality or other entity thereof exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Initial Drawdown Amount**" means $20,000,000.

"**Initial Valuation**" means the enterprise value of the Borrower determined by the Borrower with input from the Borrower's financial advisor as set out in paragraph 2 of the Disclosure Letter and referred to in Section 3 of the Disclosure Letter.

"**Intercreditor Agreement**" means the Fourth Amended and Restated Intercreditor Agreement dated as of May 26, 2015 among, *inter alios*, Roynat Inc., Element Financial Corporation, Textron Financial Corporation, Canadian Imperial Bank of Commerce, Clairvest GP Manageco Inc., Clairvest Group Inc. and Discovery Air Inc. and certain of its direct and indirect subsidiaries, as amended by an Amendment to Fourth Amended and Restated Intercreditor Agreement made as of December 1, 2015, as amended, restated, modified, supplemented or replaced from time to time.

"**Interest Rate**" has the meaning ascribed thereto in Section 2.07.

[Redacted – Industry specific regulatory definition.]

[Redacted – Industry specific regulatory definition.]

"**Lenders**" has the meaning ascribed thereto in Section 1.04.

"**Lien**" means any security interest, mortgage, pledge, hypothec, assignment, attachment, deposit arrangement, encumbrance, lien (statutory or other), charge against or interest in property to secure payment or performance of an obligation, preference, license, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale, hire purchase or other title retention agreement, any financing or similar statement or notice filed under the PPSA or any other similar recording or notice statute), and any lease having substantially the same effect as any of the foregoing.

"**Loan**" has the meaning ascribed thereto in Section 2.01.

"**Loan Documents**" means this agreement and all security instruments, agreements, documents and contracts made between any Obligor, and the Administrative Agent or Lenders or by any Obligor in favour of the Administrative Agent or Lenders and any ancillary documentation, in each case, relating to the Loan, including without limitation, any pledges, hypothecs, guarantees, indemnities, acknowledgements, confirmations or undertakings made by any Person.

"**Majority Lenders**" means, at any time prior to the occurrence of an Event of Default, Lenders whose respective individual Commitments aggregate at least 50% of the total Commitments of all Lenders under the Loan at such time and, at any time after the occurrence of an Event of Default, Lenders whose share of Principal Outstanding is in aggregate at least 50% of all Principal Outstanding.

"**Material Adverse Effect**" means any event, occurrence, fact, condition or change that has, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on (i) the business, property, assets, liabilities, operations, condition (financial or otherwise) or affairs of the Borrower (on a consolidated basis), or (ii) the ability of the Borrower (on a consolidated basis) to perform its obligations under, or the ability of the Lenders to enforce any of their rights and remedies under, any of the Loan Documents.

"**Material Contract**" means any right, interest, agreement, arrangement, lease, license, commitment or understanding entered into by the Borrower, whether written or oral, which

relates to and materially affects the business, property, operations, assets or condition (financial or otherwise) of the Borrower (on a consolidated basis).

"**Maturity Date**" has the meaning ascribed thereto in Section 5.01.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* of the Canadian securities administrators.

"**Obligor**" means any of the Borrower, Parent, Discovery Air Holdings (Delaware), Inc. and Top Aces Corp., collectively, the "**Obligors**".

"**Parent**" means Discovery Air Inc.

"**Permitted Encumbrances**" means:

(a) Security Interests granted by the Borrower or an Obligor in connection with the Existing Facilities;

(b) In respect of an Obligor other than the Borrower, Security Interests granted in connection with any Debt Guaranteed by such Obligor, which guarantee exists on the date hereof;

(c) Liens for taxes, assessments or government charges, including charges for workers' compensation and employment insurance, which are not due or delinquent;

(d) Liens imposed or permitted by law such as carriers' liens, builders' liens, materialmens' liens and other liens, privileges or other charges of a similar nature, in respect of obligations not yet due or delinquent;

(e) undetermined or inchoate Liens arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to law and in respect of which no steps or proceedings to enforce such liens have been initiated, and which relate to obligations which are not due or delinquent;

(f) Security Interests under the Loan Documents granted to the Administrative Agent on behalf of the Lenders;

(g) Liens securing Purchase Money Obligations that are permitted hereunder provided such Liens charge only the asset subject to the Purchase Money Obligation and the proceeds thereof and no other asset;

(h) Liens securing Capitalized Lease Obligations that are permitted hereunder;

(i) Liens of judgments rendered or claims filed which are being contested in good faith by it by proper legal proceedings, provided that such proceedings effectively postpone enforcement of any such Lien and do not otherwise result in an Event of Default hereunder;

(j) easements, rights-of-way, servitudes, zoning, and similar rights in or restrictions in respect of land (including rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons, which do not, individually or in the aggregate materially detract from the value of, or materially impair the use of, the property subject thereto or any significant part thereof;

(k) the reservations, limitations, provisos and conditions in any original grants from the Crown of any land or interests therein and statutory exceptions, qualifications and reservations in respect of title; and

(l) defects in title which are not general in application and which do not, individually or in the aggregate, materially detract from the value of, or materially impair the use of, the property or any significant part thereof.

"**Person**" includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof, and any other incorporated or unincorporated entity.

"**Potential Prior-Ranking Claims**" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim in favour of a Governmental Authority pursuant to any Applicable Law which ranks or is capable of ranking in priority to the security held by the Administrative Agent on behalf of the Lenders or otherwise in priority to any claim by any Lender for repayment of any amounts owing under this agreement.

"**PPSA**" means the *Personal Property Security Act* of the Province referred to in the "Governing Law" section of this Agreement, as such legislation may be amended, renamed or replaced from time to time, and includes all regulations from time to time made under such legislation.

"**Principal Outstanding**" means, at any time, the amount calculated and expressed in Canadian Dollars equal to:

(a) when used in a context pertaining to Borrowings made by a single Lender under the Loan, the sum of the aggregate principal amount of all Borrowings then outstanding made by such Lender under the Loan; and

(b) when used elsewhere in this agreement with reference to the Loan, the sum of the aggregate principal amount of all Borrowings then outstanding made by the Lenders under the Loan.

"**Proportionate Share**" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the applicable percentages shall be the percentage of the total outstanding Borrowings represented by such Lender's outstanding Borrowings.

"**Purchase Money Obligations**" means the outstanding balance of the purchase price of real and/or personal property, title to which has been acquired or will be acquired upon payment of such purchase price, or indebtedness to non-vendor third parties incurred to finance the acquisition of such new and not replacement real and/or personal property, or any refinancing of such indebtedness or outstanding balance.

"**Related Party Matters**" has the meaning ascribed thereto in Section 3.03.

"**Related Party Notice**" has the meaning ascribed thereto in Section 3.04.

"**Securities Authorities**" means (i) the securities commission or other securities regulatory authority of each province and territory of Canada and (ii) the TSX.

"**Security Interest**" means any lien, charge, hypothec, assignment, mortgage, title retention or security interest.

"**Share Reorganization**" has the meaning ascribed thereto in Section 4.02.

"**Tax**" and "**Taxes**" include all present and future income, corporation, capital gains, capital, value-added, goods and services taxes and other taxes, levies, imposts, stamp taxes, duties, charges to tax, fees, deductions, withholdings and all penalties, interest and other payments on or in respect thereof.

"**Total Number of Common Shares**" has the meaning ascribed thereto in Section 3.04.

"**TSX**" means the Toronto Stock Exchange.

"**U.S.**" means the United States of America.

"**Valuation**" has the meaning ascribed thereto in Section 3.04.

"**Valuator**" has the meaning ascribed thereto in Section 3.04.

1.02 Currency

All sums of money that are referred to herein are expressed in Canadian Dollars which shall be deemed to be a reference to the lawful money of Canada.

1.03 Borrower

Discovery Air Defence Services Inc. (the "**Borrower**")

1.04 Lenders

Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (the "**Lenders**")

ARTICLE 2
CREDITS

2.01 Amount

Subject to and in accordance with the terms and conditions of this Agreement, the Lenders establish a committed revolving credit facility in the aggregate amount of the Commitments (the "**Loan**" and each advance thereof, a "**Borrowing**").

2.02 Purpose

To (i) re-finance an existing equipment loan in favour of the Parent pursuant to a credit agreement dated as of March 30, 2016 among the Parent, the Administrative Agent and the Lenders (including by way of repayment of certain existing intercompany indebtedness between the Borrower and the Parent) and (ii) to re-leverage the German Aircraft in support of certain growth initiatives and for business development activities at certain affiliates.

2.03 Availability

The Loan is available by Borrowings (including on the Closing Date) provided that (i) only two Borrowings shall be permitted per calendar month and (ii) a Default or an Event of Default (as defined in Section 6.05) shall not have occurred and be continuing at the time of the Borrowing or would result therefrom and the conditions in Section 2.09 continue to be satisfied.

2.04 Cancellation or Reduction

Upon at least three Business Days' notice to the Administrative Agent, the Borrower may cancel or reduce the Commitments, provided that any cancellation or reduction of the Commitments shall be in the minimum amount of $500,000 or an integral multiple thereof.

2.05 Borrowings

Provided that the conditions in Section 2.09 are fulfilled or waived on or prior to the date hereof, the Lenders shall advance the Initial Drawdown Amount on the Closing Date to the Borrower.

2.06 Revolving Nature

Subject to the other provisions hereof, the Borrower may, from time to time until the Maturity Date, decrease the drawn balance outstanding under the Loan by making repayments and, with the Majority Lenders' prior written consent, increase the drawn balance outstanding under the Loan by making Controlled Borrowings. The Commitments shall be reduced to nil on the Maturity Date, and the Borrower shall repay to the Lenders on the Maturity Date all amounts then outstanding under the Loan. At no time shall the aggregate amount of Borrowings outstanding under this Agreement exceed the Commitments.

2.07 Interest Rate

The drawn balance outstanding under the Loan will accrue interest at a rate that is 12% per annum (the "**Interest Rate**"), compounded and payable quarterly in accordance with Section 5.06, which Interest Rate, without duplication of Section 5.07, shall be increased by 2% during the continuance of any Event of Default.

2.08 Use of Remaining Commitment

(a) Provided that no Default or Event of Default has occurred and is continuing or would result therefrom, the Borrower may request more Borrowings in increments of $500,000 (each such additional Borrowing, a "**Controlled Borrowing**") by notifying the Administrative Agent (and the Administrative Agent shall notify each Lender) of the amount of the proposed Controlled Borrowing, provided that the total of all such Controlled Borrowings together with the Initial Drawdown Amount shall not exceed the aggregate Commitments. The Majority Lenders shall determine if the Lenders wish to advance such Controlled Borrowings, which determination shall be in the sole discretion of such Lenders.

(b) If any requested Controlled Borrowing is agreed to in accordance with Section 2.08(a), the Administrative Agent and the Borrower shall determine the effective date of such Controlled Borrowing (the "**Controlled Borrowing Effective Date**"). The Administrative Agent shall confirm in writing to the Lenders the Controlled Borrowing Effective Date. On the Controlled Borrowing Effective Date each Lender shall fund its Proportionate Share of such Controlled Borrowing up to its Commitment. The increase of the Loan in accordance with this Section 2.08 shall not require any further consent of any Person, and the Administrative Agent, the Borrower and the Lenders shall execute any amendments to give effect to the terms of this Section 2.08 if deemed necessary by the Administrative Agent, acting reasonably.

2.09 Conditions Precedent

The obligation of the Lenders to make available the Loan (including each Borrowing) is conditional upon (each of which is acknowledged to be for the exclusive benefit of the Lenders):

(1) **Agreement**. The receipt of a duly executed copy of this agreement.

(2) **Guarantees and Security**. The following guarantees and security, duly executed and delivered, and all in form and substance satisfactory to the Administrative Agent:

(i) guarantee by each of the Obligors, other than the Borrower;

(ii) a first-ranking pledge of Discovery Air Holdings (Delaware), Inc.'s equity interests in Top Aces Corp.;

(iii) each of the Aircraft Security Agreement and a hypothec granting Security Interests in the German Aircraft to the Administrative Agent for obligations under the Loan Documents from Top Aces Corp. and the Borrower; and

(iv) such other documents and registrations as the Administrative Agent may reasonably require.

For greater certainty, registration of any security contemplated hereunder may be made within 10 Business Days of the date hereof and shall be made under the Uniform Commercial Code, the Civil Code of Québec and, from time to time, the personal property regulations of such other jurisdictions, as in the reasonable opinion of the Administrative Agent, shall be necessary or required in order to perfect and preserve the rights of the Administrative Agent under the Loan Documents. [Redacted – Legal determination made by the Administrative Agent as of the date hereof in respect of industry specific regulations.]

(3) **Documentation**. The receipt of such ancillary documentation as the Administrative Agent may require to give effect hereto and such officer's and other certificates, authorizations and resolutions as the Administrative Agent may reasonably require.

(4) **Representations and Warranties**. The representations and warranties made in this agreement being true and correct in all material respects and the receipt of a certificate of a senior officer of the Borrower confirming same.

(5) **Material Adverse Effect**. The absence of any Material Adverse Effect.

(6) **No Default or Event of Default**. No Default or Event of Default having occurred and the receipt of a certificate of a senior officer of the Borrower confirming same.

(7) **No Litigation**. The absence of any material litigation or other claims against the Borrower.

(8) **Consents**. The receipt of all approvals and consents from such Persons as may be required for the Loan to be made by the Lenders and incurred by the Borrower.

(9) **Registrations**. The receipt of all such notifications and filings which the Administrative Agent may deem necessary or desirable.

(10) **Board Approvals**. The Loan Documents and the transactions contemplated thereby shall have been approved by the Parent's board of directors.

(11) **Other Approvals**. The Parent shall have obtained such regulatory and other third party approvals as may be necessary in respect of the Loan Documents and the transactions contemplated thereby.

(12) **Other Information**. The receipt of such financial and other information or documents relating to the Borrower as the Administrative Agent may reasonably require.

Any of the foregoing conditions may be waived in whole or in part by the Lenders without prejudice to any claims they may have for breach of covenant, representation or warranty.

The Administrative Agent and the Lenders, in their respective capacities as collateral agent and debentureholders, respectively, under any secured debentures issued by the Borrower to the Lenders in their capacity as debentureholders, consent to the security contemplated hereunder.

ARTICLE 3
CONVERSION

3.01 Optional Conversion

At the option of the Lenders, all of the outstanding principal balance of the Loan and all accrued and unpaid interest shall, subject to satisfaction of the Conversion Conditions, be convertible in whole (and not in part) into Common Shares at the Conversion Price at any time following the date hereof and on or prior to the repayment, in full, of the principal balance of the Loan and any accrued and unpaid interest. The option of the Lenders to convert the amounts pursuant to this Section 3.01 may be exercised by the delivery of a written notice (the **"Conversion Notice"**) by the Lenders to the Borrower no later than three (3) Business Days prior to the proposed date of conversion, which proposed date shall then become the date fixed for conversion. Any notice of conversion delivered by the Lenders pursuant to this Section 3.01 may be withdrawn by written notice by the Lenders to the Borrower at any time prior to the date fixed for conversion. For greater certainty, the Conversion Notice may only be delivered by the Lenders following satisfaction of Conversion Conditions in Sections 3.03(1) and 3.03(2), if applicable.

If Sections 3.03 - 3.06 do not apply, then the Conversion Price shall be based on the Initial Valuation as adjusted pursuant to the principles and calculations contained in Section 3 of the Disclosure Letter.

3.02 Mechanics of Conversion

At the date fixed for the conversion pursuant to Section 3.01, the Borrower shall deliver to the Administrative Agent on behalf of each of the Lenders certificates representing the number of Common Shares obtained by dividing the amounts being converted by the Conversion Price (rounded down to the nearest whole number of Common Shares) (provided that notwithstanding anything to the contrary herein, the number of Common Shares shall be increased in accordance with the principle set out in Section 3.04(6)(v)), as well as such other documentation as the Administrative Agent and the Lenders may reasonably require regarding the calculation of such number of Common Shares to be issued and to attest that the securities are duly and properly issued, as fully paid and non-assessable Common Shares. The Lenders will be treated as having become the holders of record of the Common Shares issuable upon the conversion on the date fixed for conversion. Notwithstanding the foregoing, if the Borrower fails to issue the aforesaid Common Shares to the Lenders, the Lenders shall retain all rights contained under this

Agreement until such Common Shares are issued. Upon the issuance of the Common Shares following the Conversion Notice, (i) all amounts hereunder and all other debts, liabilities and obligations of all Obligors hereunder and under all other Loan Documents shall be deemed to be paid and satisfied in full, (ii) all Obligors shall be released from all such debts, liabilities and obligations, (iii) all Loan Documents shall terminate, and (iv) the Administrative Agent shall proceed, at the cost to the Borrower, to discharge and release all Security forming part of the Loan Documents.

3.03 Conversion Conditions

The conversion option in Section 3.01 is subject to the prior satisfaction of all of the following conditions (the "**Conversion Conditions**"):

(1) if required under Applicable Securities Law, the Borrower shall have obtained the approval of the DA Shareholders in accordance with the applicable requirements of Applicable Securities Laws (including M1 61-101 and TSX rules) of (i) such conversion, and (ii) entering into the DAD Shareholders' Agreement (collectively, the "**Related Party Matters**"); and

(2) if required under Applicable Securities Law, the Borrower shall have obtained all necessary approvals from applicable Securities Authorities of the Related Party Matters under Applicable Securities Laws (including M1 61-101 and TSX rules).

For greater certainty, the Conversion Notice may only be delivered by the Lenders following satisfaction of Sections 3.03(1) and 3.03(2) above, if applicable.

3.04 Shareholder Approval

If under Applicable Securities Laws, the approval of the DA Shareholders is required to permit the Lenders, or any of them, to exercise the conversion rights set forth in this Article 3, or for the Borrower and Parent to enter into the DAD Shareholders' Agreement, then, by written notice (a "**Related Party Notice**") to the DA Board to be provided before the Conversion Price is determined and the Conversion Notice is delivered, the Lenders may require that Parent take such steps as are necessary to obtain (i) the requisite shareholder approval required under Applicable Securities Laws from the DA Shareholders and (ii) all necessary TSX approvals required under Applicable Securities Laws. Such steps shall include, but not be limited to:

(1) within seven (7) days of receipt of the Related Party Notice, if not already established, the DA Board shall form a special committee of directors who are "independent" for purposes of MI 61-101 (the "**DA Special Committee**");

(2) within seven (7) days of the formation of the DA Special Committee, the DA Special Committee shall retain an independent and qualified valuator (as defined in MI 61-101) (the "**Valuator**");

(3) the DA Special Committee shall then cause the Valuator to conduct and deliver to the DA Special Committee a valuation (the "**Final Valuation**") of the enterprise

value of the Borrower in the same manner as the Initial Valuation was determined within forty-five (45) days of the engagement of the Valuator, provided that such period will be extended for a reasonable period (not to exceed sixty (60) days) if the DA Special Committee, in good faith (after consultation with its advisor(s) and outside counsel), determines that additional time is needed, including if the Special Committee determines it is necessary to retain a new or additional valuator, provided that in any event the Final Valuation shall be completed within such sixty-day period;

(4) within two (2) Business Days of the delivery of the Final Valuation to the DA Special Committee, the DA Board shall provide a copy of the Final Valuation to the Administrative Agent, on behalf of the Lenders;

(5) within seven (7) days of receiving the Final Valuation, the Lenders may, by written notice to the DA Board, withdraw the Related Party Notice (in which case, the Lenders shall not be permitted to deliver another Related Party Notice);

(6) if the Lenders do not withdraw the Related Party Notice within seven (7) days of being provided the Final Valuation, then:

(i) if the mid-point of the range of enterprise values contained in the Final Valuation is greater than the Initial Valuation, then the Initial Valuation shall be increased to be equal to such mid-point;

(ii) if the mid-point of the range of enterprise values contained in the Final Valuation is less than the Initial Valuation, then the Initial Valuation will remain unchanged;

(iii) the valuation determined pursuant to Section 3.04(6)(i) or Section 3.04(6)(ii), as applicable, will be adjusted on the basis of a formal valuation of the Borrower's securities prepared by the Valuator in accordance with MI 61-101 and in a manner consistent with the illustrative calculation and adjustment principles set out in Section 3 of the Disclosure Letter as at the date the Conversion Price is determined (the "**Equity Value**");

(iv) the implied equity ownership percentage for the Lenders will be determined by dividing (ii) the total outstanding principal balance of the Loan, by (ii) the Equity Value;

(v) the number of issued and outstanding Common Shares will be increased such that the Lenders will receive such number of additional issued and outstanding Common Shares equal to the implied equity percentage set out in Section 3.04(6)(iv) above as a percentage of the total issued and outstanding Common Shares, following the issuance of such additional Common Shares to the Lenders (the "**Total Number of Common Shares**"); and

(vi) the Conversion Price will be determined by dividing the Equity Value by the Total Number of Common Shares

Following the determination of the Conversion Price, Parent shall take all action necessary in accordance with all Applicable Laws, including Applicable Securities Laws, to:

(7) duly call, give notice of, convene and hold the DA Shareholders' Meeting as promptly as practicable and in any event not later than fifty (50) days following the determination of the Conversion Price, or on such other date as is mutually agreed to in writing by the parties hereto, to vote upon the Related Party Matters and any other matters as may be properly brought before the DA Shareholders' Meeting;

(8) solicit proxies of DA Shareholders in favour of the Related Party Matters, and, if mutually agreed to in writing by the parties hereto, engage a proxy solicitation agent for such purpose, and cooperate with any such agent or other persons engaged by the Lenders to solicit proxies in favour of the Related Party Matters;

(9) give notice to the Lenders of the DA Shareholders' Meeting and allow the Lenders' representatives and legal counsel to attend the DA Shareholders' Meeting.

3.05 <u>DA Circular</u>

(1) As promptly as reasonably practicable following determination of the Conversion Price, Parent shall: (i) prepare the DA Circular together with any other documents required by Applicable Securities Laws; (ii) file the DA Circular in all jurisdictions where the same is required to be filed; and (iii) mail the DA Circular as required under all Applicable Laws. On the date of mailing thereof, the DA Circular shall be complete and correct in all material respects, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading and shall comply in all material respects with all Applicable Law, and shall contain sufficient detail to permit the DA Shareholders to form a reasoned judgment concerning the matters to be placed before them at the DA Shareholders' Meeting. Subject to Section 3.07, the DA Circular shall state that the DA Board: (i) has unanimously determined that the Conversion Price and entry into the DAD Shareholders Agreement are in the best interests of Parent; and (ii) recommends that the DA Shareholders vote in favour of the Related Party Matters.

(2) The Lenders and their legal counsel shall be given a reasonable opportunity to review and comment on the DA Circular and other related documents prior to the DA Circular and other related documents being printed and filed with the Governmental Authorities, and reasonable consideration shall be given to any comments made by the Lenders and their legal counsel; provided that all information relating solely to the Lenders included in the DA Circular shall be in

form and substance satisfactory to the Lenders, acting reasonably. On the date of mailing the DA Circular, such information provided by the Lenders in writing shall be complete and correct in all material respects, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading. Parent shall provide the Lenders with final copies of the DA Circular prior to its mailing to the DA Shareholders.

(3) The Lenders and Parent shall each promptly notify each other if at any time before the DA Shareholders' Meeting either becomes aware that the DA Circular contains a misrepresentation, or that the DA Circular otherwise requires an amendment or supplement and the Parties shall co-operate in the preparation of any amendment or supplement to the DA Circular as required or appropriate, and Parent shall promptly mail or otherwise publicly disseminate any amendment or supplement to the DA Circular to the DA Shareholders.

3.06 <u>Conduct of the DA Shareholders' Meeting</u>

(1) Parent agrees to convene and conduct the DA Shareholders' Meeting, in accordance with its constating documents and Applicable Laws. Subject to the terms of this Agreement, Parent agrees not to propose to adjourn or postpone the DA Shareholders' Meeting without the prior consent of the Lenders:

(i) except as required for quorum purposes (in which case the meeting shall be adjourned and not cancelled) or by Applicable Law or by a Governmental Entity;

(ii) except for an adjournment for the purpose of attempting to obtain the requisite approval of the Related Party Matters; or

(iii) except as required (such adjournment or postponement not to exceed sixty (60) days) if the DA Special Committee, in good faith (after consultation with its advisor(s) and outside counsel) determines that additional time is needed.

(2) Notwithstanding Section 3.07, unless otherwise agreed to in writing by the Lenders or except as required by Applicable Law or by a Governmental Authority, Parent shall continue to take all steps reasonably necessary to hold the DA Shareholders' Meeting and to cause the Related Party Matters to be voted on at such meeting and shall not propose to adjourn or postpone such meeting other than as contemplated by Section 3.06(1).

(3) Parent shall not propose or submit for consideration at the DA Shareholders' Meeting any business other than the Related Party Matters without the Lenders' prior written consent, such consent not to be unreasonably withheld, conditioned or delayed.

3.07 **Fiduciary Out**

(1) Nothing contained in this Agreement shall prohibit the DA Board from withdrawing, modifying, qualifying or changing its recommendation to the DA Shareholders in respect of the transactions contemplated herein prior to the approval of the Related Party Matters by such shareholders, if the DA Board determines, in good faith (after consultation with its financial advisor(s) and after receiving advice of outside counsel), that the failure to make such withdrawal, modification, qualification or change would be inconsistent with its fiduciary duties under Applicable Laws; provided that: (i) such determination by the DA Board is based solely on a change in facts or circumstances relating to Parent or its business, operations or assets that arises after the delivery of the Valuation by the Valuator to the DA Special Committee; (ii) prior to making any such withdrawal, modification, qualification or change of recommendation, Parent shall give to the Lenders not less than 48 hours' notice of its intention thereof; and (iii) the foregoing shall not relieve Parent from its obligation to proceed to call and hold the DA Shareholders' Meeting (provided that, except as required under Applicable Laws, Parent shall be relieved from its obligations to actively solicit proxies in favour of the Related Party Matters in such circumstances).

(2) If the DA Board withdraws, modifies, qualifies or changes its recommendation in accordance with this Section 3.07, the Lenders shall be permitted to deliver another Related Party Notice at a subsequent date not earlier than sixty (60) days after such determination by the DA Board.

3.08 **DAD Shareholders' Agreement**

Upon delivery of a Related Party Notice, the Borrower, Parent and the Administrative Agent, on behalf of the Lenders, will promptly, and acting reasonably and in good faith, prepare, negotiate and finalize the DAD Shareholders' Agreement on substantially the terms set forth in Section 2 of the Disclosure Letter such that the DA Circular contains the required disclosure of the form of DAD Shareholders' Agreement in connection with the Related Party Matters to be considered at the DA Shareholders' Meeting. The Parent, Borrower and the Administrative Agent shall enter into the DAD Shareholders' Agreement on or immediately prior to the time of conversion pursuant to this Article 3. The parties acknowledge that, given the related party nature of the negotiation of the DAD Shareholders' Agreement, the Parent will be guided by and take instruction from the DA Special Committee.

ARTICLE 4
ADJUSTMENT PROVISIONS

4.01 **Adjustment of Conversion Price**

The Conversion Price shall be subject to adjustment from time to time upon the occurrence of the events and in the manner provided for in this Article 4.

4.02 Share Reorganization

Whenever the Borrower after the date of this Agreement (and subject to this Agreement):

(a) issues Common Shares or securities exchangeable for or convertible into Common Shares to holders of all or substantially all Common Shares by way of a stock dividend or other distribution (other than pursuant to a Rights Offering) or in settlement or payment of any Debt owing to any shareholders;

(b) subdivides the outstanding Common Shares into a greater number of shares; or

(c) combines or consolidates the outstanding Common Shares into a lesser number of shares,

(each of such events being herein called a "**Share Reorganization**"), then the Conversion Price shall be adjusted effective immediately after the record date for such dividend or other distribution or, in the case of a subdivision, combination or consolidation, effective immediately after the record date or the effective date thereof if no record date is fixed, as the case may be, by multiplying the Conversion Price in effect immediately before the record date or effective date, as applicable, by a fraction of which:

(i) the numerator is the number of Common Shares outstanding on that record date or effective date before giving effect to the Share Reorganization; and

(ii) the denominator is the number of Common Shares that are or would be outstanding immediately after giving effect to the Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed in the Share Reorganization, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date or effective date).

To the extent that convertible or exchangeable securities issued pursuant to a Share Reorganization are not converted into or exchanged for Common Shares before the expiration of the right to do so, the Conversion Price will be readjusted to the Conversion Price which would then be in effect based upon the number of additional Common Shares actually delivered upon the conversion or exchange of such convertible or exchangeable securities, but subject to any other adjustment required hereunder by reason of any event arising after the record date for such Share Reorganization.

4.03 Corporate Reorganization

Whenever there is after the date of this Agreement (and subject to this Agreement):

(a) a reclassification of the Common Shares, a change of Common Shares into other shares or securities, or any other capital reorganization of the Borrower affecting Common Shares, to which Section 4.02 does not apply;

(b) a consolidation, merger or amalgamation of the Borrower with or into another body corporate or entity (other than any such event which does not result in a reclassification of the Common Shares or a change of Common Shares into other shares or securities); or

(c) a transaction whereby all or substantially all of the Borrower's undertaking and assets become the property of another corporation or entity,

(any such event being herein called a "**Corporate Reorganization**"), the Lenders, if they thereafter exercise their right of conversion under this Agreement, will acquire and will accept, for the same aggregate consideration, in lieu of the Common Shares to which the Lenders would otherwise have been entitled upon such conversion, the number or amount and class, series or kind of shares or other securities, cash or other property that the Lenders would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, the Lenders had been the holders of the number of Common Shares that the Lenders would have acquired upon such conversion immediately before the Corporate Reorganization. As a condition precedent to taking any action that would constitute a Corporate Reorganization, the Borrower shall take all action that is necessary in order that the Borrower, any successor to the Borrower, or any successor to its assets and undertaking, may validly and legally issue as fully paid and non-assessable such shares, securities, cash or other property to which the Lenders are entitled under this Section 4.03 and that the Lenders shall thereafter be entitled to receive such shares, securities, cash or other property, subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained in this Article 4. If necessary as a result of any Corporate Reorganization, appropriate alterations (subject to the prior approval of the TSX) shall be made to the provisions set forth in this Article 4 with respect to the rights and interests of the Lenders to the end that such provisions will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, securities, cash or other property thereafter deliverable on the exercise of the Lenders' rights of conversion under this Agreement, and any such adjustment will be made by and set forth in an amendment hereto.

4.04 Conversion Rights Adjustment Rules

The following rules and procedures are applicable to adjustments made pursuant to this Article 4:

(a) any Common Shares owned by or held for the account of the Borrower shall be deemed not to be outstanding for the purpose of any computation pursuant to this Article 4;

(b) the adjustments and readjustments provided for in this Article 4 are cumulative and, subject to Section 4.04(a), will apply (without duplication) to successive issues, subdivisions, combinations, consolidations, distributions and other events that require adjustment of the Conversion Price or the number or kind of shares, securities, cash or other property issuable hereunder;

(c) no adjustment in the Conversion Price shall be made in respect of the issue of Common Shares or securities convertible into Common Shares pursuant to: (i) this Agreement; (ii) upon conversion, exchange or exercise of securities of the

Borrower existing as of the date of this Agreement or issued pursuant to clause (iii); or (iii) any equity incentive plan for officers, employees or directors of the Borrower;

(d) any dispute that arises at any time with respect to any adjustment or determination made pursuant to this Article 4 (including, without limiting the generality of the foregoing, a determination under Section 4.05 as to whether any action taken by the Borrower requires that an adjustment be made) shall be conclusively determined by such Canadian nationally recognized independent investment banking or accounting firm selected by the Parent and the Administrative Agent, each acting reasonably. The matters in dispute shall be determined by the investment banking or accounting firm so appointed within 10 days of its appointment. The determination of the matters in dispute by the investment banking or accounting firm so appointed shall be final and binding on the Borrower and the Lenders, absent manifest error;

(e) in the absence of a resolution of the directors of the Borrower fixing the record date for an event referred to in Sections 4.02 and 4.03 and except as otherwise required by law, the Borrower will be deemed to have fixed as the record date therefor the date on which the event is effected; and

(f) if the Borrower sets a record date to determine the holders of Common Shares for the purpose of entitling them to receive any dividend or distribution or any subscription or purchase rights and shall thereafter legally abandon its plans to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the Conversion Price shall be required by reason of the setting of such record date.

4.05 Other Actions

If the Borrower shall take any action of the nature of those described in Sections 4.02 or 4.03 affecting the Common Shares, other than actions described in those Sections, which would affect the rights of the Lenders to acquire Common Shares hereunder or the Conversion Price, the Common Shares and/or the Conversion Price will be adjusted, in such manner, and at such time, acceptable to the Administrative Agent, acting reasonably, as the board of the Parent determines, acting reasonably and in good faith, will result in an adjustment to the rights of the Lenders to receive Common Shares and/or an adjustment to the Conversion Price that is consistent with the principles governing the basis on which such adjustment is to be made in the event that the Borrower takes one or more of the actions specifically referred to in Sections 4.02 or 4.03.

4.06 Postponement of Issuance of Common Shares

In any case in which this Article 4 results in a decrease of the Conversion Price taking effect immediately after the record date for an event, if any amount is converted pursuant to Section 4.01 after that date and before the consummation of the event, the Borrower may postpone until such consummation:

(a) issuing to the Lenders such of the Common Shares to which the Lenders are entitled pursuant to such exercise as exceeds those to which the Lenders would have been entitled if such conversion had taken place immediately before that date; and

(b) delivering to the Administrative Agent on behalf of the Lenders any distributions declared with respect to such additional Common Shares,

but such Common Shares and any such distributions shall be so issued and delivered to the Administrative Agent on behalf of the Lenders upon consummation of that event with the number of such Common Shares and amount of any such distributions calculated on the basis of the Conversion Price on the exercise date adjusted for consummation of that event. The Borrower shall deliver to the Administrative Agent an appropriate instrument evidencing the Lenders' right to receive such Common Shares and any such distributions upon consummation of that event.

4.07 No Requirement to Issue Fractional Shares

The Borrower shall not be required to issue fractional shares upon conversion of any amount under this Agreement. If any fractional interest in a share would, except for the provisions of this Section 4.07, be deliverable upon the conversion, the Borrower shall, in lieu of delivering any certificate representing such fractional interest, satisfy such fractional interest by paying to the Lenders an amount of lawful money of Canada equal to the total amount tendered for conversion remaining after so much of the amount tendered for conversion as may be converted into a whole number of Common Shares has been so converted.

4.08 Certificate as to Adjustment

The Borrower shall immediately after the occurrence of any event which requires an adjustment or readjustment as provided for in this Article 4, deliver a certificate signed by an officer of the Borrower to the Administrative Agent and the Lenders specifying the nature of the event requiring such adjustment and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the adjustment specified therein shall, if so requested by the Administrative Agent, be verified by an opinion of an investment banking or accounting firm in accordance with Section 4.04(d).

4.09 Notice of Certain Events

At least 14 days (or, if such period is not practicable, as soon as is practicable) before the effective date of or record date for an event referred to in Sections 4.02 or 4.03 that requires or might require an adjustment to the Conversion Price or the Common Shares which the Lenders are entitled to acquire on the exercise of their conversion rights, the Borrower shall give notice to the Administrative Agent and the Lenders of the particulars of the event and, to the extent determinable, any adjustment required. If any adjustment for which a notice pursuant to this Section 4.09 is given is not then determinable, the Borrower shall, promptly after the adjustment is determinable, give notice to the Administrative Agent and the Lenders of the adjustment.

ARTICLE 5
LOAN MATTERS

5.01 Maturity Date

The Loan will mature on the earlier of (a) June 30, 2017 or (b) the date on which the Borrower completes any third party financing in excess of the amount outstanding hereunder at the relevant time (the "**Maturity Date**"), as extended by the Administrative Agent and the Lenders, from time to time. All indebtedness, liabilities and obligations owing under the Loan, including without limitation unpaid interest, are repayable in full on the Maturity Date.

5.02 Principal Payments and Loan Amortization

The Loan shall be repayable by the Borrower on the Maturity Date.

5.03 Loan Payment Allocation

Any payment hereunder shall be applied in the following order: (i) to any outstanding interest, (ii) to any principal payment due, and (iii) to the repayment of any other amounts outstanding under the Loan.

5.04 Repayment

The Borrower may, in accordance with Section 2.06, voluntarily repay the Loan in whole or in part without penalty upon 5 Business Days' written notice to the Administrative Agent in integral multiples of $500,000, subject to a limit of two repayments in any calendar month; provided that no such prepayment may be made during the period commencing on the earlier of delivery of (a) a Conversion Notice or (b) a Related Party Notice and concluding 30 days after all of the Conversion Conditions have been satisfied.

5.05 Mandatory Repayments

Any funds received or receivable by the Borrower on account of disposition (excluding for greater certainty, any lease thereof) of the German Aircraft shall be used to mandatorily repay the Loan and will be applied as provided in Section 5.03.

Subject to the terms and conditions of the applicable agreements, any funds raised by the issuance of equity to a third-party or the incurrence of Debt for general corporate purposes (which, for greater certainty, excludes any Debt incurred to finance the acquisition of any aircraft or equipment) by the Borrower or any Obligor shall be used to mandatorily repay the Loan. Upon the occurrence of any such event, the funds raised or received by the Borrower, as the case may be, will be applied as provided in Section 5.03.

5.06 Interest Payments

The Borrower shall pay interest on the fifteenth (15th) day of each of February, May, August and November on the average daily outstanding drawn balance of the Loan during the calendar quarter (or portion thereof) prior to such date.

5.07 Overdue Payments

Any amount that is not paid when due hereunder shall bear interest until paid at a rate equal to the applicable Interest Rate plus 2% per annum.

5.08 Equivalent Yearly Rates

The annual rates of interest to which the rates calculated in accordance with this agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365 or 366, as the case may be.

5.09 Time and Place of Payment

Amounts payable by the Borrower hereunder shall be paid in Canadian Dollars. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day. Interest payable under this agreement are payable both before and after any or all of default, demand and judgement.

5.10 Evidence Of Indebtedness

The Administrative Agent shall open and maintain accounts and records evidencing the Borrowings made available to the Borrower by the Lenders under this agreement. The Administrative Agent shall record the principal amount of each Borrowing (including any increases thereto as provided herein), the payment of principal and interest and all other amounts becoming due to the Lenders under this agreement.

The Administrative Agent's accounts and records constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Borrower to the Lenders pursuant to this agreement.

ARTICLE 6
REPRESENTATIONS, COVENANTS AND EVENTS OF DEFAULT

6.01 Representations And Warranties

The Borrower represents and warrants to the Administrative Agent and the Lenders that, and acknowledges that the Administrative Agent and the Lenders are relying on the following representations and warranties in connection with entering into this agreement:

(1) **Due Incorporation**. The Borrower is a corporation duly incorporated and organized and is validly subsisting under the laws of Canada. The Borrower holds all necessary permits, consents and registrations and has all necessary corporate power and authority to own, operate or lease its properties and assets and to carry on its business as now conducted, and is duly licensed or registered or otherwise qualified to do business in all jurisdictions wherein the nature of its assets or the business transacted by it makes such licensing, registration or qualification necessary.

(2) **Power**. The Borrower has all necessary corporate power and authority to enter into, deliver and perform its obligations under each of the Loan Documents to which the Borrower is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

(3) **Due Authorization and No Conflict**. The execution, delivery and performance by the Borrower of the Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby:

(i) have been duly authorized by all necessary corporate action on the part of the Borrower;

(ii) do not and will not conflict with, result in any breach or violation of, or constitute a default under the constating documents or by-laws of the Borrower or any Applicable Laws, or (b) any determination, award or governmental order presently in effect and applicable to the Borrower, or (c) of any commitment, permit, agreement (including any Material Contract) or any other instrument to which the Borrower is now a party or is otherwise bound;

(iii) do not result in or require the creation of any Security Interest upon or with respect to any of the properties or assets of the Borrower other than in favour of the Administrative Agent; and

(iv) do not require the consent or approval (other than those consents or approvals already obtained or contemplated under the last paragraph in Section 2.09(2) and (certified, if requested by the Administrative Agent) copies of which have been delivered to the Administrative Agent) of, registration or filing with, or notice to any other party (including shareholders of the Borrower).

(4) **Valid and Enforceable Obligations**. This agreement has been duly executed and delivered by the Borrower and the Loan Documents to which Borrower is a party are, or when executed and delivered to the Administrative Agent on behalf of the Lenders will be, legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies.

(5) **No Actions or Unsatisfied Judgements**. There is no outstanding governmental order or unsatisfied judgement, penalty or award against or affecting the Borrower or any of its assets in excess of $100,000.

(6) **No Defaults or Events of Default**. No Default or Event of Default (as defined below) has occurred and is continuing which would affect the financial condition, property, assets, operations or business of the Borrower (on a consolidated basis).

(7) **Compliance with Law**. The Borrower is not in violation of any terms of its constating documents or by-laws or Applicable Laws (where such violation of Applicable Laws would have a material effect on the Borrower), judgment, writ, injunction, decree, determination or award presently in effect and applicable to it.

(8) **Taxes**. The Borrower has filed all federal, provincial, state and local tax returns which are required to be filed, if any, and such tax returns are true, complete and correct in all material respects. The Borrower has paid all Taxes due, if any, pursuant to such returns or pursuant to any assessment received by it except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.

(9) **Solvency**. The Borrower is solvent and will not become insolvent after giving effect to the transactions contemplated in the Loan Documents.

(10) **Insurance**. The Borrower maintains insurance policies on its properties, assets and business placed with such insurers and with such coverage and against such loss or damage to the extent insured against by comparable entities engaged in comparable businesses. The Borrower has paid all premiums necessary to maintain any such insurance policies in good standing.

6.02 Positive Covenants

From the date hereof and until all indebtedness, liabilities and obligations due to the Lenders hereunder are finally repaid in full, the Borrower will observe and perform, or will cause the observance and performance of, each of the following covenants, unless compliance therewith shall have been waived in writing by the Majority Lenders:

(1) **Existence**. The Borrower will do or cause to be done all such things as are necessary to maintain its existence in good standing, to ensure that it has at all times the right and is duly qualified to conduct its businesses and to obtain and maintain all rights, privileges and franchises necessary for the conduct of its business.

(2) **As to Collateral**. The Borrower will defend, or cause the relevant Obligor(s) to defend all of the collateral in which a Security Interest under any Loan Document is granted to the Administrative Agent (collectively, "**Collateral**") against the claims and demands of all other parties claiming the same or an interest therein other than Permitted Encumbrances and will keep the Collateral free from all encumbrances other than Permitted Encumbrances. The Borrower will keep the Collateral in good order, condition and repair ordinary wear and tear excepted and will not use the Collateral in violation of the provisions of any agreements granting a Security Interest under any Loan Document or this agreement or any insurance policy insuring the Collateral or in violation of any Applicable Laws.

(3) **Payment of Principal, Interest and Expenses**. The Borrower will duly and punctually pay or cause to be paid to the Lenders all indebtedness, liabilities and

obligations owed by it to the Lenders under the Loan Documents at the times and places and in the manner provided for herein.

(4) **Payment of Taxes and Claims**. The Borrower will pay and discharge promptly when due all Taxes, assessments and other governmental charges or levies imposed upon it or upon its properties or assets or upon any part thereof, as well as all claims of any kind (including claims for labour, materials and supplies) which, if unpaid, would by Applicable Law become a lien, charge, trust or other claim upon any such properties or assets; provided that the Borrower shall not be required to pay any such Tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower shall have set aside on its books a reserve to the extent required by GAAP in an amount which is reasonably adequate with respect thereto.

(5) **Use of Proceeds**. The Borrower shall use the proceeds of the Loan solely for the purposes contemplated in this agreement.

(6) **Books and Records**. The Borrower will at all times maintain proper records and books of account and therein make true and correct entries of all dealings and transactions relating to its business and, if requested by the Administrative Agent, will make the same available for inspection by the Administrative Agent or any agent of the Administrative Agent at all reasonable times.

(7) **Notice of Material Adverse Effect**. The Borrower will give to the Administrative Agent prompt written notice of any Material Adverse Effect.

(8) **Representations and Warranties**. The Borrower will take all commercially reasonable steps to ensure that the representations and warranties provided hereunder remain true and correct until all indebtedness, liabilities and obligations due to the Lenders under the Loan Documents are finally paid in full. The Borrower shall promptly notify the Administrative Agent in writing of any event, occurrence, fact, condition or change that results in, or would reasonably be expected to result in, any representation or warrantee herein not being true or correct.

(9) **Notice of Default**. The Borrower shall give to the Administrative Agent notice of any Default or Event of Default or any default under any Debt entitling any other party thereto to accelerate the maturity of amounts of principal owing thereunder, as soon as practicable after it becomes aware of same.

(10) **Compliance with Laws**. The Borrower shall comply with all Applicable Laws.

(11) **Cooperate With Administrative Agent**. The Borrower shall cooperate fully with the Administrative Agent with respect to any proceedings before any court, board or other Governmental Authority which may in any way adversely affect the

rights of the Administrative Agent or the Lenders under any of the Loan Documents.

(12) **Title**. The Borrower has good and valid marketable title to the Collateral free and clear of any encumbrances other than Permitted Encumbrances.

(13) **Registration of Security**. Subject to the last paragraph in Section 2.09(2), the Borrower shall provide the Administrative Agent with such assistance and do such things as the Administrative Agent may from time to time reasonably request so that the Security Interests under any Loan Document granted by it to the Administrative Agent and any other instruments of conveyance or assignment effected pursuant to this agreement or otherwise will be and remain registered, recorded or filed from time to time in such manner and in such places as may in the reasonable opinion of the Administrative Agent be necessary or required in perfecting such Security Interests.

(14) **New Locations and Names**. The Borrower shall advise the Administrative Agent in writing at least ten (10) Business Days prior to the occurrence of the (i) change of location of its "chief executive office", "place of business", "registered office", "chief place of business", "principal place of business" or the location of its records; or (ii) change of its corporate name. The Borrower shall provide the Administrative Agent with any additional security or registrations which the Administrative Agent may reasonably deem necessary or advisable to maintain or continue the effectiveness of its Security Interest as a result of any such change.

(15) **Common Shares Issuable upon Conversion**. The Borrower shall:

(i) at all times reserve and keep available out of its authorized Common Shares solely for the purpose of issue and delivery upon the conversion of any amounts under this Agreement, and conditionally allot to the Lenders, such number of Common Shares as shall then be issuable upon the conversion of any amounts under this Agreement which may be converted into Common Shares. The Borrower covenants with the Lenders that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable; and

(ii) comply with all Applicable Securities Laws relating to the issue and delivery of Common Shares upon the conversion of any amounts under this Agreement, obtain any regulatory approval in respect thereof as may be required pursuant to such laws and rules, prior to the issuance thereof.

(16) **Debt Conversion.** Upon the earlier of (a) the date on which the Borrower completes any third party financing and (b) the date on which the Administrative Agent delivers a written request to the Borrower, the Borrower shall cause any Affiliates owing intercompany Debt to the Borrower, to make a capital contribution to the Borrower in the amount of any such intercompany Debt owing. Unless otherwise consented to by the Administrative Agent, acting

reasonably, such capital contribution shall be in full satisfaction of such intercompany Debt owing and the contributing Affiliates shall not be entitled to any additional Common Shares of, or other equity interests in, the Borrower on account of such capital contribution.

(17) **Voting Agreements**. Within thirty (30) days of the date hereof, the Borrower shall cause each of Jacob Shavit, Paul Bernards, David Kleiman, Paul Bouchard and Didier Toussaint to enter into a voting agreement to vote in favour of the Related Party Matters, if any, contemplated by Article 3.

6.03 Negative Covenants

From the date hereof and until all indebtedness, liabilities and obligations due to the Lenders hereunder are finally paid in full, the Borrower shall adhere to the following covenants unless waived in writing by the Majority Lenders:

(1) **Not to Amalgamate, etc**. The Borrower shall not enter into any transaction or series of related transactions (whether by way of amalgamation, merger, winding-up, consolidation, reorganization, reconstruction, continuance, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, properties, rights or assets would become the property of any other Person or, in the case of amalgamation or continuance, of the continuing corporation resulting therefrom, other than the amalgamation of the Borrower with Discovery Air Innovations Inc.

(2) **Change in Articles**. The Borrower shall not amend or terminate (or permit the same) its articles or other constating documents without the prior written consent of the Administrative Agent, other than as is necessary to create different classes of shares prior to the exercise of a conversion hereunder in order to comply with the CTA.

(3) **Sale of Assets**. The Borrower will not and shall ensure that no other Obligor shall sell, transfer, convey, lease (other than a lease of any of the German Aircraft to any Obligor) or otherwise dispose of any German Aircraft or other Collateral, unless it obtains the prior written consent of the Administrative Agent and, subject to the Intercreditor Agreement and the Borrower's obligations under any approvals granted by the US Department of State, all of the proceeds thereof are utilized to pay the indebtedness, liabilities and obligations due to the Lenders hereunder.

(4) **German Aircraft.** The Borrower will not, except as may be requested by the Administrative Agent, (i) de-register or permit the de-registration of any German Aircraft from the aircraft register where such aircraft are registered as of the date hereof, and (ii) do or permit any action or thing which would reduce, diminish, jeopardize or otherwise negatively affect the validity, perfection or priority of the Administrative Agent's security interest in the German Aircraft (including the granting of any security interest in the German Aircraft to any other Person).

6.04 Indemnity

The Borrower hereby indemnifies and holds harmless the Lenders, the Administrative Agent, their Affiliates and their respective directors, officers and employees for any or all loss, cost, liability, judgment, claim, damage or expense sustained, suffered or incurred thereby (including, without limitation, attorneys' fees and costs) arising out of or attributable or relating to:

(1) any inaccuracy in or breach of any of the representations and warranties of the Borrower herein;

(2) any fraud or misrepresentation by Borrower in connection with the Loan; or

(3) the breach or non-fulfilment of any covenant, agreement or obligation to be performed by the Borrower pursuant to the Loan Documents.

6.05 Events Of Default

Without limiting any other rights of the Lenders under this agreement, if any one or more of the following events (herein an "**Event of Default**") has occurred and, except in the case of Section 6.05(1) for which a cure period has been provided therein, has not been cured within 20 days after written notice thereof has been provided by the Administrative Agent to the Borrower:

(1) the Borrower fails to pay (a) within one (1) Business Day of the due date or acceleration thereof, any principal, or (b) within three (3) Business Days of the due date or acceleration thereof, any interest or other amounts due under this agreement;

(2) other than as set out in Section 6.05(1), the Borrower breaches any covenant or other provision of the Loan Documents;

(3) the Borrower defaults in its obligations under any material Debt obligations of the Borrower;

(4) any representation or warranty made herein or in any Loan Document or other document delivered pursuant hereto shall be or shall become false or inaccurate in any material respect;

(5) a Material Adverse Effect occurs;

(6) the Borrower is unable to pay its debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;

(7) any notice of intention is filed or any voluntary or involuntary case or proceeding is filed or commenced for (i) the bankruptcy, liquidation, winding-up, dissolution or suspension of general operations of the Borrower, or (ii) the composition, re-scheduling, reorganization, arrangement or readjustment of, or other relief from, or stay of proceedings to enforce, some or all of the debts of the Borrower, or (iii) the appointment of a trustee, receiver, receiver and manager, liquidator,

administrator, custodian or other official for, all or any significant part of the assets of the Borrower, or (iv) the possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or any significant part of the assets of the Borrower; or

(8) any secured creditor, encumbrancer or lienor, or any trustee, receiver, receiver and manager, agent, bailiff or other similar official appointed by or acting for any secured creditor, encumbrancer or lienor, takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or any significant part of the assets of the Borrower, or gives notice of its intention to do any of the foregoing;

then, in such event, the ability of the Borrower to make further Borrowings under this agreement shall immediately terminate and the Administrative Agent may, by written notice to the Borrower, declare all amounts outstanding under this agreement to be immediately due and payable. Upon receipt of such written notice, but subject to the provisions of the Intercreditor Agreement, the Borrower shall immediately pay to the Administrative Agent on behalf of the Lenders the full amount outstanding under this agreement, including all outstanding interest accrued thereon and all other obligations of the Borrower to the Lenders in connection with the Loan Documents. Subject to the Intercreditor Agreement, the Administrative Agent may, enforce its rights to realize upon its security in whole or in part and retain an amount sufficient to fully repay all of the Borrower's obligations to the Lenders under the Loan Documents. [Redacted – Particulars of covenant to obtain certain industry specific regulatory authorizations if required.]

In addition to the restrictions on the disposition of the assets in Section 6.03(3), the Administrative Agent and Lenders agree to abide by all US regulatory requirements that apply to any of the Collateral including, but not limited to, any registration, licensing, recordkeeping, reporting and related obligations. The Administrative Agent and Lenders warrant, certify and covenant that, to the best of their knowledge, they are and will be at all relevant times in compliance with US export laws and regulations, specifically the International Traffic in Arms Regulations and the Export Administration Regulations as they may relate to such Collateral.

ARTICLE 7
THE ADMINISTRATIVE AGENT AND THE LENDERS

7.01 Authorization and Action

Each of the Lenders hereby appoints and authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under this agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such actions and powers as are reasonably incidental thereto. Each Lender further designates and appoints the Administrative Agent to hold the Collateral and the Security Interests granted under any Loan Document on behalf of and for the benefit of the Lenders and as hypothecary representative, as such term is used in Article 2692 of the Civil Code of Quebec. As to any matters not expressly provided for by this agreement or such other Loan Documents, the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be

fully indemnified and protected in so acting or refraining from acting) upon the instructions of the Majority Lenders and such instructions shall be binding upon all Lenders; provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this agreement or such other Loan Documents or Applicable Law. Without limitation of the foregoing, the Administrative Agent may grant releases and postponements of the Security Interests, to the extent in each case the Security Interest extends to assets which are disposed of in accordance with this agreement. The provisions of this Article 7 are solely for the benefit of the Administrative Agent, the Lenders and the Borrower shall not have any rights as a third party beneficiary of any such provisions.

7.02 Reliance by Administrative Agent

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of Borrowings and that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Borrowings. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

7.03 Exculpatory Provisions

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents), but the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as is necessary, or as the Administrative Agent believes in good faith is necessary, under the provisions of the Loan Documents) or (ii) in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing the Default is given to the Administrative Agent by the Borrower or a Lender.

(c) Except as otherwise expressly specified in this agreement, the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition specified in this agreement, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

7.04 Non-Reliance on Administrative Agent and Other Lenders

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

7.05 Administrative Agent a Lender

The Administrative Agent, which is also a Lender, shall have the same rights and powers in its capacity as a Lender under this agreement and every other Loan Document as any other Lender and may exercise the same as though it were not the Administrative Agent; and the terms "Lender" and "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its capacity as Lender.

7.06 Collective Action of the Lenders

Each of the Lenders hereby acknowledges that to the extent permitted by Applicable Law, any collateral security and the remedies provided under the Loan Documents to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder and under any collateral security are to be exercised not severally, but by the Administrative Agent upon the decision of the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). Accordingly, notwithstanding any of the provisions contained herein or in any collateral security, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action hereunder or thereunder including, without limitation, any declaration of default hereunder or thereunder but that any such action shall be taken only by the Administrative Agent with the prior written agreement of the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). For greater certainty, no Lender shall have any right individually to enforce any of the Collateral, it being understood that all such enforcement shall be taken by the Administrative Agent for the benefit of the Lenders upon the terms of this agreement. Each of the Lenders hereby further covenants and agrees that upon any such written agreement being given, it shall co-operate fully with the Administrative Agent to the extent requested by the Administrative Agent. Notwithstanding the foregoing, in the absence of instructions from the Lenders and where in the sole opinion of the Administrative Agent, acting reasonably and in good faith, the exigencies of the situation warrant such action, the Administrative Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interest of the Lenders.

7.07 Proceeds of Realization received by a Lender

In the event that, following an Event of Default which is continuing, any non-cash proceeds of realization are delivered to or received by a Lender, the Lender shall hold such non-cash proceeds of realization in trust for the Administrative Agent and shall forthwith deliver such non-cash proceeds of realization (subject to the Administrative Agent's acceptance of such delivery) to the Administrative Agent to be disposed of, or realized upon, by the Administrative Agent in a commercially reasonable manner so as to produce cash proceeds of realization for application to the payment of the obligations hereunder and under the other Loan Documents in accordance with this agreement.

7.08 Indemnification of Administrative Agent

Each Lender agrees to indemnify the Administrative Agent and hold it harmless (to the extent not reimbursed by the Borrower), rateably according to its Proportionate Share (and not jointly or jointly and severally) from and against any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel, which may be incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or the transactions therein contemplated. However, no Lender shall be liable for any portion of such losses, claims, damages, liabilities and related expenses resulting from the Administrative Agent's gross negligence or wilful misconduct.

ARTICLE 8
GENERAL

8.01 Successors And Assigns

This agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.

The Lenders may assign all or any part of their rights and obligations under this agreement to any other Person. The rights and obligations of the Borrower under this agreement may not be assigned without the prior written consent of the Majority Lenders.

The Lenders may disclose to potential or actual assignees confidential information regarding the Borrower and, provided that the Lenders shall have obtained from any such potential or actual assignee a confidentiality agreement in customary form and which benefits the Borrower and its Affiliates, shall not be liable for any such disclosure.

8.02 Review

The Administrative Agent may conduct periodical reviews of the affairs of the Borrower, as and when determined by the Administrative Agent, for the purpose of evaluating the financial condition of the Borrower. The Borrower shall make available to the Administrative Agent such financial statements and other information and documentation as the Administrative Agent may reasonably require and shall do all things reasonably necessary to facilitate such review by the Administrative Agent.

8.03 Consent to Disclosure

The Borrower hereby grants its consent (such grant to remain in force as long as this agreement is in effect or the Loan is outstanding) to any Person having information relating to any Potential Prior-Ranking Claim to release such information to the Administrative Agent at any time upon the Administrative Agent's written request for the purpose of assisting the Administrative Agent to evaluate the financial condition of the Borrower.

8.04 Non-Merger

The provisions of this agreement shall not merge with any security provided to the Administrative Agent, but shall continue in full force for the benefit of the parties hereto.

8.05 Amendments and Waivers

No amendment or waiver of any provision of this agreement will be effective unless it is in writing signed by the Borrower, the Administrative Agent and the Majority Lenders (other than in respect of the Maturity Date, Commitments, Interest Rate and this Section 8.05, where all Lenders must sign). No failure or delay on the part of the Administrative Agent in exercising any right or power hereunder shall operate as a waiver thereof.

8.06 Severability

If any provision of this agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor invalidate, affect or impair any of the remaining provisions of this agreement.

8.07 Governing Law

This agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

8.08 Entire Agreement

This Agreement, the Disclosure Letter, the Loan Documents, the security and any other written agreement delivered pursuant to the Loan Documents constitute the entire agreement between the parties in respect of the Loan, and supersede all prior and contemporaneous representations, warranties, understandings and agreements, both written and verbal, in connection with the Loan.

8.09 Disclosure Letter

(a) The Disclosure Letter forms an integral part of this Agreement for all purposes of it.

(b) The purpose of the Disclosure Letter is to set out the qualifications, exceptions and other information called for in this Agreement. The Parties acknowledge and agree that the Disclosure Letter and the information and disclosures contained in it do not constitute or imply, and will not be construed as:

(i) any representation, warranty, covenant or agreement which is not expressly set out in this Agreement;

(ii) an admission of any liability or obligation of the Borrower or the Lenders;

(iii) an admission that the information is material;

(iv) a standard of materiality, a standard for what is or is not in the ordinary course of business, or any other standard contrary to the standards contained in the Agreement; or

(v) an expansion of the scope of effect of any of the representations, warranties and covenants set out in the Agreement.

(a) The Disclosure Letter itself is confidential information and may not be disclosed unless (i) it is required to be disclosed pursuant to Applicable Law, unless such Applicable Law permits the Parties to refrain from disclosing the information for confidentiality or other purposes or (ii) a party hereto needs to disclose it in order to enforce or exercise its rights under this Agreement.

8.10 Notices

Any notice or demand hereunder shall be given in writing and shall be given by prepaid mail, by facsimile or other means of electronic communication or by hand-delivery, in each case addressed as specified below. Any such notice or demand, if mailed by prepaid mail, shall be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the date of transmission provided the appropriate confirmation of receipt has been received before 3:00 p.m. on a Business Day, and otherwise on the next Business Day. A letter shall be deemed received when hand-delivered to the receiving party at the address shown herein or at such other address as the receiving party may notify the others from time to time. Each party shall be bound by any notice given hereunder and entitled to act in accordance therewith, unless otherwise agreed. The addresses of the parties for the purpose hereof shall be:

as to the Borrower:

Discovery Air Defence Services Inc.
170 Attwell Drive

Suite 370
Toronto, ON M9W 5Z5

Attention: Paul Bernards
Facsimile: (416) 679-0410

as to the Administrative Agent:

Clairvest GP Manageco Inc.
c/o Clairvest Group Inc.
22 St. Clair Avenue East
Suite 1700
Toronto, ON M4T 2S3

Attention: James Miller
Facsimile: (416) 925-5753

or such other address for delivery as each party from time to time may notify the other as aforesaid.

8.11 Further Assurances

The Borrower shall from time to time promptly upon the request of the Administrative Agent take such action and execute and deliver such further documents, as shall be reasonably required in order to fully perform the terms of, and to carry out the intention of, this agreement.

8.12 Counterparts

This agreement may be executed in one or more counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed

signature page to this agreement by either party by facsimile or other electronic transmission will be as effective as delivery of a manually executed copy of the agreement by such party.

8.13 Time

Time shall be of the essence in all provisions of this agreement.

-remainder of this page intentionally left blank-

IN WITNESS WHEREOF the parties have caused this agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

DISCOVERY AIR DEFENCE SERVICES INC.

Per: *"David Kleiman"*
David Kleiman
Corporate Secretary

ADMINISTRATIVE AGENT:

CLAIRVEST GP MANAGECO INC.

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

Per: *"Daniel Cheng"*
Daniel Cheng
Chief Financial Officer

LENDERS:

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GP MANAGECO INC.**

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV LIMITED PARTNERSHIP**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV LIMITED PARTNERSHIP**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

DA HOLDINGS LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GP MANAGECO INC.**

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

Per: *"Michael Wagman"*
Michael Wagman
Managing Director

G. JOHN KREDIET

Witness: *"Witness"*

Per: *"G. John Krediet"*

Tab 3F

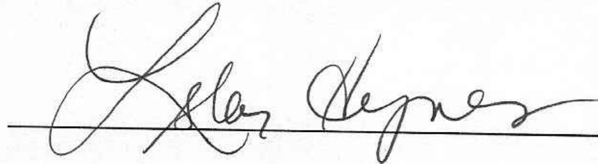
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "F"

This is Exhibit "F" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

DISCOVERY AIR CLAIRVEST

Discovery Air and Clairvest Enter Into Definitive Agreement for Going Private Transaction

- Equity privatization transaction unanimously recommended by a Special Committee of the Board of Directors of Discovery Air Inc. comprised of four independent directors, and unanimously approved by Discovery Air Inc.'s board of directors, excluding directors not eligible to vote;
- Cash consideration of $0.20 per share to be paid to public shareholders of Discovery Air Inc.;
- Transaction will provide liquidity to public shareholders;
- Unsecured convertible debentures to remain outstanding/listed and treated in accordance with their terms;
- Following closing, Discovery Air Inc. will be wholly-owned by certain funds and affiliates of Clairvest Group Inc. and certain management shareholders of Discovery Air Inc.; and
- Over 90% of the shareholders of Discovery Air Inc. have indicated their intent to vote in favour of the equity privatization transaction at the special meeting of shareholders held to consider such transaction, the implication of which is (i) minority approval under securities laws is not required and (ii) the result of the special meeting of shareholders is assured.

Toronto, ON - March 24, 2017 - Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") (TSX: DA.A) and Clairvest Group Inc. (TSX: CVG) announced today that the Corporation and certain funds managed by Clairvest Group Inc. (collectively "**Clairvest**") have entered into a definitive agreement (the "**Arrangement Agreement**") which will result in Clairvest, along with certain management shareholders of the Corporation (the "**Rolling Shareholders**" and, together with Clairvest, the "**Purchaser Group**"), acquiring all the issued and outstanding shares in the capital of the Corporation by way of a plan of arrangement (the "**Arrangement**") pursuant to the *Canada Business Corporations Act*.

Pursuant to the terms of the Arrangement, Clairvest will indirectly acquire from the shareholders of the Corporation (the "**Corporation Shareholders**") all of the issued and outstanding Class A shares (the "**Class A Shares**") and Class B shares (the "**Class B Shares**", and together with the Class A Shares, the "**Corporation Shares**") of Discovery Air not already held by the Purchaser Group for $0.20 per Corporation Share (the "**Cash Consideration**"). The total transaction Cash Consideration is approximately $1.5 million.

Jacob (Koby) Shavit, the President and CEO of Discovery Air Inc. stated "the proposed transaction is a logical evolution for Discovery Air given our current ownership structure. Our management team and employees look forward to continuing to work with Clairvest as we maintain our ongoing focus on delivering skillful and efficient specialty aviation and logistics services to our customers".

The members of the Purchaser Group, acting jointly and in concert, currently own over 90% of the Corporation Shares and have indicated their intent to vote in favour of the Arrangement at the special meeting of Corporation Shareholders held to consider the Arrangement, as further described below.

The Arrangement will provide holders of the Corporation Shares (other than the Purchaser Group and their affiliates) (the "**Public Shareholders**") with liquidity and the opportunity to realize immediate and certain value for their Corporation Shares. On the basis of, among other things, the valuation and fairness opinion provided by the special committee's financial advisor, Capital Canada Limited, the special committee and disinterested members of the Corporation's board of directors (the "**Board**") believe that the Cash Consideration to be received by the Public Shareholders pursuant to the Arrangement is fair, from a financial point of view, and that the Arrangement is in the best interests of the Corporation.

The Arrangement will enhance the Corporation's ability to meet future financing needs in an efficient and timely manner, which will allow the Corporation to reduce the risks associated with its business, improving the operations and future prospects of the Corporation.

The special committee also determined that it is unlikely that a competing offer for equal or greater consideration could emerge given the Corporation's ownership structure together with the fact that Clairvest advised the Corporation, and subsequently publicly announced, that it has no interest in selling its holdings in the Corporation. The Arrangement will not result in a change in the effective control of the Corporation, which would have resulted had any third party acquirer effected a similar transaction, including associated implications for and potential costs arising from the Corporation's contractual commitments.

Transaction Details

Unanimously recommended to the Corporation Shareholders by all of the independent directors of the Corporation, the Arrangement will be completed by way of a plan of arrangement pursuant to the *Canada Business Corporations Act* through which Public Shareholders will receive the Cash Consideration.

Fairness Opinion and Formal Valuation

The special committee of the Board has unanimously recommended that Corporation Shareholders approve the Arrangement. The special committee received a formal valuation from its financial advisor, Capital Canada Limited, valuing the Corporation Shares at a range of nil to $0.07. The special committee also received a fairness opinion from Capital Canada Limited that the Cash Consideration to be received by the Public Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Public Shareholders.

Process of Approval

The Arrangement is subject to, among other things, the approval by 66 2/3% of the votes cast by Corporation Shareholders at a special meeting of Corporation Shareholders to be held to approve the Arrangement. As the Purchaser Group holds over 90% of the Corporation Shares and have indicated their intent to vote in favour of the Arrangement at the special meeting, minority approval under securities laws is not required. The Arrangement is also subject to receipt of court and any necessary regulatory approvals. On closing of the Arrangement, it is anticipated that the Corporation Shares will be de-listed from the Toronto Stock Exchange ("**TSX**").

The Arrangement is expected to close once all of the approvals have been obtained, which is expected to occur no later than June 2017. Certain holders of Corporation Shares who are directors, officers or employees of the Corporation have entered into voting and support agreements (the "**Voting and Support Agreements**") pursuant to which they have agreed, among other things, to vote in favour of

the Arrangement and, in lieu of receiving the Cash Consideration, to exchange their Corporation Shares on a one-for-one basis for shares in, and continue as shareholders of, the successor entity to the Corporation.

Secured and Unsecured Debentures

Discovery Air's outstanding senior secured convertible debentures in an initial aggregate principal amount of $70,000,005 issued by the Corporation on September 23, 2011, and the 8.375% convertible unsecured subordinated debentures issued by the Corporation pursuant to a convertible debenture indenture dated as of May 12, 2011, as amended by a first supplemental convertible debenture indenture dated as of November 27, 2014 (the "**Listed Debentures**", and together, the "**Debentures**"), will be treated in accordance with their terms. The Listed Debentures will not be de-listed from the TSX and, as such, the Corporation will remain a reporting issuer subsequent to the completion of the Arrangement. The Debentures will remain outstanding in accordance with their terms and will not be included in the Arrangement.

Corporation Shareholders and other interested parties are advised to read the materials relating to the proposed Arrangement that will be filed with or furnished to securities regulatory authorities in Canada when they become available, as they will contain important information. Additional details regarding the Arrangement will be disclosed in the Management Information Circular to be mailed to Corporation Shareholders and filed in due course. Anyone may obtain copies of these documents when available free of charge under the Corporation's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

This announcement is for informational purposes only and does not constitute an offer to purchase, a solicitation of an offer to sell the shares of the Corporation or a solicitation of a proxy.

Early Warning Report Filed for Clairvest

Clairvest has filed an updated early warning report in connection with entering into the Voting and Support Agreements and the Arrangement Agreement. A copy of the report can be obtained under the Corporation's profile at www.sedar.com, or by contacting the Director, Investor Relations and Marketing for Clairvest at (416) 925-9270.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this press release are forward-looking statements. These statements include, without limitation, statements relating to the proposed equity privatization of the Corporation pursuant to the Arrangement, approval of the Arrangement by shareholders and regulatory authorities and the timing thereof, the subsequent ownership structure of the Corporation, the Cash Consideration, the expected timing and impact of the Arrangement, certain strategic, operational and financial benefits expected to result from the Arrangement, the Corporation's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. For a description of relevant assumptions and risks, please consult the Corporation's 2016 Annual

Information Form dated April 28, 2016 and the Corporation's 2016 Third Quarter MD&A dated December 7, 2016, all filed with the Canadian provincial securities regulatory authorities (available at sedar.com) and which are also available on the Corporation's website at www.discoveryair.com. Additional details regarding the Arrangement will be disclosed in the Management Information Circular to be filed in due course.

The forward-looking statements contained in this press release describe our expectations at March 24, 2017, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise.

About Discovery Air

Discovery Air is a global leader in specialty aviation services. We deliver exceptional air combat training, medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve.

Discovery Air's Class A common voting shares and unsecured convertible debentures trade on the Toronto Stock Exchange (symbols DA.A and DA.DB.A, respectively).

For further information, please contact:

Sheila Venman
Investor Relations
Sheila.venman@discoveryair.com
866-903-3247

About Clairvest

Clairvest Group Inc. is a private equity investor which invests its own capital, and that of third parties through the Clairvest Equity Partners ("CEP") limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

For further information, please contact:

Maria Klyuev
Director, Investor Relations and Marketing
Clairvest Group Inc.
Tel: (416) 925-9270
Fax: (416) 925-5753

Tab 3G

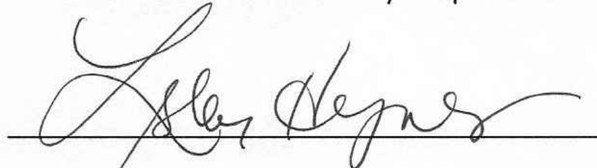
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "G"

This is Exhibit "G" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

DISCOVERY AIR

Discovery Air Announces New Revolving Credit Facility from Clairvest

Toronto, ON, June 5, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") announced today that its subsidiary, Discovery Air Defence Services Inc. ("**DA Defence**"), has entered into a subordinated credit agreement with certain funds or co-investors (such lenders, collectively "**Clairvest**") of Clairvest Group Inc., the controlling shareholder of the Corporation, providing for a revolving subordinated credit facility in the aggregate principal amount of up to $13,000,000 (the "**Revolving Credit Facility**"). All borrowings under the Revolving Credit Facility are secured on a subordinated basis, bear interest at a rate of 12% per annum, compounded, payable quarterly, and maturing on July 31, 2017, subject to acceleration in the event of certain refinancing transactions and extensions by Clairvest, acting reasonably. Proceeds from the Revolving Credit Facility will be used for general corporate purposes, including, without limitation, support of certain growth initiatives and for business development activities at certain affiliates.

The Revolving Credit Facility is in addition to an existing credit facility between DA Defence and Clairvest for a principal amount of $25,000,000, originally to come due on June 30, 2017 (the "**Original DADS Credit Facility**" and, together with the Revolving Credit Facility, the "**DADS Credit Facilities**"). A copy of the credit agreement for each of the DADS Credit Facilities will be available on the system for electronic document analysis and retrieval (SEDAR).

The Revolving Credit Facility also contains an optional conversion feature (the "**Conversion Feature**"), which provides Clairvest with an option, subject to the condition described below, to convert the outstanding balance (or a portion thereof) under the DADS Credit Facilities, together with up to $18,400,000 principal amount of the Corporation's senior secured convertible debentures, into common shares of DA Defence at a conversion price to be determined on the basis of the value of the DA Defence business, after the application of certain agreed upon adjustments between Clairvest and the Corporation. In the event Clairvest elects to exercise the Conversion Feature, its exercise is subject to the prior satisfaction of certain conditions, including the following condition (the "**Conversion Condition**"): if required under Applicable Securities Law (as defined in the Revolving Credit Facility), the Corporation shall have obtained a "formal valuation" (as defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**")) of DA Defence in accordance with the applicable requirements of Applicable Securities Laws (including MI 61-101). In the event Clairvest seeks to exercise the Conversion Feature, and a "formal valuation" is required under Applicable Securities Laws, the Corporation, acting at the direction of a special committee (the "**Special Committee**") of the board of directors of the Corporation (the "**Board**"), will retain a valuator to prepare a formal valuation in accordance with MI 61-101. The Conversion Condition is in addition to the conversion conditions in the Original DADS Credit Facility, as more fully described in the press release of the Corporation dated December 20, 2016, announcing the Original DADS Credit Facility.

A material change report will be filed less than 21 days before the closing date of the transaction. This shorter period is reasonable and necessary in the circumstances to allow the Corporation to obtain financing for working capital.

The Revolving Credit Facility is a "related party transaction" within the meaning of MI 61-101. The Corporation is not required under MI 61-101 to obtain a formal valuation in respect of the Revolving Credit Facility and will be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101 as a result of (i) the Revolving Credit Facility being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Revolving Credit Facility was obtained from an arm's length party; and (ii) the Revolving Credit Facility not containing any equity component; provided that, as described above, if the Conversion Feature is exercised by Clairvest, such exercise is contingent on the Conversion Condition satisfying the requirements of MI 61-101.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries (including DA Defence) that relate to, among other things: the proposed use of proceeds of the Revolving Credit Facility; the Conversion Feature; the terms, conditions and timing of draws under the Revolving Credit Facility; and, the regulatory approval process if the Conversion Feature is exercised. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. As a result of such risks and uncertainties, actual results may differ materially from those discussed in forward-looking statements, and readers should not place undue reliance on such statements.

Forward-looking statements represent expectations as of the date they are made, and Discovery Air disclaims any intention or obligation to update or revise any forward-looking statements it may make, whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air is a global leader in specialty aviation services. We deliver exceptional air combat training, medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve.

Discovery Air's unsecured convertible debentures trade on the Toronto Stock Exchange (symbol DA.DB.A).

For further information, please contact:

Paul Bernards Chief Financial Officer
Paul.bernards@discoveryair.com
866-903-3247

Tab 3H

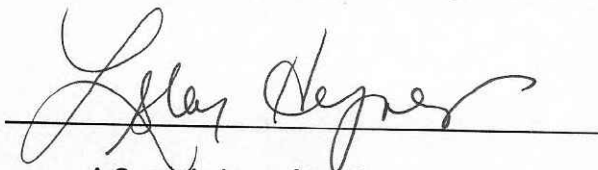
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "H"

This is Exhibit "H" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

DISCOVERY AIR DEFENCE SERVICES INC.
as Borrower

-and-

CLAIRVEST GP MANAGECO INC.
as Administrative Agent

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP and **CEP IV CO-INVESTMENT LIMITED PARTNERSHIP**,
as Lenders

SUBORDINATED CREDIT AGREEMENT

Dated as of June 5, 2017

THIS AGREEMENT is dated as of June 5, 2017.

AMONG:

DISCOVERY AIR DEFENCE SERVICES INC., as Borrower

OF THE FIRST PART

AND:

CLAIRVEST GP MANAGECO INC., as Administrative Agent

OF THE SECOND PART

AND:

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP and **CEP IV CO-INVESTMENT LIMITED PARTNERSHIP**, as Lenders

OF THE THIRD PART

WHEREAS the Borrower has requested the Loan and the Lenders have agreed to provide the Loan to the Borrower upon and subject to the terms and conditions set out in this Agreement.

NOW THEREFORE in consideration of the mutual covenants and agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.01 Definitions

For the purpose of this agreement, the following terms and phrases shall have the following meanings:

"**Administrative Agent**" means Clairvest GP Manageco Inc.

"**Affiliate**" means any Person that Controls, is Controlled by or is under common Control with a Person.

"**Aircraft Security Agreement**" means the subordinated aircraft security agreement dated as of the date hereof between Top Aces Corp. and Discovery Air Defence Services Inc., as debtors and the Administrative Agent on behalf of the Lenders.

"**Applicable Law**" means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (to the extent

having the force of law) all applicable official directives, rules, consents, approvals, by-laws, permits, authorizations, guidelines, orders and policies of any Governmental Authority or Persons having authority over that Person, property, transaction or event.

"**Applicable Securities Laws**" means (i) the securities laws, rules, regulations, instruments and orders applicable in the provinces and territories of Canada as interpreted and applied by the securities commissions or equivalent securities authorities of such provinces and territories and (ii) applicable stock exchange rules.

"**Borrower**" has the meaning ascribed thereto in Section 1.03.

"**Borrowing**" has the meaning ascribed thereto in Section 2.01.

"**Business Day**" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday or a day on which lending institutions are closed in the province of Ontario.

[Redacted – Industry specific regulatory definition.]

"**Capitalized Lease Obligation**" means, for any Person, any payment obligation of such Person under an agreement for the lease, license or rental of, or providing such Person with the right to use, property that, in accordance with GAAP, is required to be capitalized.

"**Closing Date**" means the date hereof.

"**Collateral**" has the meaning ascribed thereto in Section 5.02(2).

"**Commitment**" means, for a Lender in respect of the Loan, the amount in respect of the Loan set forth opposite such Lender's name under the heading "Initial $6MM Amount" or "Remaining Amount", as the case may be, on Schedule A hereto, as it may be amended from time to time to the extent not permanently reduced, cancelled or terminated pursuant to this agreement by such Lender's Proportionate Share.

"**Common Shares**" means common shares of the Borrower, or such classes of common shares of the Borrower as may be created, if and when necessary, to restrict foreign voting control in order to meet the requirement in the Canada Transportation Act (the "**CTA**") that holders of licences to operate domestic Canadian air services be "Canadian".

"**Control**" means the ownership or right to control through voting proxies of a minimum of 50.1% of the issued and outstanding voting shares, partnership interests or other instruments having the capacity to elect the directors or committees responsible for the control, management and direction of any Person or to otherwise control, management or direction of any Person and the words "**Controlled by**", "**Controlling**" and similar words have corresponding meanings.

"**Controlled Borrowing**" has the meaning ascribed thereto in Section 2.08(a).

"**Controlled Borrowing Effective Date**" has the meaning ascribed thereto in Section 2.08(b).

"**Conversion Condition**" has the meaning ascribed thereto in Section 3.03.

"**Conversion Notice**" has the meaning ascribed thereto in Section 3.01.

"**Conversion Price**" means an amount per Common Share as is determined under, and in accordance with, the Original DADS Loan, as may be adjusted thereunder from time to time, and for greater certainty, in respect of the aggregate obligations under the Original DADS Loan and the Loan.

"**Debt**" of a Person means, at any time and without duplication, calculated as at such time (i) all indebtedness for moneys borrowed (including interest and other charges in respect thereof) and moneys raised by the issue of notes, bonds, debentures or other evidences of moneys borrowed including the face amount of lenders' acceptances and letters of credit or letters of guarantee; (ii) all indebtedness for the deferred purchase price of property or services represented by a note or other evidence of indebtedness; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all indebtedness of another person secured by a lien, charge, hypothec, mortgage or security interest on any assets or undertaking (real, personal, tangible or intangible) of the Person; (v) all obligations under leases which have been or should be, recorded as capital leases in respect of which the Person is liable as lessee; (vi) the aggregate amount at which any shares or equity interests in the capital of the Person which are redeemable at the option of the holder or retractable at the option of the holder, as the case may be, may be so retracted or redeemed for cash or debt provided all conditions precedent for such retraction or redemption have been satisfied; (vii) all current liabilities of a Person represented by a note, bond, debenture or other evidence of indebtedness; and (viii) all Debt Guaranteed by the Person.

"**Debt Guaranteed**" by any Person means, without duplication, the amount outstanding at any time of all Debt of the kinds referred to in (i) through (viii) of the definition of Debt which is directly or indirectly guaranteed by the Person or which the Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which the Person has otherwise assured a creditor or other Person against loss.

"**Default**" means any event or condition that has occurred which, with notice, lapse of time, or both, would constitute an Event of Default.

"**Event of Default**" has the meaning ascribed thereto in Section 5.05.

"**Existing Facilities**" means any Debt Guaranteed by the Borrower or any Debt obligations of the Borrower in favour of a working capital or other lender, existing on the date hereof.

"**Force Majeure**" means acts of God, fire, flood or other catastrophe; government, legal or statutory restrictions on forms of commercial activity; an order of any Governmental Authority having authority over the relevant party; national emergencies, insurrections, riots or wars; strikes, lock-outs or work stoppages; or any other event or occurrence beyond the reasonable control of the applicable party.

"**GAAP**" means generally accepted accounting principles in effect from time to time in Canada applied in a consistent manner from period to period.

"**German Aircraft**" means the Aircraft (as defined in the Aircraft Security Agreement) together with the other Collateral (as defined in the Aircraft Security Agreement) related thereto.

"**Governmental Authority**" means any nation or government, any province, state, municipality, local or other political subdivision thereof and any agency, instrumentality or other entity thereof exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Initial Drawdown Amount**" means $6,000,000.

"**Intercreditor Agreement**" means the Fourth Amended and Restated Intercreditor Agreement dated as of May 26, 2015 among, *inter alios*, Roynat Inc., Element Financial Corporation, Textron Financial Corporation, Canadian Imperial Bank of Commerce, Clairvest GP Manageco Inc., Clairvest Group Inc. and Discovery Air Inc. and certain of its direct and indirect subsidiaries, as amended by an Amendment to Fourth Amended and Restated Intercreditor Agreement made as of December 1, 2015, as amended, restated, modified, supplemented or replaced from time to time.

"**Interest Rate**" has the meaning ascribed thereto in Section 2.07.

[Redacted – Industry specific regulatory definition.]

[Redacted – Industry specific regulatory definition.]

"**Lenders**" has the meaning ascribed thereto in Section 1.04.

"**Lien**" means any security interest, mortgage, pledge, hypothec, assignment, attachment, deposit arrangement, encumbrance, lien (statutory or other), charge against or interest in property to secure payment or performance of an obligation, preference, license, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale, hire purchase or other title retention agreement, any financing or similar statement or notice filed under the PPSA or any other similar recording or notice statute), and any lease having substantially the same effect as any of the foregoing.

"**Loan**" has the meaning ascribed thereto in Section 2.01.

"**Loan Documents**" means this agreement and all security instruments, agreements, documents and contracts made between any Obligor, and the Administrative Agent or Lenders or by any Obligor in favour of the Administrative Agent or Lenders and any ancillary documentation, in each case, relating to the Loan, including without limitation, any pledges, hypothecs, guarantees, indemnities, acknowledgements, confirmations or undertakings made by any Person.

"**Majority Lenders**" means, at any time prior to the occurrence of an Event of Default, Lenders whose respective individual Commitments aggregate at least 50% of the total Commitments of all Lenders under the Loan at such time and, at any time after the occurrence of an Event of

Default, Lenders whose share of Principal Outstanding is in aggregate at least 50% of all Principal Outstanding.

"**Material Adverse Effect**" means any event, occurrence, fact, condition or change that has, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on (i) the business, property, assets, liabilities, operations, condition (financial or otherwise) or affairs of the Borrower (on a consolidated basis), or (ii) the ability of the Borrower (on a consolidated basis) to perform its obligations under, or the ability of the Lenders to enforce any of their rights and remedies under, any of the Loan Documents.

"**Material Contract**" means any right, interest, agreement, arrangement, lease, license, commitment or understanding entered into by the Borrower, whether written or oral, which relates to and materially affects the business, property, operations, assets or condition (financial or otherwise) of the Borrower (on a consolidated basis).

"**Maturity Date**" has the meaning ascribed thereto in Section 4.01.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* of the Canadian securities administrators.

"**Obligor**" means any of the Borrower, Parent, Discovery Air Holdings (Delaware), Inc. and Top Aces Corp., collectively, the "**Obligors**".

"**Original DADS Loan**" means that certain credit facility available under that certain credit agreement among Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, DA Holdings Limited Partnership and G. John Krediet, as lenders, the Administrative Agent, as administrative agent, and the Borrower, as borrower, dated as of December 20, 2016, as amended, restated, modified, supplemented or replaced from time to time.

"**Parent**" means Discovery Air Inc.

"**Permitted Encumbrances**" means:

(a) Security Interests granted by the Borrower or an Obligor in connection with the Existing Facilities;

(b) In respect of an Obligor other than the Borrower, Security Interests granted in connection with any Debt Guaranteed by such Obligor, which guarantee exists on the date hereof;

(c) Liens for taxes, assessments or government charges, including charges for workers' compensation and employment insurance, which are not due or delinquent;

(d) Liens imposed or permitted by law such as carriers' liens, builders' liens, materialmens' liens and other liens, privileges or other charges of a similar nature, in respect of obligations not yet due or delinquent;

(e) undetermined or inchoate Liens arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to law and in respect of which no steps or proceedings to enforce such liens have been initiated, and which relate to obligations which are not due or delinquent;

(f) Security Interests under the Loan Documents granted to the Administrative Agent on behalf of the Lenders;

(g) Liens securing Purchase Money Obligations that are permitted hereunder provided such Liens charge only the asset subject to the Purchase Money Obligation and the proceeds thereof and no other asset;

(h) Liens securing Capitalized Lease Obligations that are permitted hereunder;

(i) Liens of judgments rendered or claims filed which are being contested in good faith by it by proper legal proceedings, provided that such proceedings effectively postpone enforcement of any such Lien and do not otherwise result in an Event of Default hereunder;

(j) easements, rights-of-way, servitudes, zoning, and similar rights in or restrictions in respect of land (including rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons, which do not, individually or in the aggregate materially detract from the value of, or materially impair the use of, the property subject thereto or any significant part thereof;

(k) the reservations, limitations, provisos and conditions in any original grants from the Crown of any land or interests therein and statutory exceptions, qualifications and reservations in respect of title;

(l) defects in title which are not general in application and which do not, individually or in the aggregate, materially detract from the value of, or materially impair the use of, the property or any significant part thereof; and

(m) encumbrances in favour of any third party secured lender to any Obligor on any assets of any Obligor.

"**Person**" includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof, and any other incorporated or unincorporated entity.

"**Potential Prior-Ranking Claims**" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim in favour of a Governmental Authority pursuant to any Applicable Law which ranks or is capable of ranking in priority to the security held by the Administrative Agent on behalf of the Lenders or otherwise in priority to any claim by any Lender for repayment of any amounts owing under this agreement.

"**PPSA**" means the *Personal Property Security Act* of the Province referred to in the "Governing Law" section of this Agreement, as such legislation may be amended, renamed or replaced from time to time, and includes all regulations from time to time made under such legislation.

"**Principal Outstanding**" means, at any time, the amount calculated and expressed in Canadian Dollars equal to:

(a) when used in a context pertaining to Borrowings made by a single Lender under the Loan, the sum of the aggregate principal amount of all Borrowings then outstanding made by such Lender under the Loan together with any capitalized interest; and

(b) when used elsewhere in this agreement with reference to the Loan, the sum of the aggregate principal amount of all Borrowings then outstanding made by the Lenders under the Loan together with any capitalized interest.

"**Proportionate Share**" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the applicable percentages shall be the percentage of the total outstanding Borrowings represented by such Lender's outstanding Borrowings.

"**Purchase Money Obligations**" means the outstanding balance of the purchase price of real and/or personal property, title to which has been acquired or will be acquired upon payment of such purchase price, or indebtedness to non-vendor third parties incurred to finance the acquisition of such new and not replacement real and/or personal property, or any refinancing of such indebtedness or outstanding balance.

"**Security Interest**" means any lien, charge, hypothec, assignment, mortgage, title retention or security interest.

"**Tax**" and "**Taxes**" include all present and future income, corporation, capital gains, capital, value-added, goods and services taxes and other taxes, levies, imposts, stamp taxes, duties, charges to tax, fees, deductions, withholdings and all penalties, interest and other payments on or in respect thereof.

"**TSX**" means the Toronto Stock Exchange.

"**U.S.**" means the United States of America.

1.02 Currency

All sums of money that are referred to herein are expressed in Canadian Dollars which shall be deemed to be a reference to the lawful money of Canada.

1.03 Borrower

Discovery Air Defence Services Inc. (the "**Borrower**").

1.04 Lenders

Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership and CEP IV Co-Investment Limited Partnership (the "**Lenders**"). Each of the Lenders represents, warrants and covenants that it is and will be, at all times during the term of this Agreement, an affiliate (as such term is used in the Intercreditor Agreement) of Clairvest Group Inc. in order to qualify, at all times, as a Clairvest Subordinated Lender under the Intercreditor Agreement. Each Lender shall, concurrently with its execution hereof, cause the Administrative Agent to execute and deliver to the other lenders under the Intercreditor Agreement a Clairvest Subordinated Lender Accession Agreement, as contemplated under the Intercreditor Agreement.

ARTICLE 2
CREDITS

2.01 Amount

Subject to and in accordance with the terms and conditions of this Agreement, the Lenders establish a committed revolving credit facility in the aggregate amount of the Commitments (the "**Loan**" and each advance thereof, a "**Borrowing**").

2.02 Purpose

For general corporate purposes, including, without limitation, support of certain growth initiatives and for business development activities at certain affiliates.

2.03 Availability

The Loan is available by Borrowings (including on the Closing Date) provided that (i) only two Borrowings shall be permitted per calendar month and (ii) a Default or an Event of Default (as defined in Section 5.05) shall not have occurred and be continuing at the time of the Borrowing or would result therefrom and the conditions in Section 2.09 continue to be satisfied.

2.04 Cancellation or Reduction

Upon at least three Business Days' notice to the Administrative Agent, the Borrower may cancel or reduce the Commitments, provided that any cancellation or reduction of the Commitments shall be in the minimum amount of $500,000 or an integral multiple thereof.

2.05 Borrowings

Provided that the conditions in Section 2.09 are fulfilled or waived on or prior to the date hereof, the Lenders shall advance the Initial Drawdown Amount on the Closing Date to the Borrower.

2.06 Revolving Nature

Subject to the other provisions hereof, the Borrower may, from time to time until the Maturity Date, decrease the drawn balance outstanding under the Loan by making repayments and, with

the Majority Lenders' prior written consent, increase the drawn balance outstanding under the Loan by making Controlled Borrowings. The Commitments shall be reduced to nil on the Maturity Date, and the Borrower shall repay to the Lenders on the Maturity Date all amounts then outstanding under the Loan. At no time shall the aggregate amount of Borrowings outstanding under this Agreement exceed the Commitments, other than for capitalized interest hereunder.

2.07 Interest Rate

The drawn balance outstanding under the Loan will accrue interest at a rate that is 12% per annum (the "**Interest Rate**"), compounded and payable quarterly in accordance with Section 4.06, which Interest Rate, without duplication of Section 4.07, shall be increased by 2% during the continuance of any Event of Default.

2.08 Use of Remaining Commitment

(a) Provided that no Default or Event of Default has occurred and is continuing or would result therefrom, the Borrower may request more Borrowings in increments of $500,000 (each such additional Borrowing, a "**Controlled Borrowing**") by notifying the Administrative Agent (and the Administrative Agent shall notify each Lender) of the amount of the proposed Controlled Borrowing, provided that the total of all such Controlled Borrowings together with the Initial Drawdown Amount shall not exceed the aggregate Commitments. The Majority Lenders shall determine if the Lenders wish to advance such Controlled Borrowings, which determination shall be in the sole discretion of such Lenders.

(b) If any requested Controlled Borrowing is agreed to in accordance with Section 2.08(a), the Administrative Agent and the Borrower shall determine the effective date of such Controlled Borrowing (the "**Controlled Borrowing Effective Date**"). The Administrative Agent shall confirm in writing to the Lenders the Controlled Borrowing Effective Date. On the Controlled Borrowing Effective Date each Lender shall fund its Proportionate Share of such Controlled Borrowing up to its Commitment. The increase of the Loan in accordance with this Section 2.08 shall not require any further consent of any Person, and the Administrative Agent, the Borrower and the Lenders shall execute any amendments to give effect to the terms of this Section 2.08 if deemed necessary by the Administrative Agent, acting reasonably.

2.09 Conditions Precedent

The obligation of the Lenders to make available the Loan (including each Borrowing) is conditional upon (each of which is acknowledged to be for the exclusive benefit of the Lenders):

(1) **Agreement**. The receipt of a duly executed copy of this agreement.

(2) **Guarantees and Security**. The following guarantees and security, duly executed and delivered, and all in form and substance satisfactory to the Administrative Agent:

(i) guarantee by each of the Obligors, other than the Borrower;

(ii) each of the Aircraft Security Agreement and a hypothec granting Security Interests in the German Aircraft to the Administrative Agent for obligations under the Loan Documents from Top Aces Corp. and the Borrower; and

(iii) such other documents and registrations as the Administrative Agent may reasonably require.

For greater certainty, registration of any security contemplated hereunder may be made within 10 Business Days of the date hereof and shall be made under the Uniform Commercial Code, the Civil Code of Québec and, from time to time, the personal property regulations of such other jurisdictions, as in the reasonable opinion of the Administrative Agent, shall be necessary or required in order to perfect and preserve the rights of the Administrative Agent under the Loan Documents. *[Redacted – Legal determination made by the Administrative Agent as of the date hereof in respect of industry specific regulations.]*

(3) **Documentation**. The receipt of such ancillary documentation as the Administrative Agent may require to give effect hereto and such officer's and other certificates, authorizations and resolutions as the Administrative Agent may reasonably require.

(4) **Representations and Warranties**. The representations and warranties made in this agreement being true and correct in all material respects and the receipt of a certificate of a senior officer of the Borrower confirming same.

(5) **Material Adverse Effect**. The absence of any Material Adverse Effect.

(6) **No Default or Event of Default**. No Default or Event of Default having occurred and the receipt of a certificate of a senior officer of the Borrower confirming same.

(7) **No Litigation**. The absence of any material litigation or other claims against the Borrower.

(8) **Consents**. The receipt of all approvals and consents from such Persons as may be required for the Loan to be made by the Lenders and incurred by the Borrower.

(9) **Registrations**. The receipt of all such notifications and filings which the Administrative Agent may deem necessary or desirable.

(10) **Board Approvals**. The Loan Documents and the transactions contemplated thereby shall have been approved by the Parent's board of directors.

(11) **Other Approvals.** The Parent shall have obtained such regulatory and other third party approvals as may be necessary in respect of the Loan Documents and the transactions contemplated thereby.

(12) **Other Information**. The receipt of such financial and other information or documents relating to the Borrower as the Administrative Agent may reasonably require.

Any of the foregoing conditions may be waived in whole or in part by the Lenders without prejudice to any claims they may have for breach of covenant, representation or warranty.

The Administrative Agent and the Lenders, in their respective capacities as (x) collateral agent and debentureholders, respectively, under any secured debentures issued by the Parent to the Lenders in their capacity as debentureholders, and (y) administrative agent and majority lenders in connection with the Original DADS Loan, consent to the security contemplated hereunder and, to the extent necessary, in connection with the Original DADS Loan.

ARTICLE 3
CONVERSION

3.01 Optional Conversion

At the option of the Lenders, all of the outstanding principal balance of the Loan and all accrued and unpaid interest shall, subject to satisfaction of the Conversion Condition, be convertible from time to time, in whole or in part, into Common Shares at the Conversion Price at any time following the date hereof and on or prior to the repayment, in full, of the principal balance of the Loan and any accrued and unpaid interest. The option of the Lenders to convert the amounts pursuant to this Section 3.01 may be exercised by the delivery of a written notice (the "**Conversion Notice**") by the Lenders to the Borrower no later than three (3) Business Days prior to the proposed date of conversion, which proposed date shall then become the date fixed for conversion. Any notice of conversion delivered by the Lenders pursuant to this Section 3.01 may be withdrawn by written notice by the Lenders to the Borrower at any time prior to the date fixed for conversion. For greater certainty, the Conversion Notice may only be delivered by the Lenders following satisfaction of the Conversion Condition in Section 3.03(1), if applicable.

3.02 Mechanics of Conversion

At the date fixed for the conversion pursuant to Section 3.01, the Borrower shall deliver to the Administrative Agent on behalf of each of the Lenders certificates representing the number of Common Shares obtained by dividing the amounts being converted by the Conversion Price (rounded down to the nearest whole number of Common Shares), as well as such other documentation as the Administrative Agent and the Lenders may reasonably require regarding the calculation of such number of Common Shares to be issued and to attest that the securities are duly and properly issued, as fully paid and non-assessable Common Shares. The Lenders will

be treated as having become the holders of record of the Common Shares issuable upon the conversion on the date fixed for conversion. Notwithstanding the foregoing, if the Borrower fails to issue the aforesaid Common Shares to the Lenders, the Lenders shall retain all rights contained under this Agreement until such Common Shares are issued. Upon the issuance of the Common Shares following the Conversion Notice, (i) all amounts hereunder and all other debts, liabilities and obligations of all Obligors hereunder and under all other Loan Documents shall be deemed to be paid and satisfied in full, (ii) all Obligors shall be released from all such debts, liabilities and obligations, (iii) all Loan Documents shall terminate, and (iv) the Administrative Agent shall proceed, at the cost to the Borrower, to discharge and release all Security forming part of the Loan Documents.

3.03 Conversion Condition

The conversion option in Section 3.01 is subject to the prior satisfaction of the following condition (the "**Conversion Condition**"):

(1) if required under Applicable Securities Law, the Borrower shall have obtained a "formal valuation" (as defined in MI61-101) of the Borrower in accordance with the applicable requirements of Applicable Securities Laws (including MI 61-101);

however, notwithstanding the satisfaction of the Conversion Condition, the Lenders shall not exercise the conversion option to the extent that, in the reasonable judgment of the Majority Lenders, the exercise of the conversion option or the issuance of Common Shares pursuant thereto would conflict with, result in any breach or violation of, or constitute a default under, any applicable law or any material commitment, permit, agreement or any other instrument to which any Obligor is a party or is otherwise bound. For greater certainty, the Conversion Notice may only be delivered by the Lenders following satisfaction of Section 3.03(1), if applicable.

3.04 No Requirement to Issue Fractional Shares

The Borrower shall not be required to issue fractional shares upon conversion of any amount under this Agreement. If any fractional interest in a share would, except for the provisions of this Section 3.04, be deliverable upon the conversion, the Borrower shall, in lieu of delivering any certificate representing such fractional interest, satisfy such fractional interest by paying to the Lenders an amount of lawful money of Canada equal to the total amount tendered for conversion remaining after so much of the amount tendered for conversion as may be converted into a whole number of Common Shares has been so converted.

ARTICLE 4
LOAN MATTERS

4.01 Maturity Date

The Loan will mature on the earlier of (a) July 31, 2017 or (b) the date on which the Borrower completes any third party financing in excess of the aggregate amount outstanding hereunder and under the Original DADS Loan, at the relevant time (the "**Maturity Date**"), as extended by the Administrative Agent and the Lenders (acting reasonably), from time to time. In the case of such

extension, if any, the Borrower shall not be required to pay any fee or other consideration. All indebtedness, liabilities and obligations owing under the Loan, including without limitation unpaid interest, are repayable in full on the Maturity Date.

4.02 Principal Payments and Loan Amortization

The Loan shall be repayable by the Borrower on the Maturity Date.

4.03 Loan Payment Allocation

Any payment hereunder shall be applied in the following order: (i) to any outstanding interest, (ii) to any principal payment due, and (iii) to the repayment of any other amounts outstanding under the Loan.

4.04 Repayment

The Borrower may, in accordance with Section 2.06, voluntarily repay the Loan in whole or in part without penalty upon 5 Business Days' written notice to the Administrative Agent in integral multiples of $500,000, subject to a limit of two repayments in any calendar month; provided that no such prepayment may be made during the period commencing on the earlier of delivery of (a) a Conversion Notice or (b) a Related Party Notice (as defined in the Original DADS Loan documentation) and concluding 30 days after the Conversion Condition has been satisfied.

4.05 Mandatory Repayments

Subject to the terms and conditions of the applicable agreements, including, without limitation, the Intercreditor Agreement and each subordination agreement executed pursuant to Section 4.11 hereof, any funds raised by the issuance of equity to a third-party or the incurrence of Debt for general corporate purposes (which, for greater certainty, excludes any Debt incurred to finance the acquisition of any aircraft or equipment) by the Borrower or any Obligor shall be used to mandatorily repay the Original DADS Loan and then the Loan hereunder. Upon the occurrence of any such event, the funds raised or received by the Borrower, as the case may be, will be applied as provided in Section 4.03.

The Lenders, in their capacity as majority lenders under the Original DADS Loan, hereby waive any requirement thereunder that any amount advanced hereunder be used to repay any part of the Original DADS Loan.

4.06 Interest Payments

The Borrower shall pay interest on the fifteenth (15th) day of each of February, May, August and November on the average daily outstanding drawn balance of the Loan during the calendar quarter (or portion thereof) prior to such date.

At its option, by written request to the Administrative Agent delivered at least five (5) Business Days prior to such payment date, the Borrower may request that any interest owing be added to

the Principal Outstanding and, as of such payment date, interest shall accrue on the drawn balance outstanding under the Loan as increased by such amount of interest owing.

Notwithstanding anything else herein to the contrary, interest shall be paid in cash on the Maturity Date or upon the occurrence of an Event of Default, which is continuing, in each case as a component of the Principal Outstanding unless otherwise provided herein.

4.07 Overdue Payments

Any amount that is not paid when due hereunder shall bear interest until paid at a rate equal to the applicable Interest Rate plus 2% per annum.

4.08 Equivalent Yearly Rates

The annual rates of interest to which the rates calculated in accordance with this agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365 or 366, as the case may be.

4.09 Time and Place of Payment

Amounts payable by the Borrower hereunder shall be paid in Canadian Dollars. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day. Interest payable under this agreement are payable both before and after any or all of default, demand and judgement.

4.10 Evidence Of Indebtedness

The Administrative Agent shall open and maintain accounts and records evidencing the Borrowings made available to the Borrower by the Lenders under this agreement. The Administrative Agent shall record the principal amount of each Borrowing (including any increases thereto as provided herein), the payment of principal and interest and all other amounts becoming due to the Lenders under this agreement.

The Administrative Agent's accounts and records constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Borrower to the Lenders pursuant to this agreement.

4.11 Subordination re Senior Debt

The Administrative Agent, and to the extent applicable, the Lenders agree, from time to time, to enter into such subordination, priority or inter-creditor agreements, in a form prepared by the Borrower, as are necessary to provide secured lenders to any Obligor a security interest in priority to the Administrative Agent (only in its capacity as the agent for the Lenders) in respect of any of the Obligors' assets.

ARTICLE 5
REPRESENTATIONS, COVENANTS AND EVENTS OF DEFAULT

5.01 Representations And Warranties

The Borrower represents and warrants to the Administrative Agent and the Lenders that, and acknowledges that the Administrative Agent and the Lenders are relying on the following representations and warranties in connection with entering into this agreement:

(1) **Due Incorporation**. The Borrower is a corporation duly incorporated and organized and is validly subsisting under the laws of Canada. The Borrower holds all necessary permits, consents and registrations and has all necessary corporate power and authority to own, operate or lease its properties and assets and to carry on its business as now conducted, and is duly licensed or registered or otherwise qualified to do business in all jurisdictions wherein the nature of its assets or the business transacted by it makes such licensing, registration or qualification necessary.

(2) **Power**. The Borrower has all necessary corporate power and authority to enter into, deliver and perform its obligations under each of the Loan Documents to which the Borrower is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

(3) **Due Authorization and No Conflict**. The execution, delivery and performance by the Borrower of the Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby:

(i) have been duly authorized by all necessary corporate action on the part of the Borrower;

(ii) do not and will not conflict with, result in any breach or violation of, or constitute a default under the constating documents or by-laws of the Borrower or any Applicable Laws, or (b) any determination, award or governmental order presently in effect and applicable to the Borrower, or (c) of any commitment, permit, agreement (including any Material Contract) or any other instrument to which the Borrower is now a party or is otherwise bound;

(iii) do not result in or require the creation of any Security Interest upon or with respect to any of the properties or assets of the Borrower other than in favour of the Administrative Agent; and

(iv) do not require the consent or approval (other than those consents or approvals already obtained or contemplated under the last paragraph in Section 2.09(2) and (certified, if requested by the Administrative Agent) copies of which have been delivered to the Administrative Agent) of,

registration or filing with, or notice to any other party (including shareholders of the Borrower).

(4) **Valid and Enforceable Obligations**. This agreement has been duly executed and delivered by the Borrower and the Loan Documents to which Borrower is a party are, or when executed and delivered to the Administrative Agent on behalf of the Lenders will be, legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies.

(5) **No Actions or Unsatisfied Judgements**. There is no outstanding governmental order or unsatisfied judgement, penalty or award against or affecting the Borrower or any of its assets in excess of $100,000.

(6) **No Defaults or Events of Default**. No Default or Event of Default (as defined below) has occurred and is continuing which would affect the financial condition, property, assets, operations or business of the Borrower (on a consolidated basis).

(7) **Compliance with Law**. The Borrower is not in violation of any terms of its constating documents or by-laws or Applicable Laws (where such violation of Applicable Laws would have a material effect on the Borrower), judgment, writ, injunction, decree, determination or award presently in effect and applicable to it.

(8) **Taxes**. The Borrower has filed all federal, provincial, state and local tax returns which are required to be filed, if any, and such tax returns are true, complete and correct in all material respects. The Borrower has paid all Taxes due, if any, pursuant to such returns or pursuant to any assessment received by it except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.

(9) **Solvency**. The Borrower is solvent and will not become insolvent after giving effect to the transactions contemplated in the Loan Documents.

(10) **Insurance**. The Borrower maintains insurance policies on its properties, assets and business placed with such insurers and with such coverage and against such loss or damage to the extent insured against by comparable entities engaged in comparable businesses. The Borrower has paid all premiums necessary to maintain any such insurance policies in good standing.

5.02 Positive Covenants

From the date hereof and until all indebtedness, liabilities and obligations due to the Lenders hereunder are finally repaid in full, the Borrower will observe and perform, or will cause the observance and performance of, each of the following covenants, unless compliance therewith shall have been waived in writing by the Majority Lenders:

(1) **Existence**. The Borrower will do or cause to be done all such things as are necessary to maintain its existence in good standing, to ensure that it has at all times the right and is duly qualified to conduct its businesses and to obtain and maintain all rights, privileges and franchises necessary for the conduct of its business.

(2) **As to Collateral**. The Borrower will defend, or cause the relevant Obligor(s) to defend all of the collateral in which a Security Interest under any Loan Document is granted to the Administrative Agent (collectively, "**Collateral**") against the claims and demands of all other parties claiming the same or an interest therein other than Permitted Encumbrances and will keep the Collateral free from all encumbrances other than Permitted Encumbrances. The Borrower will keep the Collateral in good order, condition and repair ordinary wear and tear excepted and will not use the Collateral in violation of the provisions of any agreements granting a Security Interest under any Loan Document or this agreement or any insurance policy insuring the Collateral or in violation of any Applicable Laws.

(3) **Payment of Principal, Interest and Expenses**. The Borrower will duly and punctually pay or cause to be paid to the Lenders all indebtedness, liabilities and obligations owed by it to the Lenders under the Loan Documents at the times and places and in the manner provided for herein.

(4) **Payment of Taxes and Claims**. The Borrower will pay and discharge promptly when due all Taxes, assessments and other governmental charges or levies imposed upon it or upon its properties or assets or upon any part thereof, as well as all claims of any kind (including claims for labour, materials and supplies) which, if unpaid, would by Applicable Law become a lien, charge, trust or other claim upon any such properties or assets; provided that the Borrower shall not be required to pay any such Tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower shall have set aside on its books a reserve to the extent required by GAAP in an amount which is reasonably adequate with respect thereto.

(5) **Use of Proceeds**. The Borrower shall use the proceeds of the Loan solely for the purposes contemplated in this agreement.

(6) **Books and Records**. The Borrower will at all times maintain proper records and books of account and therein make true and correct entries of all dealings and transactions relating to its business and, if requested by the Administrative Agent, will make the same available for inspection by the Administrative Agent or any agent of the Administrative Agent at all reasonable times.

(7) **Notice of Material Adverse Effect**. The Borrower will give to the Administrative Agent prompt written notice of any Material Adverse Effect.

(8) **Representations and Warranties**. The Borrower will take all commercially reasonable steps to ensure that the representations and warranties provided hereunder remain true and correct until all indebtedness, liabilities and obligations due to the Lenders under the Loan Documents are finally paid in full. The Borrower shall promptly notify the Administrative Agent in writing of any event, occurrence, fact, condition or change that results in, or would reasonably be expected to result in, any representation or warrantee herein not being true or correct.

(9) **Notice of Default**. The Borrower shall give to the Administrative Agent notice of any Default or Event of Default or any default under any Debt entitling any other party thereto to accelerate the maturity of amounts of principal owing thereunder, as soon as practicable after it becomes aware of same.

(10) **Compliance with Laws**. The Borrower shall comply with all Applicable Laws.

(11) **Cooperate With Administrative Agent**. The Borrower shall cooperate fully with the Administrative Agent with respect to any proceedings before any court, board or other Governmental Authority which may in any way adversely affect the rights of the Administrative Agent or the Lenders under any of the Loan Documents.

(12) **Title**. The Borrower has good and valid marketable title to the Collateral free and clear of any encumbrances other than Permitted Encumbrances.

(13) **Registration of Security**. Subject to the last paragraph in Section 2.09(2), the Borrower shall provide the Administrative Agent with such assistance and do such things as the Administrative Agent may from time to time reasonably request so that the Security Interests under any Loan Document granted by it to the Administrative Agent and any other instruments of conveyance or assignment effected pursuant to this agreement or otherwise will be and remain registered, recorded or filed from time to time in such manner and in such places as may in the reasonable opinion of the Administrative Agent be necessary or required in perfecting such Security Interests.

(14) **New Locations and Names**. The Borrower shall advise the Administrative Agent in writing at least ten (10) Business Days prior to the occurrence of the (i) change of location of its "chief executive office", "place of business", "registered office", "chief place of business", "principal place of business" or the location of its records; or (ii) change of its corporate name. The Borrower shall provide the Administrative Agent with any additional security or registrations which the Administrative Agent may reasonably deem necessary or advisable to maintain or continue the effectiveness of its Security Interest as a result of any such change.

(15) **Common Shares Issuable upon Conversion**. The Borrower shall:

(i) at all times reserve and keep available out of its authorized Common Shares solely for the purpose of issue and delivery upon the conversion of any amounts under this Agreement, and conditionally allot to the Lenders, such number of Common Shares as shall then be issuable upon the conversion of any amounts under this Agreement which may be converted into Common Shares. The Borrower covenants with the Lenders that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable; and

(ii) comply with all Applicable Securities Laws relating to the issue and delivery of Common Shares upon the conversion of any amounts under this Agreement, obtain any regulatory approval in respect thereof as may be required pursuant to such laws and rules, prior to the issuance thereof.

(16) **Debt Conversion.** Upon the earlier of (a) the date on which the Borrower completes any third party financing and (b) the date on which the Administrative Agent delivers a written request to the Borrower, the Borrower shall cause any Affiliates owing intercompany Debt to the Borrower, to make a capital contribution to the Borrower in the amount of any such intercompany Debt owing. Unless otherwise consented to by the Administrative Agent, acting reasonably, such capital contribution shall be in full satisfaction of such intercompany Debt owing and the contributing Affiliates shall not be entitled to any additional Common Shares of, or other equity interests in, the Borrower on account of such capital contribution.

5.03 Negative Covenants

From the date hereof and until all indebtedness, liabilities and obligations due to the Lenders hereunder are finally paid in full, the Borrower shall adhere to the following covenants unless waived in writing by the Majority Lenders:

(1) **Not to Amalgamate, etc.** The Borrower shall not enter into any transaction or series of related transactions (whether by way of amalgamation, merger, winding-up, consolidation, reorganization, reconstruction, continuance, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, properties, rights or assets would become the property of any other Person or, in the case of amalgamation or continuance, of the continuing corporation resulting therefrom.

(2) **Change in Articles**. The Borrower shall not amend or terminate (or permit the same) its articles or other constating documents without the prior written consent of the Administrative Agent, other than as is necessary to create different classes of shares prior to the exercise of a conversion hereunder in order to comply with the CTA.

(3) **Sale of Assets**. The Borrower will not and shall ensure that no other Obligor shall sell, transfer, convey, lease (other than a lease of any of the German Aircraft to any Obligor) or otherwise dispose of any German Aircraft or other Collateral,

unless it obtains the prior written consent of the Administrative Agent and as required under the Intercreditor Agreement or by the US Department of State.

(4) **German Aircraft**. The Borrower will not, except as may be requested by the Administrative Agent, (i) de-register or permit the de-registration of any German Aircraft from the aircraft register where such aircraft are registered as of the date hereof, and (ii) subject to the provisions of Section 4.11 and of the Intercreditor Agreement, do or permit any action or thing which would reduce, diminish, jeopardize or otherwise negatively affect the validity or perfection of the Administrative Agent's security interest in the German Aircraft.

5.04 Indemnity

The Borrower hereby indemnifies and holds harmless the Lenders, the Administrative Agent, their Affiliates and their respective directors, officers and employees for any or all loss, cost, liability, judgment, claim, damage or expense sustained, suffered or incurred thereby (including, without limitation, attorneys' fees and costs) arising out of or attributable or relating to:

(1) any inaccuracy in or breach of any of the representations and warranties of the Borrower herein;

(2) any fraud or misrepresentation by Borrower in connection with the Loan; or

(3) the breach or non-fulfilment of any covenant, agreement or obligation to be performed by the Borrower pursuant to the Loan Documents.

5.05 Events Of Default

Without limiting any other rights of the Lenders under this agreement, if any one or more of the following events (herein an "**Event of Default**") has occurred and, except in the case of Section 5.05(1) for which a cure period has been provided therein, has not been cured within 20 days after written notice thereof has been provided by the Administrative Agent to the Borrower:

(1) the Borrower fails to pay (a) within one (1) Business Day of the due date or acceleration thereof, any principal, or (b) within three (3) Business Days of the due date or acceleration thereof, any interest or other amounts due under this agreement;

(2) other than as set out in Section 5.05(1), the Borrower breaches any covenant or other provision of the Loan Documents;

(3) the Borrower defaults in its obligations under any material Debt obligations of the Borrower;

(4) any representation or warranty made herein or in any Loan Document or other document delivered pursuant hereto shall be or shall become false or inaccurate in any material respect;

(5) a Material Adverse Effect occurs;

(6) the Borrower is unable to pay its debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;

(7) any notice of intention is filed or any voluntary or involuntary case or proceeding is filed or commenced for (i) the bankruptcy, liquidation, winding-up, dissolution or suspension of general operations of the Borrower, or (ii) the composition, re-scheduling, reorganization, arrangement or readjustment of, or other relief from, or stay of proceedings to enforce, some or all of the debts of the Borrower, or (iii) the appointment of a trustee, receiver, receiver and manager, liquidator, administrator, custodian or other official for, all or any significant part of the assets of the Borrower, or (iv) the possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or any significant part of the assets of the Borrower; or

(8) any secured creditor, encumbrancer or lienor, or any trustee, receiver, receiver and manager, agent, bailiff or other similar official appointed by or acting for any secured creditor, encumbrancer or lienor, takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or any significant part of the assets of the Borrower, or gives notice of its intention to do any of the foregoing;

then, in such event, the ability of the Borrower to make further Borrowings under this agreement shall immediately terminate and the Administrative Agent may, by written notice to the Borrower, declare all amounts outstanding under this agreement to be immediately due and payable. Upon receipt of such written notice, but subject to the provisions of the Intercreditor Agreement, the Borrower shall immediately pay to the Administrative Agent on behalf of the Lenders the full amount outstanding under this agreement, including all outstanding interest accrued thereon and all other obligations of the Borrower to the Lenders in connection with the Loan Documents. Subject to the Intercreditor Agreement, the Administrative Agent may, enforce its rights to realize upon its security in whole or in part and retain an amount sufficient to fully repay all of the Borrower's obligations to the Lenders under the Loan Documents. *[Redacted – Particulars of covenant to obtain certain industry specific regulatory authorizations if required.]*

In addition to the restrictions on the disposition of the assets in Section 5.03(3), the Administrative Agent and Lenders agree to abide by all US regulatory requirements that apply to any of the Collateral including, but not limited to, any registration, licensing, recordkeeping, reporting and related obligations. The Administrative Agent and Lenders warrant, certify and covenant that, to the best of their knowledge, they are and will be at all relevant times in compliance with US export laws and regulations, specifically the International Traffic in Arms Regulations and the Export Administration Regulations as they may relate to such Collateral.

ARTICLE 6
THE ADMINISTRATIVE AGENT AND THE LENDERS

6.01 Authorization and Action

Each of the Lenders hereby appoints and authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under this agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such actions and powers as are reasonably incidental thereto. Each Lender further designates and appoints the Administrative Agent to hold the Collateral and the Security Interests granted under any Loan Document on behalf of and for the benefit of the Lenders and as hypothecary representative, as such term is used in Article 2692 of the Civil Code of Quebec. As to any matters not expressly provided for by this agreement or such other Loan Documents, the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully indemnified and protected in so acting or refraining from acting) upon the instructions of the Majority Lenders and such instructions shall be binding upon all Lenders; provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this agreement or such other Loan Documents or Applicable Law. Without limitation of the foregoing, the Administrative Agent may grant releases and postponements of the Security Interests, to the extent in each case the Security Interest extends to assets which are disposed of in accordance with this agreement. The provisions of this Article 6 are solely for the benefit of the Administrative Agent, the Lenders and the Borrower shall not have any rights as a third party beneficiary of any such provisions.

6.02 Reliance by Administrative Agent

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of Borrowings and that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Borrowings. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

6.03 Exculpatory Provisions

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents), but the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as is necessary, or as the Administrative Agent believes in good faith is necessary, under the provisions of the Loan Documents) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing the Default is given to the Administrative Agent by the Borrower or a Lender.

(c) Except as otherwise expressly specified in this agreement, the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition specified in this agreement, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

6.04 <u>Non-Reliance on Administrative Agent and Other Lenders</u>

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this agreement.

Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

6.05 Administrative Agent a Lender

The Administrative Agent, which is also a Lender, shall have the same rights and powers in its capacity as a Lender under this agreement and every other Loan Document as any other Lender and may exercise the same as though it were not the Administrative Agent; and the terms "Lender" and "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its capacity as Lender.

6.06 Collective Action of the Lenders

Each of the Lenders hereby acknowledges that to the extent permitted by Applicable Law, any collateral security and the remedies provided under the Loan Documents to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder and under any collateral security are to be exercised not severally, but by the Administrative Agent upon the decision of the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). Accordingly, notwithstanding any of the provisions contained herein or in any collateral security, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action hereunder or thereunder including, without limitation, any declaration of default hereunder or thereunder but that any such action shall be taken only by the Administrative Agent with the prior written agreement of the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). For greater certainty, no Lender shall have any right individually to enforce any of the Collateral, it being understood that all such enforcement shall be taken by the Administrative Agent for the benefit of the Lenders upon the terms of this agreement. Each of the Lenders hereby further covenants and agrees that upon any such written agreement being given, it shall co-operate fully with the Administrative Agent to the extent requested by the Administrative Agent. Notwithstanding the foregoing, in the absence of instructions from the Lenders and where in the sole opinion of the Administrative Agent, acting reasonably and in good faith, the exigencies of the situation warrant such action, the Administrative Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interest of the Lenders.

6.07 Proceeds of Realization received by a Lender

In the event that, following an Event of Default which is continuing, any non-cash proceeds of realization are delivered to or received by a Lender, the Lender shall hold such non-cash proceeds of realization in trust for the Administrative Agent and shall forthwith deliver such non-cash proceeds of realization (subject to the Administrative Agent's acceptance of such delivery) to the Administrative Agent to be disposed of, or realized upon, by the Administrative Agent in a commercially reasonable manner so as to produce cash proceeds of realization for application to

the payment of the obligations hereunder and under the other Loan Documents in accordance with this agreement.

6.08 Indemnification of Administrative Agent

Each Lender agrees to indemnify the Administrative Agent and hold it harmless (to the extent not reimbursed by the Borrower), rateably according to its Proportionate Share (and not jointly or jointly and severally) from and against any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel, which may be incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or the transactions therein contemplated. However, no Lender shall be liable for any portion of such losses, claims, damages, liabilities and related expenses resulting from the Administrative Agent's gross negligence or willful misconduct.

ARTICLE 7
GENERAL

7.01 Successors And Assigns

This agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.

The Lenders may assign all or any part of their rights and obligations under this agreement to any other Person. The rights and obligations of the Borrower under this agreement may not be assigned without the prior written consent of the Majority Lenders.

The Lenders may disclose to potential or actual assignees confidential information regarding the Borrower and, provided that the Lenders shall have obtained from any such potential or actual assignee a confidentiality agreement in customary form and which benefits the Borrower and its Affiliates, shall not be liable for any such disclosure.

7.02 Review

The Administrative Agent may conduct periodical reviews of the affairs of the Borrower, as and when determined by the Administrative Agent, for the purpose of evaluating the financial condition of the Borrower. The Borrower shall make available to the Administrative Agent such financial statements and other information and documentation as the Administrative Agent may reasonably require and shall do all things reasonably necessary to facilitate such review by the Administrative Agent.

7.03 Consent to Disclosure

The Borrower hereby grants its consent (such grant to remain in force as long as this agreement is in effect or the Loan is outstanding) to any Person having information relating to any Potential Prior-Ranking Claim to release such information to the Administrative Agent at any time upon the Administrative Agent's written request for the purpose of assisting the Administrative Agent to evaluate the financial condition of the Borrower.

7.04 Non-Merger

The provisions of this agreement shall not merge with any security provided to the Administrative Agent, but shall continue in full force for the benefit of the parties hereto.

7.05 Amendments and Waivers

No amendment or waiver of any provision of this agreement will be effective unless it is in writing signed by the Borrower, the Administrative Agent and the Majority Lenders (other than in respect of the Maturity Date, Commitments, Interest Rate and this Section 7.05, where all Lenders must sign). No failure or delay on the part of the Administrative Agent in exercising any right or power hereunder shall operate as a waiver thereof.

7.06 Severability

If any provision of this agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor invalidate, affect or impair any of the remaining provisions of this agreement.

7.07 Governing Law

This agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

7.08 Entire Agreement

This Agreement, the Loan Documents, the security and any other written agreement delivered pursuant to the Loan Documents constitute the entire agreement between the parties in respect of the Loan, and supersede all prior and contemporaneous representations, warranties, understandings and agreements, both written and verbal, in connection with the Loan.

7.09 Notices

Any notice or demand hereunder shall be given in writing and shall be given by prepaid mail, by facsimile or other means of electronic communication or by hand-delivery, in each case addressed as specified below. Any such notice or demand, if mailed by prepaid mail, shall be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the date of transmission provided the appropriate confirmation of receipt has been received before 3:00 p.m. on a Business Day, and otherwise on the next Business Day. A letter shall be deemed received when hand-delivered to the receiving party at the address shown herein or at such other address as the receiving party may notify the others from time to time. Each party shall be bound by any notice given hereunder and entitled to act in accordance therewith, unless otherwise agreed. The addresses of the parties for the purpose hereof shall be:

as to the Borrower: Discovery Air Defence Services Inc.
170 Attwell Drive
Suite 370
Toronto, ON M9W 5Z5
Attention: Paul Bernards
Facsimile: (416) 679-0410

as to the Administrative Agent: Clairvest GP Manageco Inc.
c/o Clairvest Group Inc.
22 St. Clair Avenue East
Suite 1700
Toronto, ON M4T 2S3

Attention: James Miller
Facsimile: (416) 925-5753

or such other address for delivery as each party from time to time may notify the other as aforesaid.

7.10 Further Assurances

The Borrower shall from time to time promptly upon the request of the Administrative Agent take such action and execute and deliver such further documents, as shall be reasonably required in order to fully perform the terms of, and to carry out the intention of, this agreement.

7.11 Counterparts

This agreement may be executed in one or more counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page to this agreement by either party by facsimile or other electronic transmission will be as effective as delivery of a manually executed copy of the agreement by such party.

7.12 Time

Time shall be of the essence in all provisions of this agreement.

-remainder of this page intentionally left blank-

IN WITNESS WHEREOF the parties have caused this agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

DISCOVERY AIR DEFENCE SERVICES INC.

Per: *(signed) David Kleiman*
Name: David Kleiman
Title: Corporate Secretary

ADMINISTRATIVE AGENT:

CLAIRVEST GP MANAGECO INC.

Per: *(signed) Michael Wagman*

Name: Michael Wagman
Title: Managing Director

Per: *(signed) Daniel Cheng*

Name: Daniel Cheng
Title: Chief Financial Officer

LENDERS:

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GP MANAGECO INC.**

Per: *(signed) Michael Wagman*
Name: Michael Wagman
Title: Managing Director

Per: *(signed) Daniel Cheng*
Name: Daniel Cheng
Title: Chief Financial Officer

CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV LIMITED PARTNERSHIP**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

Per: *(signed) Michael Wagman*
Name: Michael Wagman
Title: Managing Director

Per: *(signed) Daniel Cheng*
Name: Daniel Cheng
Title: Chief Financial Officer

CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV LIMITED PARTNERSHIP**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

Per: *(signed) Michael Wagman*

Name: Michael Wagman

Title: Managing Director

Per: *(signed) Daniel Cheng*

Name: Daniel Cheng

Title: Chief Financial Officer

Schedule A
Commitments

Lender	**Initial $6MM Amount**	**Remaining Amount**
Clairvest Equity Partners IV Limited Partnership	$3,790,149.89	$1,302,704.61
Clairvest Equity Partners IV-A Limited Partnership	$ 603,854.39	$207,552.71
CEP IV Co-Investment Limited Partnership	$1,605,995.72	$5,489,742.68
Total:	**$6,000,000**	**$7,000,000.00**

Tab 3I

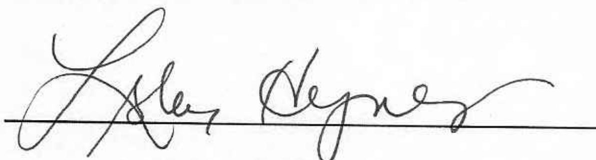
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "I"

This is Exhibit "I" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019

June 5, 2017

Clairvest Equity Partners IV Limited Partnership
Clairvest Equity Partners IV-A Limited Partnership
CEP IV Co-Investment Limited Partnership
DA Holdings Limited Partnership
G. John Krediet
(collectively, the "Clairvest Parties")
c/o Clairvest Group Inc.
22 St. Clair Avenue East, Suite 1700
Toronto, Ontario M4T 2S3

Dear Sirs:

Re: Debt for Equity Exchange

Reference is made to:

(i) the senior secured convertible debentures of Discovery Air Inc. ("**DA**") in the initial principal amount of $70,000,005 (as at May 31, 2017, having an aggregate principal amount of $108,299,995.24), issued by DA to the Clairvest Parties on September 23, 2011 (the "**DA Debentures**");

(ii) that certain credit facility dated December 20, 2016 between Discovery Air Defence Services Inc. ("**DADS**"), as borrower, and the Clairvest Parties, as lenders, providing for borrowings by DADS of up to $25,000,000, and the principal amount of which is convertible into common shares of DADS at the option of the Clairvest Parties (the "**First DADS Facility**"); and

(iii) that certain credit facility dated June 2, 2017 between DADS, as borrower, and Clairvest Equity Partners IV Limited Partnership ("**CEP IV**"), Clairvest Equity Partners IV-A Limited Partnership ("**CEP IV-A**") and CEP IV Co-Investment Limited Partnership ("**CEP IV Co-Invest**" and together with CEP IV and CEP IV-A, the "**CEP Lenders**"), as lenders, providing for borrowings by DADS of up to $13,000,000, and the principal amount of which is convertible into common shares of DADS at the option of the CEP Lenders (the "**Second DADS Facility**").

In consideration for the CEP Lenders making available the Second DADS Facility and the continued financial and operational support provided to DA and DADS by the Clairvest Parties, the undersigned hereby agree as follows:

1. DA and DADS hereby grant to the Clairvest Parties, subject to the terms and conditions of this letter agreement, the right (the "**Swap Option**") to exchange up to $18,400,000 principal amount of the DA Debentures for that number of common shares of DADS having an aggregate value equal to $14,700,000 (pro rated to the amount of principal amount of the DA Debentures to be exchanged), calculated using the value per common share of DADS determined in accordance with the conversion of the First DADS Facility (such common shares of DADS being the "**Swap Shares**").

2. Subject to paragraph 3 below, the Swap Option may be exercised by the Clairvest Parties by delivery of written notice of such exercise (the "**Exercise Notice**") to DA and DADS on or before June 30, 2018. The Swap Option will be exercised by the Clairvest Parties proportionately to their holdings of the DA Debentures.

3. The Swap Option may be exercised at any time and in whole or in part and need not be exercised concurrently with the conversion of the First DADS Facility or the Second DADS Facility into common shares of DADS. Exercise of the Swap Option shall be subject to DA complying with those requirements of Multilateral Instrument 61-101 (Protection of Minority Security Holders in Special Transactions) of the Canadian Securities Administrators, if any, applicable to such exercise.

4. The Clairvest Parties agree that they shall not exercise the Swap Option to the extent that, in the reasonable judgment of the Clairvest Parties, the exercise of the Swap Option or the issuance of common shares pursuant thereto would conflict with, result in any breach or violation of, or constitute a default under, any applicable law or any material commitment, permit, agreement or any other instrument to which any of DA or DADS is a party or is otherwise bound.

5. On exercise of the Swap Option in accordance with the provisions hereof, DADS hereby agrees to issue to the Clairvest Parties, in such proportions as they direct in the Exercise Notice, the Swap Shares.

6. Upon issuance of the Swap Shares to the Clairvest Parties pursuant to paragraph 5 and notwithstanding any restriction in respect of repayment or prepayment of any of the DA Debentures, the aggregate Principal Amount, as defined under each of the DA Debentures held by the Clairvest Parties, shall be reduced as set out in the Exercise Notice.

7. The exchange of DA Debentures for common shares of DADS provided for herein shall be structured in such a manner as to be tax effective for DA, DADS and the Clairvest Parties, provided that, without the prior written agreement of the parties hereto, such requirement shall not prevent or otherwise delay the exchange of DA Debentures for DADS common shares in accordance with the terms of this letter agreement.

8. Other than as specifically set out herein, the terms of the DA Debentures remain in full force and effect, unamended by this letter agreement.

9. This letter agreement and the Swap Option granted hereunder shall not be assignable or otherwise transferable, in whole or in part, by the Clairvest Parties.

10. This letter agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Please confirm your agreement with the foregoing by signing below.

Dated this 5th day of June, 2017.

DISCOVERY AIR INC.

By: *(signed) David Kleiman*

DISCOVERY AIR DEFENCE SERVICES INC.

By: _(signed) David Kleiman_

Acknowledged and agreed to this 5th day of June, 2017.

CLAIRVEST EQUITY PARTNERS IV LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GP MANAGECO INC.**

by:

(signed) B. Jeffrey Parr
Name: B. Jeffrey Parr
Title: Co-CEO and Managing Director

by:

(signed) Daniel Cheng
Name: Daniel Cheng
Title: Chief Financial Officer

CLAIRVEST EQUITY PARTNERS IV-A LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV LIMITED PARTNERSHIP**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

by:

(signed) B. Jeffrey Parr
Name: B. Jeffrey Parr
Title: Co-CEO and Managing Director

by:

(signed) Daniel Cheng
Name: Daniel Cheng
Title: Chief Financial Officer

CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV LIMITED PARTNERSHIP**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

by: *(signed) B. Jeffrey Parr*

Name: B. Jeffrey Parr
Title: Co-CEO and Managing Director

by: *(signed) Daniel Cheng*

Name: Daniel Cheng
Title: Chief Financial Officer

DA HOLDINGS LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GP MANAGECO INC.**

by: *(signed) B. Jeffrey Parr*

Name: B. Jeffrey Parr
Title: Co-CEO and Managing Director

by: *(signed) Daniel Cheng*

Name: Daniel Cheng
Title: Chief Financial Officer

(signed) Valerie Moussignac
Witness

(signed) G. John Krediet
G. JOHN KREDIET

Tab 3J

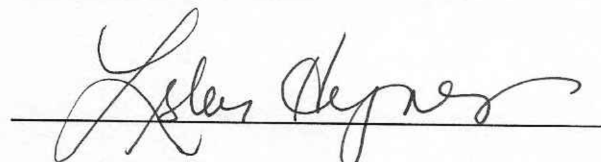
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "J"

This is Exhibit "J" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc., Province of Ontario, for Wilson Law Partners LLP, Barristers and Solicitors. Expires July 18, 2019.

40 O.S.C.B. 6925
Ontario Securities Commission

Discovery Air Inc., Re

40 O.S.C.B. 6925

In the Matter of the Securities Legislation of Ontario (The "Jurisdiction") and In the Matter of the Process for Exemptive Relief Applications in Multiple Jurisdictions and In the Matter of Discovery Air Inc. (The "Filer")

Naizam Kanji

Date: August 1, 2017

Reference: None

Subject: Securities

Background

The principal regulator in the Jurisdiction has received an application (the "*Application*") from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the "*Legislation*") exempting the Filer, pursuant to section 9.1 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("*MI 61-101*"), from the formal valuation requirement in section 5.4 of MI 61-101 in connection with: (a) the conversion, by certain funds managed by Clairvest Group Inc. (together with such funds, "*Clairvest*") and certain co-investors of Clairvest, namely DA Holdings Limited Partnership and G. John Krediet (Clairvest, together with such co-investors, the "*Clairvest Group*"), of $25,000,000, being the outstanding balance under a revolving credit facility dated December 20, 2016 between Discovery Air Defence Services Inc. ("*DADS*"), a wholly-owned subsidiary of the Filer, as borrower, and the Clairvest Group, as lenders, in the aggregate principal amount of up to $25,000,000 (the "*First DADS Facility*"), into common shares of DADS ("*DADS Shares*") (the "*Clairvest Group Conversion*"); (b) the conversion, by Clairvest, of $6,000,000, being the outstanding balance under a revolving credit facility dated June 5, 2017 between DADS, as borrower, and Clairvest, as lenders, in the aggregate principal amount of up to $13,000,000 (the "*Second DADS Facility*"), into DADS Shares (the "*Clairvest Conversion*" and, together with the Clairvest Group Conversion, the "*Conversions*"); and (c) the exchange, by the Clairvest Group, of up to $18,400,000 principal amount of senior secured convertible debentures of the Filer (the "*DA Debentures*") pursuant to a letter agreement between the Filer, DADS and the Clairvest Group dated June 5, 2017, for DADS Shares having an aggregate value equal to $14,700,000 (the "*Swap Option*" and, together with the Conversions, the "*Transactions*") (the "*Requested Relief*").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this Application; and

(b) the Filer has provided notice that it intends to rely on subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("*MI 11-102*") in Quebec, Alberta, Manitoba and New Brunswick.

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and MI 61-101 have the same meaning if used in this decision, unless otherwise defined.

Representations

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This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation governed by the *Canada Business Corporations Act.*

2. The Filer's registered office and head office are located at 170 Attwell Drive, Suite 370, Toronto, Ontario, M9W 5Z5.

3. The Filer is a reporting issuer (or the equivalent thereof) under the securities legislation of each of the provinces and territories of Canada. The Filer is not in default of any requirements of the securities legislation in the jurisdictions in which it is a reporting issuer.

4. The authorized share capital of the Filer consists of an unlimited number of Common Voting Shares (the "*Class A Shares*") and an unlimited number of Variable Voting Shares (the "*Class B Shares*" and, together with the Class A Shares, the "*Common Shares*"). As at the date hereof, the Filer has 79,286,721 Class A Shares and 2,710,750 Class B Shares issued and outstanding.

5. The business of the Filer and its subsidiaries is specialty aviation, including military airborne training services, helicopter services, medevac equipped aircraft services, airborne fire services, fixed-wing air charter services and expediting and logistics support.

6. On May 26, 2017, pursuant to a plan of arrangement, Clairvest acquired all of the Common Shares of the Filer not owned by the Clairvest Group and certain members of the Filer's management (the "*Privatization*"). The consideration per Common Share under the Privatization was $0.20 in cash and the aggregate consideration paid for the Common Shares acquired under the Privatization was approximately $1.5 million. On May 29, 2017, the Common Shares of the Filer were de-listed from the Toronto Stock Exchange (the "*TSX*"). As a result of the Privatization, the Clairvest Group, together with management of the Filer, owns 100% of the outstanding Common Shares. The Filer and its shareholders are party to a unanimous shareholders agreement dated May 26, 2017 (the "*DA USA*").

7. The Filer's 8.375% convertible unsecured subordinated debentures, which were issued pursuant to a convertible debenture indenture dated May 12, 2011, as amended by a first supplemental convertible debenture indenture dated November 27, 2014 and by a second supplemental convertible debenture indenture dated May 26, 2017 (the "*Debenture Indenture*"), continue to be listed and posted for trading on the TSX under the trading symbol "DA.DB.A" (the "*Public Debentures*"). The Public Debentures have customary covenants and reporting requirements for instruments of this nature. As a result of the continued listing of the Public Debentures on the TSX, the Filer is not able to apply to cease to be a reporting issuer. However, pursuant to the terms of the Debenture Indenture, following the completion of the Privatization, there is no circumstance in which holders of Public Debentures can receive Common Shares in exchange for their Public Debentures. Specifically: (a) the Public Debentures are no longer convertible into Common Shares of the Filer; instead, upon exercise of the conversion right thereunder, holders of the Public Debentures are entitled to receive only what they would have received if they had exercised the conversion right immediately prior to the closing of the Privatization and then had those Common Shares acquired pursuant to the Privatization at $0.20 per Common Share; and (b) the Filer does not have the right to redeem or repay the holders of the Public Debentures in Common Shares.

8. The Clairvest Group holds approximately 95% of the outstanding Common Shares of the Filer and members of the Filer's management hold approximately 5% of the outstanding Common Shares of the Filer. The Clairvest Group also holds approximately $110 million (inclusive of accrued interest) of DA Debentures (but none of the Public Debentures) convertible into Common Shares of the Filer, and has made available an aggregate of $38 million to DADS pursuant to the First DADS Facility and the Second DADS Facility.

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9. The First DADS Facility and the Second DADS Facility contain optional conversion features (collectively, the "*Conversion Features*"), which provide the Clairvest Group and Clairvest, respectively, with an option, subject to certain conditions described below, to effect the Conversions at a conversion price (the "*Conversion Price*") determined with reference to an agreed upon valuation methodology.

10. The Swap Option grants the Clairvest Group the right to exchange up to $18,400,000 principal amount of DA Debentures for that number of DADS Shares having an aggregate value equal to $14,700,000 based on the same valuation methodology used in determining the Conversion Price with respect to the Conversions. Exercise of the Swap Option is subject to substantially the same conditions as the exercise of the Conversion Features, as described below.

11. The exercise of the Conversion Features and the Swap Option are each subject to the prior satisfaction of certain conditions, including, if required under applicable securities law: (a) approval of the Filer's shareholders in accordance with the requirements of applicable securities laws (including MI 61-101 and the TSX Company Manual); and (b) completion of a formal valuation in accordance with MI 61-101.

12. In order to support the Filer's anticipated financing requirements in connection with various initiatives, the Filer has been advised that the current intention of the Clairvest Group is to be in a position to exercise the Conversion Features and the Swap Option as soon as possible to maximize financing alternatives available to the Filer.

13. If Part 5 of MI 61-101 applies to a related party transaction by an issuer and the transaction is not otherwise exempt, the issuer must obtain: (a) approval for the transaction from a majority of disinterested holders of the affected securities of the issuer (the "*Minority Approval Requirement*"); and (b) a formal valuation for the transaction in a form satisfying the requirements of MI 61-101 by an independent valuator (the "*Formal Valuation Requirement*"). The Transactions are "related party transactions" to which Part 5 of MI 61-101 would apply.

14. Pursuant to subsection 5.7(1)(g) of MI 61-101, a related party transaction that is subject to MI 61-101 is exempt from the Minority Approval Requirement if one or more persons that are interested parties within the meaning of subparagraph (d)(i) of the definition of interested party beneficially own, in the aggregate, 90% or more of the outstanding securities of a class of affected securities at the time the transaction is agreed to and an appraisal remedy, or the equivalent thereof, is available to holders of the class of affected securities (the "*90% Exemption*"). Since the Clairvest Group beneficially owns, in the aggregate, approximately 95% of the outstanding Common Shares of the Filer, and 100% of the outstanding Common Shares of the Filer are subject to the DA USA, the Transactions are exempt from the Minority Approval Requirement.

15. In connection with the Privatization, Capital Canada Limited, the Filer's financial advisor, completed a formal valuation of the Filer on March 24, 2017 in accordance with the requirements set out in MI 61-101 ("*Filer Valuation*"). Although the Filer Valuation was not a formal valuation of DADS itself, the Filer Valuation included an analysis of DADS and the value attributed to it. A special committee of the board of directors of the Filer received the Filer Valuation in connection with the Privatization and unanimously recommended the Privatization based on, among other things, the value attributed to the Filer in accordance with the Filer Valuation. The Filer Valuation was disclosed to shareholders in connection with the Privatization and is accessible on the System for Electronic Document Analysis and Retrieval ("*SEDAR*").

16. In connection with entering into the First DADS Facility in December 2016, RSPartners, LLC conducted financial analysis on DADS to advise the Company's special committee of independent directors in connection with the negotiation of the formula for the Conversion Feature under the First DADS Facility. The value attributed to DADS through this process was consistent with the valuation later attributed to DADS in connection with the Filer Valuation. The methodology for determining the Conversion Price under the Second DADS Facility is the same

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as that under the First DADS Facility. As well, the value at which DADS Shares would be issued pursuant to the Swap Option would be determined on the same basis.

17. No Common Shares will be beneficially owned by persons other than the Clairvest Group and members of the Filer's management prior to the completion of the Transactions.

18. Pursuant to subsection 5.1(d) of MI 61-101, Part 5 of MI 61-101 would not apply to the Transactions but for the facts that: (a) members of the Filer's management own approximately 5% of the outstanding Common Shares; and (b) G. John Krediet, a member of the Clairvest Group and a director of the Filer, owns approximately 2% of the outstanding Common Shares.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Requested Relief is granted, provided that:

1. the Transactions would qualify for the 90% Exemption;

2. the Filer issues and files a news release on SEDAR promptly following the issuance of this decision document disclosing that the Requested Relief has been granted; and

3. the Filer discloses in any material change report required to be filed on SEDAR in connection with the Transactions that the Requested Relief has been granted.

"Naizam Kanji"

Director, Office of Mergers & Acquisitions

Ontario Securities Commission

End of Document

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Tab 3K

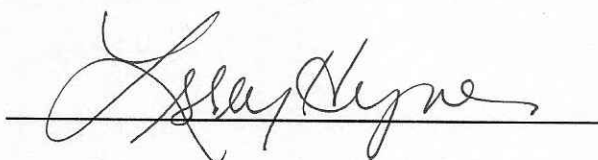
AFFIDAVIT OF STEPHEN CAMPBELL

EXHIBIT "K"

This is Exhibit "K" referred to in the affidavit of

Stephen Campbell

sworn before me this 3rd day of April 2018



A Commissioner for taking affidavits

Lesley Leigh Hynes, a Commissioner, etc.,
Province of Ontario, for Wilson Law Partners LLP,
Barristers and Solicitors. Expires July 18, 2019.

Discovery Air Inc. Announces Securities Conversion

Toronto, ON – December 14, 2017 – Discovery Air Inc. ("**Discovery Air**") (TSX: DA.DB.A) and Clairvest Group Inc. ("**Clairvest**") (TSX: CVG) announced today that affiliates of Clairvest have exercised (i) the pre-existing optional conversion feature pursuant to the terms of outstanding credit facilities between, among others, affiliates of Clairvest, Discovery Air and Discovery Air Defence Services Inc. ("**DA Defence**") to convert amounts outstanding under such credit facilities to common shares of DA Defence and (ii) the swap option pursuant to a letter agreement between Discovery Air, DA Defence and affiliates of Clairvest, to exchange senior secured convertible debentures of Discovery Air for common shares of DA Defence (collectively, the "**Conversion Transaction**").

Following the completion of the Conversion Transaction, Discovery Air will have approximately $60 million less of secured debt and will continue to own 26% of DA Defence. The future capital required to finance the upgrade of DA Defence's aircraft pursuant to its obligations on the recently awarded contract with the Canadian government will be raised at the DA Defence level and will not increase debt levels at Discovery Air.

For more information regarding the Conversion Transaction, please refer to previous disclosures from Discovery Air, all of which can be found on SEDAR at www.sedar.com.

About Discovery Air

Discovery Air is a global leader in specialty aviation services including medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve. Discovery Air's unsecured convertible debentures trade on the Toronto Stock Exchange (symbol DA.DB.A).

For further information, please contact Investor Relations at 866-903-3247.

About Discovery Air Defence Services Inc.

DA Defence and its U.S. subsidiary, Top Aces Corp., have the world's largest privately-held operating fleet of fighter aircraft. The training provided supports the operational readiness of both current and future generation fighter aircraft. Discover more on how DA Defence is changing the face of air combat training at experiencematters.ca.

About Clairvest

Clairvest Group Inc. is a private equity investor which invests its own capital, and that of third parties through the Clairvest Equity Partners limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

For further information, please contact:

Maria Klyuev
Director, Investor Relations and Marketing
Clairvest Group Inc.

Tel: (416) 925-9270
Fax: (416) 925-5753

Tab 4

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 DISCOVERY AIR INC.

APPLICANT

AFFIDAVIT OF LAUREN PEARCE
(Affirmed on June 18, 2018)

I, Lauren Pearce, barrister and solicitor, of the City of Toronto, in the Province of Ontario, SOLEMNLY AFFIRM AS FOLLOWS:

1. I am an associate at the law firm of Paliare Roland Rosenberg Rothstein LLP ("PRRR"). PRRR and Siskinds LLP represent the Ad Hoc Committee of Holders of Unsecured Debentures ("Ad Hoc Committee") in connection with these proceedings.

2. On June 18, 2018, PRRR sent a letter to the lawyers and the Monitor describing contingent relief sought by the Ad Hoc Committee in respect of a motion brought by the Monitor seeking approval of the sale of certain of the Applicant's assets. The letter attaches a draft of a claim that members of the Ad Hoc Committee intend to commence against the Applicant and others (the "Oppression Claim"), and a draft list of documents that they will seek to have produced by the Applicant, in due course, in connection with the Oppression Claim. A copy of PRRR's letter dated June 18, 2018, with enclosures, is attached as **Exhibit "A"**.

3. I am affirming this affidavit in connection with the Ad Hoc Committee's cross-motion, returnable June 22, 2018, seeking certain relief in connection with the sale of the assets the Applicant, and for no other or improper purpose.

AFFIRMED BEFORE ME at the City of Toronto, in the Province of Ontario on June 18, 2018

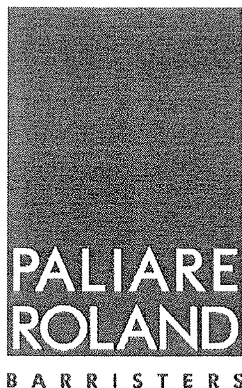
Commissioner for Taking Affidavits

Lauren Pearce

Tab 4A

This is Exhibit "A" referred to in the Affidavit of Lauren Pearce, affirmed June 18, 2018

Commissioner for Taking Affidavits (or as may be)



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File 94830

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COUNSEL
Stephen Goudge, Q.C.

COUNSEL
Ian G. Scott, Q.C., O.C.
(1934 - 2006)

June 18, 2018

VIA EMAIL

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forte@gsnh.com
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Dear Sirs/Mesdames:

Re: Discovery Air Inc.—CCAA (the "CCAA Proceedings")

We are in receipt of the motion seeking orders approving the sale of certain of Discovery Air's assets. As per usual, our clients are concerned with ensuring that, in the event that the court grants the relief being sought, their claims against Discovery Air and certain of its directors, officers, shareholders and related parties are not prejudiced by the sale.

In keeping with the foregoing, we propose to bring a cross-motion for an order:

1. Declaring that the relief granted in the various vesting orders being sought is without prejudice to claims in respect of conduct taken prior to the commencement of the CCAA Proceedings, and the remedies that may be granted by the court in respect of such pre-filing conduct, whether it be damages or otherwise. For convenience, we attach a draft of the claim which our clients will be seeking leave to issue, which remains subject to revision and amendment (the "Claim").

2. Directing the Monitor to take steps to preserve access to all documents that are currently within the power, possession or control of DAI and that will need to be produced in response to the Claim, in the ordinary course, pursuant to the *Rules of Civil Procedure*. To assist in this regard, we attach a draft list of the documents that our clients would expect to be produced, and we would be pleased to work with you to develop a protocol to ensure that access to those documents is preserved.

We would be pleased to discuss these matters with you in advance of the hearing on Friday.

Regards,

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Massimo (Max) Starnino
MS:m

c. Service List

Doc 2541986 v1

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE

[Commercial List]

B E T W E E N :

STEPHEN CAMPBELL

Plaintiff

- and -

CLAIRVEST GROUP INC., KENNETH ROTMAN, ADRIAN PASRICHA, ROD PHILLIPS, MICHAEL M. GRASTY, G. JOHN KREDIET, MICHAEL MULLEN, ALAIN BENEDETTI, THOMAS HICKEY, PAUL BERNARDS, ALAN TORRIE, JACOB SHAVIT, and DISCOVERY AIR INC.

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date: [●] , 2018 Issued by

Local registrar

Address of court office: Superior Court of Justice
361 University Avenue
Toronto, Ontario M5G 1T3

TO: **Clairvest Group Inc.**
22 St. Clair Avenue East, Suite 1700
Toronto, ON, M4T 2S3

AND TO: **Discovery Air Inc.**
170 Attwell Drive, Suite 370
Etobicoke, ON, M9W 5Z5

AND TO: **Kenneth Rotman**
[●]

AND TO: **Adrian Pasricha**
[●]

AND TO: **Rod Phillips**
[●]

AND TO: **Michael Grasty**
[●]

AND TO: **G. John Krediet**
[o]

AND TO: **Michael Mullen**
[o]

AND TO: **Alain Benedetti**
[o]

AND TO: **Thomas Hickey**
[●]

AND TO: **Alan Torrie**
[●]

AND TO: **Jacob Shavit**
[●]

AND TO: **Paul Bernards**
[●]

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:

(a) "***CBCA***" means the *Canadian Business Corporations Act*, RSC, 1985, c C-44, as amended;

(b) "***CCAA***" means the *Companies' Creditors Arrangement Act*, RSC, 1985, c. C-36, as amended;

(c) "**Clairvest**" means Clairvest Group Inc. and/or its affiliates, including certain funds managed by Clairvest Group Inc., and may include, as applicable, G. John Krediet;

(d) "**Conversion Agreements**" means the December 2016 Credit Agreement, the June 2017 Credit Agreement, and the June 2017 Swap Agreement;

(e) "**Debentures**" means the 8.375% convertible unsecured subordinated debentures of Discovery, issued pursuant to the Indenture;

(f) "**Debentureholder**" means a person or entity that holds Debentures;

(g) "**December 2016 Credit Agreement**" means the December 20, 2016 Credit Agreement between Clairvest , G. John Krediet, and Top Aces;

(h) "**Defendants**" means, collectively, Clairvest, Discovery and the Individual Defendants;

(i) "**Discovery**" means Discovery Air Inc.;

(j) "**Indenture**" means the Convertible Debenture Indenture dated May 12, 2011 between Discovery and Computershare Trust Company of Canada, amended November 27, 2014;

(k) "**Individual Defendants**" means, collectively Kenneth Rotman, Adrian Pasricha, Rod Phillips, Michael Grasty, G. John Krediet, Michael Mullen, Alain Benedetti, Thomas Hickey, Alan Torrie, Jacob Shavit, and Paul Bernards;

(l) **"June 2017 Credit Agreement"** means the June 5, 2017 Credit Agreement between Clairvest and Top Aces;

(m) **"June 2017 Swap Agreement"** means the June 5, 2017 letter agreement between Clairvest, G. John Krediet, and Discovery;

(n) **"MI 61-101"** means Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*;

(o) **"Top Aces"** means Top Aces Inc.;

(p) **"TSX"** means the Toronto Stock Exchange;

2. Unless otherwise stated, all dollar amounts stated herein are in Canadian dollars.

II. CLAIM

3. The plaintiff, on his own behalf and on behalf of the Debentureholders, claims

(a) a declaration that:

(i) the acts or omissions of the Defendants have effected a result;

(ii) the business and affairs of Discovery have been carried on or conducted in a manner; and,

(iii) the powers of the directors of Discovery have been exercised in a manner;

that is or has been oppressive or unfairly prejudicial to or that unfairly disregards or disregarded the interests of the plaintiffs and Debentureholders, as contemplated by s. 241 of the of the *CBCA*;

(b) an order directing that the Defendants or any of them pay to the plaintiff and Debentureholders the amount of $35.9 million, or such other amount as the Court may determine;

(c) punitive damages in the amount of $20 million;

(d) costs of this action on a full or substantial indemnity basis;

(e) pre-judgment and post-judgment interest pursuant to the *Courts of Justice Act*, RSO 1990 c C. 43;

(f) such further and other relief as this Honourable Court may deem just.

III. THE PARTIES

Plaintiff

4. Stephen Campbell is an individual Debentureholder residing in Manotick, Ontario.

Defendants

5. Discovery is a CBCA corporation that provided aviation services through its wholly owned subsidiaries. Discovery is owned 95.5% by Clairvest and G. John Krediet, and 4.5% by current and former management of Discovery.

6. Discovery obtained creditor protection under the *CCAA* pursuant to the order of Justice Hainey dated March 21, 2018.

7. Clairvest is a private equity management firm in Toronto, Ontario, with approximately $1.7 billion equity capital under management. It has significant investments in the gaming and waste industries. At all material times, representatives of Clairvest were members of Discovery's board of directors and exercised control over it.

8. Kenneth Rotman has been a director of Discovery since 2011, and Chairman of Discovery's board of directors since July 3, 2014. Mr. Rotman resides in Ontario.

9. Mr. Rotman has been Chief Executive Officer of Clairvest since January 1, 2018 and was previously the Co-Chief Executive Officer since 2000. He has been a director of Clairvest since June 2000. Mr. Rotman controls over 50% of the shares of Clairvest.

10. Adrian Pasricha has been a director of Discovery since June 26, 2014, and a principal of Clairvest since 2010. Mr. Pasricha resides in Ontario.

11. G. John Krediet has been a director of Discovery since October 14, 2011, and a director of Clairvest since 2004. Mr. Krediet resides in the Netherlands.

12. Paul Bernards has been the Chief Financial Officer of Discovery since April 1, 2014. Mr. Bernards resides in Ontario.

13. Thomas Andrew Hickey has been a director of Discovery since January 25, 2017.

14. Michael Mullen was a director of Discovery from May 9, 2014 to December 29, 2017. He is currently serving as director of Top Aces. Mr. Mullen resides in Maryland, in the United States of America.

15. Michael Grasty has been a director of Discovery since July 8, 2013. Mr. Grasty resides in Chile.

16. Alain Benedetti was a director of Discovery from June 26, 2014 to May 1, 2017. Mr. Benedetti resides in Quebec.

17. Rod Phillips was a director of Discovery from 2014 to December 29, 2017. He is currently serving as director of Top Aces. Mr. Phillips resides in Ontario.

18. Alan Torrie has been Chief Executive Officer of Discovery since August 29, 2017. Mr. Torrie resides in Ontario.

19. Jacob Shavit was President and Chief Executive Officer of Discovery from November 28, 2012 to August 29, 2017. Mr. Shavit resides in New York, in the United States of America.

IV. THE DEFENDANTS' OPPRESSIVE CONDUCT

A. Overview

20. The plaintiff and other Debentureholders seek a remedy for the oppressive conduct of Clairvest, Discovery, and the Individual Defendants, which resulted in the loss of the $34.5 million owing to them under the Debentures, plus accrued interest.

21. Discovery was a public company that conducted operations through a number of wholly-owned subsidiaries, the crown jewel of which was Top Aces, a military airborne training service provider. Discovery's common shares were listed for trading on the TSX until May 2017, when an investor group led by Clairvest, Discovery's long-time controlling shareholder, took the company private. The Debentures continued to be listed on the TSX and became the only publicly-traded securities of Discovery.

22. Top Aces has long been Discovery's most valuable subsidiary with the greatest growth potential. Its principal business is providing airborne training service to militaries. It is the primary supplier of training services to Canadian, German and Australian air forces.

23. Since 2005, Top Aces has derived its revenue from interim contracts and "standing offers" to provide services at pre-arranged prices, when and if required. In 2005, Top Aces received its first Interim Contracted Airborne Training Services contract with the Canadian government.

24. In the fall of 2016, demand for military air training services was growing rapidly. As a leader in providing contract aggressor training, Top Aces was positioned to win a large and profitable portion of billions worth of international government contracts set to be announced in the coming few years.

25. In addition, in August 2015, the Canadian Department of National Defence requested proposals for the long term Contracted Airborne Training Services ("**CATS**") contract, valued at $1.5 billion over ten years. Top Aces had a significant advantage over its competitors and was widely expected to win the bid process. Indeed, Clairvest

and the Individual Defendants knew that Top Aces was the leading bidder for the contract, and, subject to formal inspection and certain other requirements, that Top Aces would be formally awarded the CATS contract at some time in 2017.

26. These should have been positive developments for Discovery. Top Aces' excellent prospects could be monetized in any number of ways to ensure Discovery's financial stability and that it could meet its obligations to its creditors.

27. Clairvest and its co-investors were required to share Top Aces' success with Discovery's other stakeholders including the Debentureholders. In particular, Discovery had an obligation to pay back the $34.5 million principal plus interest owing on the Debentures. Top Aces' success ensured that Discovery would be able to make that payment.

28. Accordingly, sometime during the last quarter of 2016, Clairvest developed a scheme to avoid paying the Debentureholders, while protecting its interest in Top Aces and Discovery's other assets through an eventual insolvency or bankruptcy. Clairvest accomplished this through a series of transactions that stripped the majority of Top Aces shares out from under Discovery at a drastic discount and left Discovery in a cash-poor position. These transactions set the stage for carefully planned and structured insolvency proceedings by Discovery, in which Clairvest was able to use its position as Discovery's largest secured creditor to acquire Discovery's remaining assets, leaving the Debentureholders with nothing.

29. Clairvest could not have effected a direct transfer of Top Aces from Discovery to Clairvest for pennies on the dollar without running afoul of Ontario's rules and regulations requiring, among other things, a formal valuation of Top Aces to ensure the fairness of the transaction.

30. So, as described below, the Defendants went to great lengths to design a series of transactions that would avoid regulatory scrutiny, and, in particular, the provisions of MI 61-101 that were designed to protect the interests of minority stakeholders in related-party transactions.

31. First, the Defendants disguised the Top Aces share transfer as "conversion options" pursuant to a series of three agreements (the Conversion Agreements, described below). Between these series of agreements, Clairvest and the Individual Defendants took steps to take the company private in order to qualify for an exemption under MI 61-101 from obtaining a formal valuation of Top Aces.

32. Second, in December 2017, after announcing that Top aces had been formally awarded the CATS contract, Clairvest exercised the conversion options to acquire 74% of Top Aces shares at a massive discount.

33. Third, Clairvest and the Individual Defendants caused Discovery to sell additional Top Aces shares to a third party investor group led by JP Morgan Asset Management ("**JP Morgan Group**") at a significantly higher price.

34. Finally, Clairvest and the Individual Defendants caused Discovery to enter insolvency proceedings, but not before using the money from the JP Morgan Group to cause Discovery to make an approximately $25 million payment to Clairvest on debt that had not yet matured.

35. The result of the Defendants' oppressive conduct was that the Debentureholders lost the entirety of the funds owing under the Debentures. Had Discovery maintained ownership of Top Aces, received a fair price for any transfer of its shares, and/or refrained from pre-paying debt owing to Clairvest, the Debentureholders would have received the payment of the principal and interest on the Debentures.

36. The Defendants' conduct has oppressed, unfairly prejudiced, and unfairly disregarded the interests of the plaintiff and Debentureholders, who have been damaged thereby.

B. The Debentures

37. The Debentures were issued by Discovery in May 2011 in the aggregate principal amount of $34.5 million. They accrue interest at a rate of 8.375% per annum, payable on a semi-annual basis and mature on June 30, 2018.

38. The Indenture contains the following covenants, among others, which apply to both Discovery and its subsidiaries:

> **7.3 To Give Notice of Default**
>
> The Corporation shall notify the Trustee immediately upon obtaining knowledge of any Event of Default hereunder.
>
> **7.4 Preservation of Existence, Etc.**
>
> Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its and its Subsidiaries' respective existences and rights.
>
> **7.9 Maintain Listing**
>
> The Corporation will use reasonable commercial efforts to maintain the listing of the Class A Shares and the Debentures on the Toronto Stock Exchange, and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation; provided that the foregoing covenant shall not prevent or restrict the Corporation from carrying out a transaction to which Article 11 would apply if carried out in compliance with Article 11 even if as a result of such transaction the Corporation ceases to be a "reporting issuer" in all or any of the provinces of Canada or the Class A Shares or Debentures cease to be listed on the Toronto Stock Exchange or any other stock exchange.

39. Article 11 of the Indenture requires that Discovery ensure that any consolidation occur on specific terms, including that the ultimate consolidated entity assumes the obligations under the Indenture, including the conversion rights.

40. Failure to observe or perform these covenants constitutes an Event of Default under the Indenture. Events of Default generally result in the principal, interest, and premium, if any, on all Debentures then outstanding to be due and payable.

41. In November 2014, Discovery sought to amend the Indenture to, among other things, extend the maturity date from June 30, 2016 to June 30, 2018. In soliciting support for this amendment, Shavit and Rotman addressed the need to extend the maturity of the debentures to ensure the financial stability of Discovery while several key strategies involving Top Aces could be successfully completed, for the benefit of all

stakeholders including the Debentureholders. The voting holders of the Debentures approved the amendments.

C. The Conversion Agreements

42. Clairvest's undervalue acquisition of Top Aces shares was effected through options it acquired in December 2016 and June 2017, pursuant to the December 2016 Credit Agreement, June 2017 Credit Agreement, and the June 2017 Swap Agreement (the Conversion Agreements).

43. The December 2016 Credit Agreement provided for a revolving credit facility of up to $25 million. Borrowings under the credit facility were secured and bore interest at a rate of 12%. The agreement included a conversion feature allowing the amounts outstanding under the credit facility to be converted to equity of Top Aces at an undisclosed conversion price, and based on an undisclosed valuation of Top Aces.

44. The June 2017 Credit Agreement provided for a revolving credit facility of up to $13 million. Borrowings under the credit facility were secured and bore interest at a rate of 12%. The agreement included a conversion feature allowing the amounts outstanding under the credit facility to be converted to equity of Top Aces at the same undisclosed conversion price as the December 2016 Credit Agreement.

45. The June 2017 Swap Agreement granted Clairvest the option to convert up to $18.4 million of secured debentures already held by Clairvest into the equivalent of $14.7 million of Top Aces common shares held by Discovery, at the same undisclosed conversion price as the December 2016 and June 2017 Credit Agreements.

46. The press releases issued in connection with the December 2016 and June 2017 Credit Agreements indicated that, among other things,

(a) the Credit Agreements were "related party transactions" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("**MI 61-101**");

(b) that Discovery was not required to obtain a formal valuation and was relying on an exemption from the minority approval requirements under MI 61-101 because, among other things, the credit facilities were provided on reasonable commercial terms that were not less advantageous to Discovery than if the credit facilities were obtained from an arm's length party; and

(c) if required under applicable securities laws, Discovery would satisfy certain conditions prior to exercising the conversion features, including retaining a valuator to prepare a formal valuation in accordance with MI 61-101.

47. These press releases were false and misleading because, among other things, the December 2016 and June 2017 Credit Agreements were not provided on reasonable commercial terms. Indeed, none of the Conversion Agreements were commercially reasonable. Rather, they were unfair and oppressive agreements, the terms of which would never have been offered by Discovery to an arm's length party.

48. Further, as described below, Clairvest and the Individual Defendants never intended to comply with the formal valuation requirements of MI 61-101. Indeed, they constructed the agreements and transactions with the specific intention of obtaining an exemption to avoid such valuation and other securities laws, rules, and regulations.

D. Going Private Transaction and August 2017 Exemption

49. Between the signing of the December 2016 and June 2017 Credit Agreements, on March 24, 2017, Discovery agreed to enter into a definitive agreement with Clairvest to effect a plan of arrangement under the CBCA, pursuant to which Clairvest and certain Individual Defendants would acquire all of the issued and outstanding shares in the capital of Discovery for total consideration of approximately $1.5 million ("**Going-Private Transaction**").

50. The Going-Private Transaction was inconsistent with the spirit of the obligations contained in the Indenture to, including the obligation to maintain Discovery's listing on the TSX.

51. The Going-Private Transaction, which was approved by the Ontario Superior Court of Justice on May 24, 2017, was a key step in Clairvest's plan to acquire Top Aces while avoiding the formal valuation requirements of MI 61-101 and other securities laws and regulations.

52. Following the Going Private Transaction, the Debentures were still listed publicly. However, with its shares now delisted from the TSX and its equity privately held, Discovery could fit into an exemption from the formal valuation requirements of MI 61-101 before exercising the conversion options in the Conversion Agreements. Discovery applied for and obtained such an exemption from the OSC on August 1, 2017..

E. Conversion Transactions

53. Having avoided complying with MI 61-101, Clairvest exercised the options under the Conversion Agreements on December 14, 2017 ("**Conversion Transactions**"), pursuant to which it acquired 74% of Top Aces equity. A Discovery news release issued that day stated that "following the completion of the Conversion Transaction, [Discovery] will have approximately $60 million less of secured debt."

54. In fact, Discovery had only obtained an $18.4 million reduction in secured debt as a result of the exercise of the conversion options pursuant to the June 2017 Swap Agreement.

55. Accordingly, Discovery obtained a 74% stake in Top Aces in return for $18.4 million, implying a valuation of Top Aces of approximately $24.8 million.

F. JP Morgan Transaction

56. On December 22, 2017, less than a week after Clairvest obtained its 74% interest in Top Aces, Discovery announced a new equity subscription for shares of Top Aces whereby: (i) Discovery sold the majority of its remaining shares in Top Aces to the JP Morgan Group for $25 million; and (ii) Top Aces issued an additional $25 million treasury shares to those investors; resulting in a net $50 million investment by the JP Morgan Group to acquire approximately 25% of Top Aces. This transaction valued Top Aces at $195.3 million.

57. Following the completion of the Conversion Transactions and the new share issuance, the ownership of the equity of Top Aces Holdco was (i) Clairvest – 64.7%; (ii) JP Morgan Group – 25.6%; and (iii) Discovery– 9.7%.

58. Furthermore, following the sale, Clairvest and the Individual Defendants caused Discovery to use approximately $25 million of the funds from the transaction with the JP Morgan Group pre-pay amounts owed to Clairvest under its secured debenture, even though the debt was not due at that time.

G. Insolvency

59. On or about March 21, 2018, just over 3 months after the completion of the transactions described above, having pre-paid $25 million to Clairvest for a debt which was not yet due, Discovery applied for and obtained protection under the *CCAA* (the "***CCAA* Proceedings**"). KSV Kofman Inc. ("**KSV**"), which had been advising Clairvest since November 2016, was appointed as Monitor for the purpose of the *CCAA* Proceedings.

60. From the outset, the representations made by both Discovery and the Monitor emphasized the need to progress the *CCAA* Proceedings at a fast pace, in order to stabilize the business. Among other things, the court was advised that:

(a) Discovery had an urgent need for a $12.6 million debtor-in-possession loan facility with interest at a rate of 10% per annum, to be provided by an affiliate of Clairvest; and,

(b) the principal purpose of the *CCAA* proceedings was to conduct, in very short order, a sale solicitation process for Discovery's wholly-owned operating subsidiaries, Great Slave Helicopters Ltd., Air Tindi Ltd, and Discovery Mining Services Ltd., as well as Discovery's 9.7% residual interest in Top Aces (collectively, the **"Equity Interests"**). Discovery and Clairvest had already negotiated four stalking horse agreements, all dated as of March 21, 2018, pursuant to which Clairvest agreed to act as a "stalking horse purchaser" in connection with Discovery's sale of the Equity Interests in the *CCAA* Proceedings.

61. In the face of the urgency described above, the court supervising the *CCAA* proceedings approved a sale solicitation process on April 4, 2018 (the **"Sale Process"**), only two weeks after the start of the *CCAA* Proceedings.

62. On or about June 15, 2018, the Monitor filed a report in the *CCAA* Proceedings in support of a motion for approval of the sale of the Equity Interests to Clairvest (the **"Sale Approval Motion"**), recommending that, based on the results of the Sale Process, the Equity Interests be sold to Clairvest on the terms set out in the stalking horse agreements.

63. In the event that the relief sought in respect of the Sale Approval Motion is granted, then, as a result of the conduct of the Defendants preceding the CCAA Proceedings, as described herein, Clairvest will have acquired Discovery's remaining assets – including the Equity Interests – for a fraction of what they would have realized but for the actions taken by the Defendants prior to the start of the *CCAA* Proceedings, and the Debentureholders will have lost the entirety of the amounts owing under the Debentures.

V. OPPRESSION REMEDY AND DAMAGES

64. The plaintiff and Debentureholders seek relief pursuant to the oppression remedy provisions of the *CBCA*.

65. The plaintiff and Debentureholders are complainants within the meaning of section 241 of the *CBCA*.

66. The plaintiff and Debentureholders had reasonable expectations about the manner in which the business and affairs of Discovery would be conducted. Those reasonable expectations arose from, among other things, the statutory obligations owed by the Defendants to Discovery and its stakeholders, statements made by some or all of the Individual Defendants, the terms of the Indenture, and commercially reasonable business practice.

67. The reasonable expectations of the plaintiff and Debentureholders included the following:

(a) that Discovery would not divest itself of Top Aces equity except on terms that were commercially fair and reasonable, and that reflected the true market value of Top Aces;

(b) that Discovery's business and affairs would be conducted in a manner that complied with the terms of the Indenture;

(c) that Discovery would only enter into commercially reasonable financing agreements;

(d) that the Debentures would have priority over Clairvest's equity interests in Discovery;

(e) that every director and officer of Discovery would act honestly and in good faith with a view to the best interests of the Discovery, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, as required by section 122 of the *CBCA*;

(f) that the Individual Defendants would avoid conflicts between their personal interests and the interests of Discovery.

68. The Defendants acted in a manner contrary to those reasonable expectations by committing the acts and omissions described herein, including, without limitation:

(a) causing Discovery to enter the Conversion Agreements, which resulted in the transfer of Top Aces equity to Clairvest at a significant undervalue;

(b) failing to obtain an independent and/or accurate valuation of Top Aces in connection with the Conversion Agreements; and

(c) actively taking steps to avoid the requirements of securities laws, rules, and regulations that would have prohibited such an undervalue transfer.

69. The conduct of the Defendants described herein was oppressive, unfairly prejudicial, and unfairly disregarded the interests of the plaintiff and Debentureholders. The plaintiffs and Debentureholders are entitled to a remedy pursuant to section 241 of the *CBCA*.

70. The Defendants' acts and omissions caused the plaintiff and Debentureholders to lose the entirety of the amounts owed to them pursuant to the Debentures. But-for the Defendants' conduct, the Debentureholders would have recovered the $34.5 million plus accrued interest owing to them under the Debentures.

VI. LEGISLATION

71. The plaintiff pleads and relies upon the *CBCA*, as amended.

V. SERVICE AND PLACE OF TRIAL

72. For service outside Ontario, the plaintiff relies on rules 17.02(a), (c), (f), (n) and (p).

73. The plaintiff proposes that this action be tried in the City of Toronto, in the Province of Ontario.

[●], 2018

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Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
[Commercial List]

Proceeding commenced at Toronto

STATEMENT OF CLAIM

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Lawyers for the Plaintiff

DOCUMENT/INFORMATION PRODUCTION LIST

1. All quarterly and annual non-consolidated financial statements for each of the following:

   a. Discovery Air Inc ("**Discovery**");

   b. Discovery Air Defense Services Inc. ("**DADS**"), aka Top Aces Inc. ("**Top Aces**");

   c. Discovery Air Innovations Inc. ("**Innovations**");

   d. Advanced Training System International, Inc. ("**ATSI**");

   e. Great Slave Helicopters Ltd. ("**GSH**");

   f. Air Tindi Ltd. ("**ATL**");

   g. Discovery Mining Services Ltd. ("**DMS**");

   h. Discovery Air Technical Services Inc. ("**DATS**");

   i. Discovery Air Fire Services Inc. ("**DAFS**"); and

   j. any and all other past or present subsidiaries of Discovery or entities beneficially owned or controlled by it.

   (the entities listed in subparagraphs (b) through (j) are collectively referred to as the **"Subsidiaries"**).

2. The following information in respect of DADS/Top Aces for each quarter since it was acquired by Discovery:

   a. sources of revenue and funding;

   b. itemized list of all aircraft owned at the end of each quarter, including the amount depreciated or written off;

   c. which (if any) aircraft are leased;

   d. amounts paid for options to acquire aircraft or related technology (e.g. sensor technology)

   e. parts or services requisitioned, purchased, and/or acquired;

   f. components or parts used, added, deleted or otherwise adjusted to inventories;

   g. amount of components and parts lost, stolen, transferred to other subsidiaries, or otherwise removed.

3. All documents in respect of the purchase or lease of aircraft, including options to purchase such aircraft, including:

    a. the amounts paid towards purchases, leases or options; and

    b. the accounting treatment of such payments;

4. All documents in respect of inter-company debt, including, without limitation, the amounts owing to DADS/Top Aces by Discovery or the Subsidiaries;

5. All documents and communications related to Discovery's acquisition of ATSI, including a list of all items acquired (whether or not disclosed on the balance sheets);

6. All documents in respect of the Top Aces brand, including

    a. the book value attributed to it;

    b. portion of the purchase price allocated to it by Discovery upon acquisition; and

    c. portion of the sale price allocated to it in any sale by Discovery;

7. All tax filings and schedules for each of the entities listed in paragraph 1;

8. All documents and communications in respect of the following agreements (collectively, the **"Conversion Agreements"**):

    a. December 20, 2016 Credit Agreement between DADS as Borrower, Clairvest GP Manageco Inc., as Administrative Agent, and various Lenders ("**December 2016 Credit Agreement**");

    b. June 5, 2017 Credit Agreement between DADS as Borrower, Clairvest GP Manageco Inc., as Administrative Agent, and various Lenders ("**June 2017 Credit Agreement**"); and

    c. June 5, 2017 letter from Discovery Air Inc. and Discovery Air Defense Services to Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV – A Limited Partnership, CEP IV Co-Investment Limited Partnership, DA Holdings Limited Partnership, and G. John Krediet ("**June 2017 Swap Agreement**");

9. All documents and communications relating to the determination that the December 2016 and June 2017 Credit Agreements were "provided on reasonable commercial terms that are not less advantageous to the Corporation than if [they were] obtained from an arm's length party" as stated in the Discovery press releases dated December 20, 2016 and June 5, 2017.

10. All documents and communications in respect of the exercise of the options pursuant to the Conversion Agreements (**"Conversion Transactions"**);

11. All documents and communications in respect of the impact or effect of the Conversion Agreements or Conversion Transactions on Discovery's other debt or stakeholders, including

the 8.375% unsecured subordinated convertible debentures issued by Discovery pursuant to the indenture dated May 12, 2011, as amended in November 2014 ("**Debentures**") or the holders of the Debentures;

12. All documents and communications in respect of the going private transaction in May 2017 ("**Going Private Transaction**");

13. All documents and communications in respect of the Voting and Support Agreements between Discovery, Clairvest GP Manageco Inc. and certain shareholders in January 2017 ("**Voting and Support Agreements**");

14. All documents and communications in respect of any special committees of Discovery's board of directors, including

    a. purpose of the special committee;

    b. composition of the special committee; and

    c. documents and communications to, from, or between members of the special committee and/or its advisors;

15. All documents and communications in respect of funding, loans, or financing (including all efforts to seek funding, loans, or financing) for Discovery or the Subsidiaries, including, without limitation, in connection with

    a. DADS and/or Top Aces;

    b. the Contracted Airborne Training Services ("**CATS**") contract;

    c. the Conversion Agreements;

    d. Efforts to seek alternative financing to the Conversion Agreements;

16. All documents and communications in respect of Paul Bernards' conversations with representatives of Durig Capital Inc. ("**Durig Capital**") in September and October 2017, including, without limitation, in respect of

    a. Durig Capital's request to convert (or obtain options to convert) some or all of the Debentures into shares of DADS;

    b. Durig Capital's offer to provide financing to Discovery or DADS at a rate similar to the 12% rate given to Clairvest;

    c. The offer communicated by Mr. Bernards to purchase the Debentures for 8.375% of their face value;

17. All documents referred to or incorporated in the Conversion Agreements, including, without limitation,

    a. Aircraft Security Agreement;

b. Disclosure Letter;

c. Initial Valuation;

including all documents referred to or incorporated therein;

18. All documents and communications in respect of the valuation of DADS/Top Aces, including, without limitation:

    a. formal or informal valuations;

    b. internal and external valuations;

    c. documents and information upon which the valuations are based;

    d. projections or forecasts; and

    e. potential contracts and the likelihood of winning them;

19. All documents and communications in respect of the sale of DADS/Top Aces equity to the investor group led by JP Morgan ("**Investor Group**") in December 2017, including, without limitation:

    a. communications with the Investor Group;

    b. all documents and materials provided to the Investor Group including, without limitation, all financial statements and documents relating to the valuation of DADS/Top Aces;

20. All documents and communications in respect of prospective investors other than the Investor Group in respect of the sale of DADS/Top Aces equity including without limitation,

    a. communications with such prospective investors;

    b. all documents and materials provided to such prospective investors; and

21. All documents and communications in respect of the decision to use the proceeds of the sale to the Investor Group to make an early payment in respect of the secured debentures held by Clairvest Group Inc. or its affiliates.

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

Court File No. CV-18-594380-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at TORONTO

AFFIDAVIT OF LAUREN PEARCE
(AFFIRMED ON JUNE 18, 2018)

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Tab 5

First Report of KSV Kofman Inc. as CCAA Monitor of Discovery Air Inc.

March 29, 2018

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COURT FILE NO.: CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 DISCOVERY AIR INC.

FIRST REPORT OF KSV KOFMAN INC. AS MONITOR

March 29, 2018

1.0 Introduction

1. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on March 21, 2018 (the "Initial Order"), Discovery Air Inc. (the "Company") was granted protection under the C*ompanies' Creditors Arrangement Act*, *R.S.C. 1985, c. C-36*, as amended (the "CCAA") and KSV Kofman Inc. ("KSV") was appointed monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "A".

2. The principal purpose of these CCAA proceedings is to conduct a sale solicitation process ("SSP") for: (i) the Company's wholly-owned operating subsidiaries, Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. ("ATL") and Discovery Mining Services Ltd. ("DMS") (together, the "Non-Applicant Subsidiaries"); and (ii) its 9.7% interest in Top Aces Holdings Inc. ("TA Holdings"), through which it holds an interest in Top Aces Inc. ("Top Aces"), formerly Discovery Air Defence Services Inc.

1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:

   a) provide background information about the Company;

   b) summarize the terms of an Asset Purchase Agreement dated as of March 21, 2018 among the Company and CEP IV Co-Investment Limited Partnership, Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partnership IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (collectively, the "Top Aces Buyer") pursuant to which the Top Aces Buyer has submitted a stalking horse offer (the "Top Aces Stalking Horse Agreement") to purchase the shares of TA Holdings (the "TA Shares") and certain other assets owned by the Company (together with the TA Shares, the "Top Aces Property") and assume certain liabilities;

c) summarize the terms of the following three Asset Purchase Agreements dated as of March 21, 2018 between the Company and 10671541 Canada Inc. (the "Northern Business Buyer"), an entity incorporated by Clairvest Group Inc. and its affiliates ("Clairvest"), whereby the Northern Business Buyer has submitted stalking horse offers to purchase, in separate transactions:

   i. the Company's issued and outstanding shares in the capital of GSH (the "GSH Shares"), the intercompany debt owing from GSH to the Company, and certain assets owned by the Company but used solely in connection with the GSH business (together with the GSH Shares, the "GSH Property") and to assume certain liabilities related to the GSH business (the "GSH Stalking Horse Agreement");

   ii. the Company's issued and outstanding shares in the capital of ATL (the "ATL Shares"), the intercompany debt owing from ATL to the Company, and certain assets owned by the Company but used solely in connection with the ATL business (together with the ATL Shares, the "ATL Property") and to assume certain liabilities related to the ATL business (the "ATL Stalking Horse Agreement");

   iii. the Company's issued and outstanding shares in the capital of DMS (the "DMS Shares") and certain assets owned by the Company but used solely in connection with the DMS business (together with the DMS Shares, the "DMS Property") and to assume certain liabilities related to the DMS business (the "DMS Stalking Horse Agreement");

d) summarize the proposed SSP pursuant to which the Top Aces Property, the GSH Property, the ATL Property and the DMS Property will be marketed for sale, including the bidding procedures to be used in connection with the SSP;

e) summarize the Company's budget-to-actual cash flow results since the commencement of these proceedings;

f) provide an overview of the Monitor's activities since the date of its appointment;

g) provide the Monitor's rationale for its recommendation that the stay of proceedings be extended to and including June 29, 2018; and

h) recommend that this Honourable Court make an order (the "SSP Order"):

   i. approving the SSP and authorizing the Monitor to conduct the SSP;

   ii. approving the execution, delivery, compliance with and performance by the Company of each of the following (collectively, the "Stalking Horse Agreements") and solely as stalking horse bids under the SSP:

      - the Top Aces Stalking Horse Agreement;

      - the GSH Stalking Horse Agreement;

- the ATL Stalking Horse Agreement;
- the DMS Stalking Horse Agreement; and

iii. extending the stay of proceedings to and including June 29, 2018.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon the Company's books and records and discussions with the Company's management, the Company's counsel and representatives of Clairvest and its counsel. KSV has not audited, reviewed or otherwise verified 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.

2. Any party wishing to place reliance on the Company's financial or other information in this Report should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

1.3 Currency

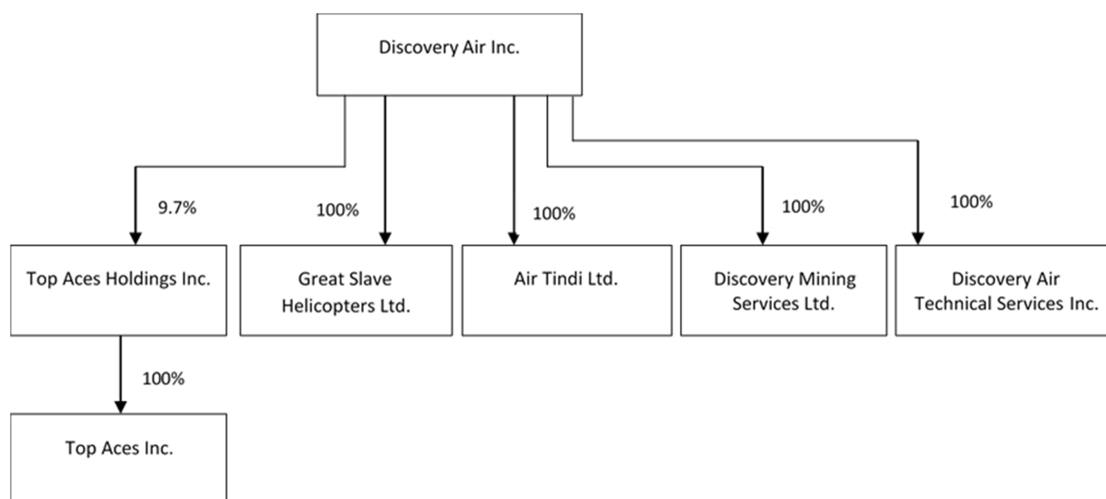
1. All currency references in this Report are to Canadian dollars.

2.0 Background

1. The Company is a holding company that provides management services to the Non-Applicant Subsidiaries and Top Aces, including strategy, corporate finance, accounting, legal, insurance, human resources and information technology[1]. The Company was founded in 2004 and is headquartered in Toronto, Ontario. (Throughout this Report, the Company and the Non-Applicant Subsidiaries are collectively referred to as the "Group").

2. The Group provides specialty aviation and logistics support services across Canada and in select locations internationally, including the US, Bolivia and Chile. A condensed corporate chart of the Group, including the Company's residual interest in TA Holdings, is provided below.

[1] In advance of these proceedings, and in order to separate each of the businesses in the context of the SSP, some of these services were transferred to Top Aces and to the Non-Applicant Subsidiaries, as necessary for each to carry on its business in the ordinary course.



3. Clairvest is the Company's 95.5% shareholder and its most significant secured creditor. As at January 31, 2018, the Company's obligations owing to Clairvest under its secured debentures totalled approximately $72.7 million.

4. An affiliate of Clairvest has agreed to fund these proceedings through a $12.6 million debtor-in-possession facility (the "DIP Facility"), which was approved pursuant to the Initial Order.

5. The affidavit of Paul Bernards, the Company's Chief Financial Officer, sworn March 21, 2018, was filed with the Court in support of the Company's application for CCAA protection and provides, *inter alia*, details regarding the Company's background, including the reasons for the commencement of these proceedings. Mr. Bernards has also filed an affidavit sworn March 28, 2018 in support of this SSP approval motion (the "SSP Affidavit").

6. Further information regarding these proceedings and the Group's background is provided in the pre-filing report of the Monitor dated March 21, 2018, a copy of which is attached as Appendix "B", without appendices.

7. All Court materials filed in these proceedings are available on the Monitor's website at www.ksvadvisory.com/insolvency-cases/discovery-air.

3.0 Top Aces Stalking Horse Agreement[2]

1. The Company has entered into the Top Aces Stalking Horse Agreement, subject to Court approval. A copy of the Top Aces Stalking Horse Agreement is attached to the SSP Affidavit.

2. The proposed SSP Order provides that the sale and/or vesting of any property, assets or undertaking of the Company, including the Top Aces Property, is subject to Court approval following completion of the SSP.

[2] Terms not defined in this section have the meanings provided to them in the Top Aces Stalking Horse Agreement or the SSP. The summary of the Top Aces Stalking Horse Agreement contained in this section is for information purposes only. Parties with an interest in these proceedings or in the SSP are strongly encouraged to read the Top Aces Stalking Horse Agreement.

3. The key terms and conditions of the Top Aces Stalking Horse Agreement include the following:

   a) Purchaser: Top Aces Buyer.

   b) Purchase Price (in the form of a credit bid): $20.825 million (being the amount of the Clairvest Credit Bid Amount) plus the Assumed Liabilities.

   c) Purchased Assets: the Company's right, title and interest in, to and under the Top Aces Property, including:

      i. the TA Shares;

      ii. the assets, property and undertaking owned by the Company and used solely in connection with the business of Top Aces;

      iii. all original books and records of Top Aces or otherwise relating to the Top Aces Business;

      iv. each of the Contracts relating to the business carried on by Top Aces as set out in Schedule 2.1(b) of the Top Aces Stalking Horse Agreement (the "Top Aces Assigned Contracts");

      v. any and all debts, liabilities, obligations, causes of action and other claims that the Company may have against TA Holdings, Top Aces or any other Person;

      vi. any other property, assets and undertaking of the Company related to the Top Aces business as specifically identified by the Top Aces Buyer on or before Closing; and

      vii. the Residual Assets.

   d) Assumed Liabilities: all liabilities and obligations owing by the Company under or in respect of the Top Aces Assigned Contracts and all liabilities and obligations arising from, or in relation to, the Permitted Encumbrances.

   e) Termination: the agreement may be terminated by either party if the Top Aces Buyer is not selected as the Successful Bidder on the earlier of: (i) 30 days after the Bid Deadline (the bid deadline being May 21, 2018); and (ii) Court approval of the Accepted Bid, provided however, if the Top Aces Buyer is selected as the Backup Bidder it cannot terminate its agreement until the closing of the transaction with the Successful Bidder.

   f) Approvals and Consents: other than Court Approval and any consent required in connection with the assignment of any Top Aces Assigned Contracts or any Purchased Assets, no authorization, consent or approval of, or filing with or notice to any Governmental Authority or any other Person is required in connection with the execution, delivery or performance of the Top Aces Stalking Horse Agreement.

g) Transition Services: to the extent necessary, the Company shall provide the Top Aces Buyer with transition services (the "Top Aces Transition Services") relating to: (i) record keeping, financial, tax and other reporting obligations and other general administrative services; and (ii) shared Contracts, services and assets both among the Company, TA Holdings and Top Aces, and among the Company, TA Holdings, Top Aces and one or more of the Non-Applicant Subsidiaries, or between or among any combination of the foregoing parties. The Top Aces Buyer may require one or more agreements in respect of the Top Aces Transition Services.

h) Conditions Precedent: the agreement is consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis with minimal representations, warranties and conditions. The conditions include that:

i. the SSP Order shall have been issued and entered on or before April 4, 2018, or such later date as the Company and the Top Aces Buyer agree in writing;

ii. the Approval and Vesting Order shall have been issued and entered on or before June 14, 2018, or such later date as the Company and the Top Aces Buyer agree in writing;

iii. the Top Aces Buyer shall sign, and be bound by the terms of, all shareholders' agreements in respect of TA Holdings and Top Aces, including the limited governance, information and liquidity rights contemplated therein; and

iv. there shall not have been a Material Adverse Change.

i) Other: there is no break-fee or expense reimbursement (jointly, "Bid Protections") payable to the Top Aces Buyer.

4.0 Northern Stalking Horse Agreements[3]

1. The Company and the Northern Business Buyer have entered into the GSH Stalking Horse Agreement, the ATL Stalking Horse Agreement and the DMS Stalking Horse Agreement (collectively, the "Northern Stalking Horse Agreements"), copies of which are attached to the SSP Affidavit. Other than the Purchase Price (which, in each case, is to be satisfied by the assumption by the Northern Business Buyer of secured debt owed to Clairvest under either or both of the DIP Facility and the Debentures), the structure of the three Northern Stalking Horse Agreements are virtually identical and are summarized in the table below.

[3] Terms not defined in this section have the meanings provided to them in the Northern Stalking Horse Agreements or the SSP. The summary of the Northern Horse Agreements contained in this section is for information purposes only. Parties with an interest in these proceedings or in the SSP are strongly encouraged to read the Northern Stalking Horse Agreements.

Term	GSH	ATL	DMS
Purchaser	Northern Business Buyer		
Purchased Assets	The GSH Property	The ATL Property	The DMS Property
Purchase Price	**$12.381 million** plus the Assumed Liabilities.	**$19.765 million** plus the Assumed Liabilities.	**$5 million** plus the Assumed Liabilities.
Satisfaction of Purchase Price	The Purchase Price shall be satisfied on closing by: (i) the assumption of liabilities and obligations under the DIP Facility equal to the Clairvest DIP Indebtedness Assumption Amount; (ii) the assumption of liabilities and obligations under the Clairvest Convertible Debentures equal to the Clairvest Convertible Debentures Indebtedness Assumption Amount; and (iii) the assumption and/or satisfaction of the Assumed Liabilities[4].		
Assumed Liabilities	The Northern Business Buyer will assume all contracts relevant to the respective Northern Businesses and/or address the obligations owing to each of their lenders on terms acceptable to those lenders, including: a) all liabilities and obligations under or in respect of the GSH/ATL/DMS Assigned Contracts; b) liabilities and obligations under the Clairvest Convertible Debentures and the DIP Facility; c) all liabilities and obligations in respect of the Amended and Restated Credit Agreement dated May 26, 2015 among, *inter alia*, the Company, the Canadian Imperial Bank of Commerce ("CIBC") and GSH/ATL/DMS, as guarantors; d) all liabilities and obligations in respect of an Aircraft Loan Agreement, dated as of January 31, 2014, as amended, and an Aircraft Loan Agreement, dated as of March 31, 2014, each among, *inter alia*, the Company, Element Financial Corporation and GSH/ATL/DMS, as guarantors; e) all liabilities and obligations in respect of an Aircraft Loan Agreement, dated as of March 26, 2012, as amended, among, *inter alia*, the Company, Roynat Inc., ATL, GSH and DMS; f) all liabilities and obligations arising from, or in relation to, intercompany transactions between the Company and each of GSH, ATL and DMS, respectively; and g) all liabilities and obligations arising from, or in relation to, the Permitted Encumbrances.		
Approvals and Consents	No authorization, consent, approval of or filing with or notice to any Governmental Authority or any other Person is required, except for: a) Court Approval; b) any consent required in connection with the assignment of the Assigned Contracts or any Purchased Assets (whether obtained by Court Order or otherwise); and c) any consent or approval in respect of any change of control provisions in Contracts (whether obtained by Court Order or otherwise).		

[4] The allocation of these amounts will be determined on or before closing, but does not affect the purchase price.

Term	GSH	ATL	DMS
Transition Services	The Company[5] shall provide Transition Services relating to: a) record keeping, financial, tax and other reporting obligations and other general administrative services as reasonably requested by the Northern Business Buyer; and b) shared Contracts, services and assets both between the Company and the respective Non-Applicant Subsidiary and among the Company, the respective Non-Applicant Subsidiary and one or more of the Company's other Non-Applicant Subsidiaries, or between or among any combination of the foregoing parties. The Northern Business Buyer may require the Company to enter into one or more agreements in respect of Transition Services.		
Termination	Each purchase agreement may be terminated if the Northern Business Buyer is not the Successful Bidder, by either party upon the earlier of: a) thirty (30) days after the Bid Deadline (June 4, 2018); and b) approval of the Court of the Accepted Bid, provided however, in the event that the Northern Business Buyer is the Backup Bidder, it may not terminate the agreement until the closing of the transaction with the Successful Bidder.		
Conditions Precedent	The agreements are consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis with minimal representations, warranties and/or conditions. Conditions include that: a) the SSP Order shall have been issued and entered on or before April 4, 2018, or on or before such later date as the Company and the Northern Business Buyer agree; b) the Approval and Vesting Order shall have been issued and entered on or before June 28, 2018; c) the Northern Business Buyer shall sign, and be bound by, the terms of all shareholders' agreements in respect of the applicable Non-Applicant Subsidiary; and d) there shall not have been a Material Adverse Change, as defined in the Stalking Horse Agreements.		
Bid Protections	None		

2. Each Northern Stalking Horse Agreement is an independent offer and, accordingly, is not conditional on acceptance of any of the other bids being the Successful Bid in the SSP for GSH, ATL, DMS and/or Top Aces.

5.0 Security Opinion

1. Since the SSP contemplates that Clairvest will be bidding the obligations owed to it under the Clairvest Convertible Debentures as the currency in each of the Stalking Horse Agreements and that any other Successful Bid would address such Clairvest Convertible Debentures, in advance of these proceedings the Monitor obtained an independent legal opinion from its counsel in these proceedings, Goodmans LLP ("Goodmans"), on the validity and enforceability of Clairvest's security.

[5] Some of these services may be provided by Top Aces.

2. Subject to the assumptions and qualifications contained in the opinion, the opinion concludes that: (i) the security granted to Clairvest by the Company and the Non-Applicant Subsidiaries, as registered under the *Ontario Personal Property Security Act* ("PPSA"), creates a valid and perfected security interest in the personal property collateral of each of the Company and the Non-Applicant Subsidiaries which is situated in Ontario; and (ii) Clairvest has a perfected, first-ranking security interest in the shares of GSH, ATL, DMS and TA Holdings owned by the Company. Goodmans has also advised that, while they have not rendered or sought opinions in other Canadian Provinces or Territories, searches under applicable personal property security regimes in each Province (other than Quebec) and Territory have been performed and that Clairvest has registrations in each such Province or Territory (with the exception of Yukon Territory where there are no registrations against the Company or the Non-Applicant Subsidiaries). Searches were not performed in Quebec in light of the nature of the collateral and the cost of obtaining such searches.

3. A copy of the security opinion will be made available to the Court should the Court wish to review it.

6.0 SSP[6]

1. The purpose of the SSP is to provide interested parties with the opportunity to submit offers to purchase: (i) the Top Aces Property; (ii) the GSH Property or all or substantially all of the assets of GSH; (iii) the ATL Property or all or substantially all of the assets of ATL; and (iv) the DMS Property or all or substantially all of the assets of DMS. A copy of the proposed SSP is attached as Appendix "C".

2. The following table summarizes the key SSP deadlines.

Milestone	Top Aces SSP	GSH, ATL, DMS SSP
Commencement	April 4, 2018	April 4, 2018
Bid Deadline	May 21, 2018	June 4, 2018
Auction Date (if required)	May 31, 2018	June 14, 2018
Closing Deadline	July 31, 2018	July 31, 2018

3. The key terms of the SSP are summarized as follows[7]:

   a) Notice: the Company will issue a press release providing notice of the SSP and any other relevant information that the Company and the Monitor consider appropriate (the "Notice"). The Notice will be disseminated by Canada Newswire in Canada and in international locations as determined appropriate by the Monitor.

   b) Publication: the SSP authorizes (but does not direct) the Monitor to publish a notice in *The Globe and Mail* (National Edition) or any other newspaper or industry journal.

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[6] All capitalized terms not otherwise defined have the meaning set out in the SSP.

[7] The summary of the SSP contained in this section is for information purposes only. The full details of the SSP are provided in Appendix "C". Interested parties are strongly encouraged to read the SSP in its entirety.

c) Marketing: with the assistance of the Company, the Monitor has prepared the following:

   i. a list of financial parties who may be interested in Top Aces and a list of financial and strategic parties who may be interested in GSH, ATL and/or DMS;

   ii. non-disclosure agreements for each of the transactions ("NDAs");

   iii. two documents ("Teasers") describing the investment opportunities and the SSP process (one for Top Aces and one for the Non-Applicant Subsidiaries), which the Monitor will send, together with the NDAs, to all prospective purchasers as soon as possible following the granting of the SSP Order, should it be granted, and to any other party who requests a copy of the Teasers or who is identified by the Company or the Monitor as a potential bidder; and

   iv. a confidential information memorandum ("CIM") for each of Top Aces, GSH, ATL and DMS.

d) Data Rooms: virtual data rooms have been set up for interested parties to perform diligence. The information available in the data rooms includes, *inter alia*, financial and corporate information, information regarding management and employees, operational data, and information concerning legal, environmental and safety considerations.

e) Participation Requirements: any party who wishes to participate in one or more of the SSPs (an "Interested Party") must provide the Monitor with:

   i. an executed NDA, including the identity of the principals of the Interested Party;

   ii. an acknowledgement of the terms of the SSP (in the form attached as Schedule "B" to the SSP); and

   iii. such form of financial disclosure and credit support or enhancement that allows the Monitor to determine the Interested Party's financial and other capabilities to complete a transaction.

   Each Interested Party who meets the criteria noted above will be deemed a "Bidder". The Monitor will provide each Bidder with a copy of the applicable CIM and access to the corresponding data room or rooms.

f) Due Diligence: the Monitor, with the Company's assistance, will provide each Bidder with due diligence material and information, including access to the data rooms, management presentations and on-site inspections (as necessary and appropriate, in the Monitor's discretion).

g) Formal Offers: Bidders who wish to submit a formal offer (each, a "Sale Proposal") must do so by the Bid Deadline, being May 21, 2018 for Top Aces and June 4, 2018 for the Non-Applicant Subsidiaries. All offers for the acquisition of the shares of the Non-Applicant Subsidiaries must be in the form of the applicable Stalking Horse Agreement with any changes blacklined against the template ("Final Bid"). Bidders must submit a separate Share Purchase Agreement or Asset Purchase Agreement for each SSP in which the Bidder is making a Sale Proposal.

h) Final Bid Criteria: in order to be considered a Final Bid, a Sale Proposal must, among other things:

   i. subject to subsection (ii) below, be binding and irrevocable until the earlier of 30 days after the Bid Deadline and approval by the Court of the Accepted Bid;

   ii. acknowledge that if such Final Bid is selected by the Monitor as the Backup Bid at the Auction, it shall remain binding, irrevocable and open for acceptance by the Company until the closing of the transaction with the Successful Bidder;

   iii. include a refundable cash deposit payable to the Monitor, in trust, in an amount equal to 15% of the purchase price;

   iv. provide value to the creditors and other stakeholders of the Company (having regard to the relative priority of creditor claims) that is equal to or greater than the value of the applicable Stalking Horse Agreement (as determined by the Monitor);

   v. not subject to further due diligence or financing;

   vi. include a description of any desired arrangements with respect to transition services; and

   vii. contemplate closing the transaction set out therein on or before July 31, 2018.

i) Qualified Bid: if a Sale Proposal meets the Final Bid Criteria, it will be deemed a "Qualified Bid" and the Bidder in respect of each Qualified Bid will be a "Qualified Bidder". Each of the Stalking Horse Bidders is a Qualified Bidder in respect of the applicable SSP and each of the Stalking Horse Agreements is a Qualified Bid for all purposes in connection with the applicable SSP. The Monitor will notify each Bidder if its Sale Proposal is a Qualified Bid within five (5) Business Days of the applicable Bid Deadline.

j) Selection of Successful Bidders: if one or more Qualified Bids (in addition to the applicable Stalking Horse Agreement) for a particular SSP is received by the Bid Deadline, all Qualified Bidders for such SSP will be invited to an Auction (including the applicable Stalking Horse Bidder) in order to determine the Successful Bidder. If no Qualified Bid for a SSP other than the applicable Stalking Horse Agreement is received by the Bid Deadline, the respective Stalking Horse Bidder will be declared the Successful Bidder.

k) Accepted Bid: the "Accepted Bid" for a SSP will either be: (i) the applicable Stalking Horse Agreement if no Qualified Bid is received by the Bid Deadline; or (ii) in the event of an Auction, the superior bid as determined by the Monitor. The party that submits the Accepted Bid for a SSP is referred to as the "Successful Bidder" with respect to such SSP. Within seven Business Days of the selection of an Accepted Bid (or as soon as possible thereafter), the Company shall file an Approval Motion with the Court in respect of that transaction. All the Qualified Bids for that transaction and the SSP, other than the applicable Accepted Bid, Backup Bid and Stalking Horse Agreement, shall be deemed to have been rejected by the Monitor on and as of the date of approval of the applicable Accepted Bid by the Court.

l) Failure to Close: if the Successful Bidder for any transaction fails to close, the Monitor shall be authorized but not required to: (i) direct the Company or the Non-Applicant Subsidiary party to the Accepted Bid to exercise any available rights and remedies in accordance with the terms of such Accepted Bid; (ii) designate the Backup Bidder as the Successful Bidder and direct the Company to close the applicable transaction under the Backup Bid; or (iii) take such other steps as deemed advisable.

m) Auction Procedures: the significant aspects of the Auction are as follows:

i. if one or more Auctions are required, the Auction or Auctions will be held at the offices of Goodmans;

ii. to the extent that the Monitor is to conduct multiple Auctions, it may choose to conduct such Auctions concurrently or consecutively, in its discretion;

iii. unless otherwise ordered by the Court or consented to in writing by the Monitor, only the authorized representatives and professional advisors of the Monitor, the Company and the Non-Applicant Subsidiaries, the applicable Stalking Horse Bidder and each other Qualified Bidder invited to an Auction shall be eligible to attend an Auction and make any Subsequent Bid (as defined below) at an Auction;

iv. all Qualified Bidders must have at least one individual representative present in person at the Auction who has the authority to bind such Qualified Bidder;

v. at least one day prior to the Auction, the Monitor will send a notice to all Qualified Bidders indicating which of the Qualified Bids will be the Starting Bid at the Auction as well as other applicable Auction rules, including the bid increments for the applicable Auction. Bidding at the Auction shall be in increments that will be determined by the Monitor and communicated by the Monitor no later than two days prior to the commencement of the Auction;

vi. all Qualified Bidders are permitted to increase their Qualified Bid in accordance with the procedures set out below (each, a "Subsequent Bid");

vii. all Subsequent Bids will be made in public such that all bidders are aware of each Bid;

viii. bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding in increments as may be set by the Monitor from time to time, so long as during each round at least one Subsequent Bid is submitted by a Qualified Bidder;

ix. credit bids are permitted at the Auction, provided that the validity of such secured indebtedness has been confirmed by the Monitor prior to commencement of the Auction;

x. bidding shall continue until such time as the Accepted Bid is determined by the Monitor, in consultation with its advisors;

xi. the Monitor will have the right to modify the bidding increments at the commencement of any round of bidding at the Auction;

xii. after each round of bidding, the Monitor will announce the Subsequent Bid that the Monitor has determined, after consultation with its advisors, to be the superior bid (the "Leading Bid"). A round of bidding will conclude after each participating Qualified Bidder has had an opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

xiii. if no Qualified Bidder submits a Subsequent Bid after a period of 30 minutes after the Monitor determines the Leading Bid, and the Monitor chooses not to adjourn an Auction, the Leading Bid shall be the Accepted Bid for the applicable SSP and the Auction will be concluded. The Monitor has the discretion to extend the time period to submit Bids; and

xiv. if an Auction for a SSP is conducted, the Monitor shall determine, in consultation with its advisors, the next best Qualified Bid (the "Backup Bid"). The Qualified Bidder who submitted the Backup Bid will be the "Backup Bidder". The Backup Bidder shall be required to keep its last submitted Subsequent Bid open for acceptance, or if it has not made a Subsequent Bid, its Qualified Bid, until the closing of the transaction with the Successful Bidder.

6.1 Top Aces Sale Process

1. As previously discussed in Mr. Bernards' March 21 affidavit, Discovery owns approximately 9.7% of the shares of TA Holdings. The remaining 90.3% of the TA Holdings shares are owned by Clairvest (64.75%) and a group of institutional financial investors led by JP Morgan Asset Management. The 9.7% interest in TA Holdings which is being marketing for sale in the SSP is subject to a shareholder agreement which provides limited rights for any buyer, including that the buyer will not be entitled to any board representation and will have restricted liquidity rights. Given the small size of the Top Aces interest available for sale, and the restrictions in relation to it, the Monitor believes that the most likely buyers for the Top Aces interest are financial buyers. Top Aces management is concerned that if strategic buyers, who are most likely direct competitors of Top Aces, gain access to non-public information in respect

of Top Aces, such information could be used against Top Aces, which would be adverse to its competitiveness and long term viability and, similarly, any acquisition of a minority interest in TA Holdings could lead to the same end. Accordingly, the Monitor is of the view that it is appropriate to limit the marketing of the Top Aces interest to financial buyers. The SSP provides the Monitor with the appropriate flexibility to grant access to any prospective purchaser the Monitor determines to be *bona fide*.

6.2 Clairvest's Access to SSP Information

1. Clairvest has multiple roles in these proceedings. It is the Group's most significant financial stakeholder, it has several representatives on the Company's Board, entities related to it are providing DIP financing for these proceedings and other entities related to it have submitted four stalking horse offers in the SSP.

2. In order to ensure the integrity of the SSP, it is contemplated that the Monitor will carry out the SSP, with the assistance of the Group's management, but that neither management nor the Monitor shall communicate with Clairvest regarding any SSP activity, including any other bids submitted in the SSP. The SSP does not provide Clairvest with any special information rights and it has no better information rights in the SSP than any other bidder.

3. The SSP includes several provisions to address the integrity of the process including Paragraph 16 of the SSP which states that "*Neither the Companies nor their Representatives or affiliates shall communicate the identities of any Interested Parties or information in respect of any bids or transaction documents to representatives of either of the Stalking Horse Bidders, whether in that capacity or any other capacity, unless and until the identity of the Qualified Bidders are exchanged with all other Qualified Bidders at Auction*". Such information shall also not be provided by the Monitor to Clairvest during the SSP. The proposed SSP Order also addresses this concern.

6.3 SSP Recommendation

1. The Monitor recommends that this Court issue the SSP Order for the following reasons:

   a) in the Monitor's view, the SSP is commercially reasonable and is intended to canvass the market for transactions superior to each Stalking Horse Agreement;

   b) in the Monitor's view, the terms and conditions of the Stalking Horse Agreements, including the values contemplated therein, are reasonable;

   c) in the Monitor's view, the duration of the SSP is sufficient to allow interested parties to perform diligence and to submit offers. It is contemplated that the SSP will commence immediately following the granting of the proposed SSP Order;

   d) the Monitor believes it is reasonable for the deadline to submit offers for the Top Aces interest to be two weeks shorter than the process for the Non-Applicant Subsidiaries as less diligence is required for the acquisition of the 9.7% interest in TA Holdings versus the 100% interest of each of the Non-Applicant Subsidiaries;

e) the Monitor is also of the view that it is appropriate to market the Top Aces interest to financial buyers only due to the limited rights afforded in the Top Aces shareholder agreement to any buyer, and the highly competitive nature of the Top Aces business. There is a risk that a strategic buyer would only perform diligence to gain intelligence concerning the Top Aces business which it could use to the detriment of Top Aces and which would be adverse to the long-term viability of the Top Aces business;

f) none of the Stalking Horse Agreements contemplate the payment of any Bid Protections, which is commonly seen in stalking horse agreements. In the Monitor's experience, bid protections in transactions of this nature are often between 2% to 4% of the purchase price. The absence of any Bid Protections should encourage participation in the SSP;

g) the SSP provides prospective bidders with the opportunity to submit offers for the shares of the Non-Applicant Subsidiaries (as contemplated by the Stalking Horse Agreements) or their assets;

h) interested parties can submit offers for any or all of the Non-Applicant Subsidiaries;

i) Clairvest does not have any special information rights in the SSP and the SSP precludes the Group's management and the Monitor from sharing any SSP information with Clairvest or its representatives (in any capacity);

j) the SSP provides the Monitor with the flexibility to extend any deadline in the SSP by up to two weeks without Court approval; and

k) a stalking horse sale process provides stability to insolvent businesses during the restructuring process by informing stakeholders, such as employees, customers and vendors, that there is a going-concern buyer for the business.

7.0 Cash Flow Forecast

1. Since the commencement of these proceedings, the Company has made two draws on the DIP Facility totalling $4.9 million.

2. As at the date of this Report, the Company is operating in accordance with its cash flow forecast filed with the Company's CCAA Application materials, which contemplated advances of approximately $4.8 million for the same period.

8.0 Overview of the Monitor's Activities

1. Since the date of its appointment (March 21, 2018), the Monitor's activities have included the following:

   - carrying out its duties and obligations under the Initial Order, including arranging for a notice to be published in *The Globe and Mail* (National Edition) on March 26, 2018 and April 3, 2018 and sending a notice advising of these CCAA proceedings to each of the Company's known creditors owed greater than $1,000;

- assisting the Company with the rollout of its stakeholder communications plan;
- working with the Company on cash management matters, including to submit its drawdown certificates and to prepare its weekly variance analysis, as required under the DIP Facility;
- working with the Company to prepare for the SSP, including drafting the Teasers, CIMs, NDAs, buyers lists and populating the data rooms;
- reviewing and commenting on draft materials filed for the SSP approval motion, including the SSP, the SSP Affidavit and the proposed SSP Order; and
- responding to a small number of enquiries received from the Company's unsecured debenture holders. In this regard, the Monitor has provided a brief overview of the CCAA proceedings, the proposed SSP and the date of the Comeback Hearing. The Monitor has advised that all materials filed in these proceedings are or will be available on its website and provided a link to the website.

9.0 Stay Extension

1. The Monitor supports the Company's request for an extension of the stay of proceedings to and including June 29, 2018 for the following reasons:

    a) the Company is acting in good faith and with due diligence;

    b) the extension will provide the opportunity to carry out the SSP, which is the principal purpose of these proceedings and is supported by the Monitor for the reasons set out in Section 6.3 of this Report;

    c) the cash flow forecast filed with the Company's CCAA Application materials covers the period ending June 30, 2018. The cash flow reflects that the Company and the Non-Applicant Subsidiaries are projected to have sufficient funding under the Court approved DIP Facility to continue to operate in the normal course through the proposed stay extension period;

    d) Clairvest, being the principal economic stakeholder and DIP lender in these proceedings, supports the stay extension;

    e) CIBC's counsel has advised that CIBC does not oppose the extension; and

    f) no creditor will be materially prejudiced if the extension is granted.

10.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(h) of this Report.

* * *

All of which is respectfully submitted,

KSV KOFMAN INC.
IN ITS CAPACITY AS MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY

Appendix “A”

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 21st
	)	
JUSTICE HAINEY	)	DAY OF MARCH, 2018

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 DISCOVERY AIR INC.

APPLICANT

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Paul Bernards, sworn March 21, 2018, and the Exhibits thereto (the "**Bernards Affidavit**"), and on reading the consent of KSV Kofman Inc. ("**KSV**") to act as the Monitor (in such capacity, the "**Monitor**"), and upon reading the pre-filing report of KSV dated March 21, 2018, in its capacity as the proposed Monitor, and on hearing the submissions of counsel for the Applicant and those subsidiaries set out in Schedule "**A**" hereto (each a "**Non-Applicant Subsidiary**" and collectively the "**Non-Applicant Subsidiaries**", and together with the Applicant the "**Discovery Air Group**"), the proposed Monitor and Clairvest Group Inc., no one appearing for any other party although duly served as appears from the affidavit of service of Katie Parent sworn March 21, 2018,

SERVICE AND DEFINED TERMS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies. Although not Applicants, the Non-Applicant Subsidiaries shall enjoy certain benefits of the protections and authorizations provided by this Order, as set out herein.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system including, subject to the Definitive Documents (as hereinafter defined), the operating facility with Canadian Imperial Bank of Commerce ("**CIBC**") and borrowings that may be made under that facility as well as the cash pooling arrangements currently in place as described in the Bernards Affidavit or replace it with another substantially

similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Discovery Air Group of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Discovery Air Group, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System (and, in particular, in its capacity as the operating facility lender), an unaffected creditor under the Plan or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* R.S.C. 1985 c. B-3, as amended ("**BIA**") with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System. For greater certainty, any security held by CIBC in connection with the foregoing shall continue to retain its priority in respect of any usage or borrowings made from and after the date of this Order.

6. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course, prior to, on or after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts

payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, once a month on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that the Applicant shall be entitled but not obligated to continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) owing to each of Roynat Inc. ("**Roynat**") and ECN Aviation Inc. ("**ECN**") in connection with the secured credit facilities that it has with each such lender and, in the case of Roynat, its regularly scheduled payment of principal on April 15, 2018 provided, for greater certainty, that the maturity of the Roynat facility on such date is stayed as set out herein (all as contemplated by the cash flow forecast attached to the Bernards Affidavit).

10A **THIS COURT ORDERS** that the Applicant shall continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) and other repayments of borrowings from time to time outstanding pursuant to the terms of the operating facility with CIBC provided, for greater certainty, that the maturity of and the final repayment of principal upon maturity or any acceleration under the CIBC facility is stayed as set out herein.

11. **THIS COURT ORDERS** that other than as set out in paragraphs 10 and 10A, and except as may otherwise specifically be permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $500,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;

(c) with the approval of the Monitor, enter into one or more agreements for the provision of shared services with any or all of Top Aces Inc. and/or the Non-Applicant Subsidiaries; and

(d) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "**Restructuring**").

13. **THIS COURT ORDERS** that the Applicant shall provide each of the relevant landlords with notice of the Applicant' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant' claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at

the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE DISCOVERY AIR GROUP OR THEIR PROPERTY

15. **THIS COURT ORDERS** that until and including April 20, 2018, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

16. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or with leave of this Court, no Proceedings shall be commenced or continued against or in respect of the Non-Applicant Subsidiaries, or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "**Non-Applicant Subsidiaries' Property**", and together with the Non-Applicant Subsidiaries' businesses, collectively, the "**Non-Applicant Subsidiaries' Property and Business**"), arising upon or as a result of (i) the insolvency of the Applicant; (ii) the making or filing of these proceedings or of any order in these proceedings; (iii) any default or event of default arising as a result of or pursuant to either of (i) or (ii) or any default under the terms of any document entered into in connection with any of Discovery's or the Non-Applicant Subsidiaries' secured debt facilities including any guarantee thereunder to which any of the Applicant or the Non-Applicant Subsidiaries are a party; or (iv) any default arising out of a contract or agreement to which the Applicant and one or more Non-Applicant Subsidiaries is a party (collectively the "**Non-Applicant Subsidiary Default Events**"). Without limitation, the operation of any provision of a contract or agreement between a Non-Applicant Subsidiary and any other Person that purports to effect or cause a

termination or cessation of any rights of the Non-Applicant Subsidiary, or to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend, amend or modify such contract or agreement, in each case as a result of one or more Non-Applicant Subsidiary Default Events, is hereby stayed and restrained during the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

17A **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Applicant Subsidiaries, or affecting the Non-Applicant Subsidiaries' Property and Business, as a result of a Non-Applicant Subsidiary Default Event are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Non-Applicant Subsidiaries to carry on any business which the Non-Applicant Subsidiaries are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

18. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18A **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any other party as a result of a Non-Applicant Subsidiary Default Event, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18B. **THIS COURT ORDERS** that, notwithstanding paragraphs 15 to 18A or any other provisions of this Order, upon the occurrence of an event of default under the CIBC operating facility other than a default which may arise as a result of, or otherwise relate to, the insolvency of the Applicant, the commencement of the Applicant's proceedings under the CCAA or any relief granted in these proceedings occurring after the date hereof, CIBC shall immediately upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the CIBC operating facility and any and all security granted thereunder, including without limitation, set off and/or consolidate any amounts owing by CIBC to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to CIBC under the operating facility, to make demand, accelerate payment and give other notices, provided however, that CIBC may not take any further steps to enforce its security without leave of this Court, including without limitation, applying for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and the foregoing rights and remedies of CIBC shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility

or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

19A **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with one or more Non-Applicant Subsidiaries or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to any Non-Applicant Subsidiaries, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Non-Applicant Subsidiaries as a result of a Non-Applicant Subsidiary Default Event, and that the Non-Applicant Subsidiaries shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Non-Applicant Subsidiaries in accordance with normal payment practices of the Non-Applicant Subsidiaries or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant or any Non-Applicant

Subsidiary. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant or of the Non-Applicant Subsidiaries with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant or of the Non-Applicant Subsidiaries whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

23. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $100,000, as security for the indemnity provided in paragraph 22 of this Order. The Directors' Charge shall have the priority set out in paragraphs 48 and 50 herein.

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

25. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

26. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Discovery Air Group's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender (as defined herein) and its counsel and CIBC and its counsel on a periodic basis of financial and other information as agreed to between the Applicant and the DIP Lender that may be used in these proceedings, including reporting on a basis to be agreed with the DIP Lender;

(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender or CIBC, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel and CIBC and its counsel on a periodic basis, as agreed to by the DIP Lender;

(e) advise the Applicant in its development of the Plan and any amendments to the Plan;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(h) conduct, supervise and carry out any sales process(es) with respect to the Property and the Business;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) commence applications for recognition of these proceedings outside of Canada in its capacity as foreign representative without further Order of this Court; and

(k) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or the Non-Applicant Subsidiaries' Property and shall take no part whatsoever in the management or supervision of the management of the Business or the Non-Applicant Subsidiaries' Property and Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the foregoing, or any part thereof.

28. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property or the Non-Applicant Subsidiaries' Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure

imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property or the Non-Applicant Subsidiaries' Property within the meaning of any Environmental Legislation, unless it is actually in possession.

29. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicant and the DIP Lender with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

30. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements incurred prior to or following the date hereof, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis or at such other intervals as the Applicant and the Monitor may agree.

32. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $750,000, as

security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 48 and 50 hereof.

34. **THIS COUT ORDERS** that KSV in its capacity as Monitor in these proceedings be and hereby is authorized to act as a foreign representative of the Applicant and of these proceedings for the purpose of having these proceedings recognized outside of Canada.

INTERCOMPANY FINANCING

35. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant may advance funds to its Non-Applicant Subsidiaries after the date of this Order, whether through operation of the Cash Management System, an intercompany loan, including, without limitation, loans made pursuant to the DIP Term Sheet, or otherwise ("**Intercompany Advances**). The Applicant's accounts and records shall constitute, in the absence of manifest error, *prima facie* evidence of the balance of the Intercompany Advances.

36. **THIS COURT ORDERS** that the Intercompany Advances to each Non-Applicant Subsidiary shall be secured by a charge in favour of the Applicant (each, an "**Intercompany Charge**") over the applicable Non-Applicant Subsidiary's Property to the extent of each of their respective indebtedness to the Applicant for Intercompany Advances. The Intercompany Charges shall have the priority set out in paragraph 50 hereof.

DIP FINANCING

37. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from CEP IV Co-Investment Limited Partnership (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures and the Intercompany Advances, provided that borrowings under such credit facility shall not exceed $12.6 million unless permitted by further Order of this Court.

38. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Applicant and the DIP Lender dated as of March 21, 2018 (the "**DIP Term Sheet**"), filed.

39. **THIS COURT ORDERS** that the Applicant and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents, including, without limitation, in connection with the Intercompany Advances (collectively and including the DIP Term Sheet, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 48 and 50 hereof. Without limiting the generality of the foregoing, the Applicant's obligations under the DIP Term Sheet and the Intercompany Advances shall also be secured by the assignment by the Applicant to the DIP Lender of the Intercompany Charges and the repayment obligations of the Non-Applicant Subsidiaries to the Applicant in respect of the Intercompany Advances, each of which are hereby assigned.

41. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge, the Intercompany Charges or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, the DIP Lender shall immediately

upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the DIP Term Sheet, Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, including without limitation, set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to the DIP Lender under the DIP Term Sheet, the Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

42. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any Plan or any proposal filed by the Applicant under the BIA, with respect to any advances made under the Definitive Documents.

KEY EMPLOYEE RETENTION PLAN

43. **THIS COURT ORDERS** that the Applicants' Key Employee Retention Plan ("**KERP**"), as described in the Bernards Affidavit is hereby approved.

44. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to enter into the KERP with KERP Employees (as defined in the Bernards Affidavit).

45. **THIS COURT ORDERS** that the amounts payable to the Key Employees pursuant to the KERP are hereby secured by a charge (the "**KERP Charge**") on the Property, in favour of

the Key Employees. The KERP Charge shall have the priority set out in paragraphs 48 and 50 hereof

46. **THIS COURT ORDERS** that the aggregate amount secured by the KERP Charge granted to secure the Applicants' obligations under the KERP shall be in an amount of no more than CDN$1.65 million.

47. **THIS COURT ORDERS** that Confidential **Exhibit "K"** to the Bernards Affidavit be and is hereby sealed pending further order of this Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

48. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge and the DIP Lender's Charge, as among them, against the Property shall be as follows:

First – Administration Charge (to the maximum amount of $750,000);

Second – Directors' Charge (to the maximum amount of $100,000);

Third – KERP Charge (to the maximum amount of $1.65 million); and

Fourth – DIP Lender's Charge.

49. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

50. **THIS COURT ORDERS** that:

a) each of the Administration Charge, the Directors' Charge and the KERP Charge (all as constituted and defined herein) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") of the Applicant in favour

of any Person other than (i) any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or similar provincial legislation or (ii) any statutory super priority deemed trusts and liens for unremitted employee source deductions;

b) the DIP Lender's Charge shall rank immediately in priority to Clairvest's Encumbrances granted by or against the Applicant or the Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the DIP Lender's Charge shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances; and

c) the Intercompany Charges shall rank immediately in priority to Clairvest's Encumbrances granted by or against any Non-Applicant Subsidiary or the Non-Applicant Subsidiaries' Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the Intercompany Charges shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances with respect to the Non-Applicant Subsidiaries' Property.

51. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant and the Non-Applicant Subsidiaries shall not grant any Encumbrances over any Property or Non-Applicants Subsidiaries' Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges, unless the Applicant also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge, the beneficiaries of the KERP Charge, and the Administration Charge, or further Order of this Court.

52. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the DIP Term Sheet, the Definitive Documents, the DIP Lender's Charge and the Intercompany Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for

bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant or the Non-Applicant Subsidiaries, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant or the Non-Applicant Subsidiaries of any Agreement to which they are a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicant or the Non-Applicant Subsidiaries pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

53. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the interests of the Applicant or of the Non-Applicant Subsidiaries in such real property leases.

SERVICE AND NOTICE

54. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1000, and (C) prepare a list showing the

names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

55. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL 'http://www.ksvadvisory.com/insolvency-cases/discovery-air/'.

56. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

57. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

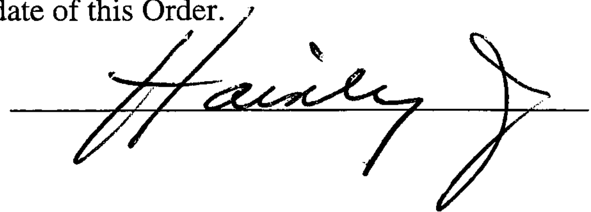
58. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

59. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

60. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as the foreign representative of the Applicant for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

61. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



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Schedule "A" – Non- Applicant Subsidiaries

1. Great Slave Helicopters Ltd.
2. Air Tindi Ltd.
3. Discovery Mining Services Ltd.
4. Discovery Air Technical Services Inc.

Court File No.: CV-18-594380-00CL

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 DISCOVERY AIR INC. (the "APPLICANT")

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INITIAL ORDER

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Appendix “B”

Report of KSV Kofman Inc. as Proposed CCAA Monitor of Discovery Air Inc.

March 21, 2018

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COURT FILE NO.: CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 DISCOVERY AIR INC.

REPORT OF KSV KOFMAN INC. AS PROPOSED MONITOR

March 21, 2018

1.0 Introduction

1. KSV Kofman Inc. ("KSV") understands that Discovery Air Inc. (the "Company") intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the "Court") under the C*ompanies' Creditors Arrangement Act*, *R.S.C. 1985, c. C-36*, as amended (the "CCAA"), for an initial order (the "Initial Order") granting the Company protection under the CCAA and appointing KSV as the CCAA monitor in these proceedings ("Monitor"). KSV has consented to act as Monitor.

2. The principal purpose of these restructuring proceedings is to create a stabilized environment to conduct a sale solicitation process ("SSP") for the Company's wholly-owned operating subsidiaries, Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. ("ATL") and Discovery Mining Services Ltd. ("DMS"). The SSP will also market for sale the Company's residual interest in Top Aces Holdings Inc. ("TA Holdings"), through which the Company holds an interest in Top Aces Inc. ("Top Aces"), formerly Discovery Air Defence Services Inc. Approval of the SSP is anticipated to be sought within two weeks of the issuance of the Initial Order, if issued by the Court.

3. The Affidavit of Paul Bernards, the Company's Chief Financial Officer, sworn March 21, 2018 and filed in support of the Company's application for CCAA protection (the "Affidavit"), provides, *inter alia*, the Company's background, including the reasons for the commencement of these proceedings.

4. KSV is filing this report ("Report") as the proposed Monitor.

1.1 Purposes of this Report

1. The purposes of this Report are to:

   a) provide KSV's qualifications to act as Monitor;

   b) provide background information about the Company;

   c) report on the Company's cash flow projection for the period March 19, 2018 to June 30, 2018 ("Cash Flow Forecast");

   d) summarize the terms of a debtor-in-possession loan facility ("DIP Facility") in the maximum principal amount of $12.6 million to be made available to the Company by CEP IV Co-Investment Limited Partnership (the "DIP Lender"), an affiliate of Clairvest Group Inc. (together with its affiliates, "Clairvest") pursuant to a DIP term sheet dated March 21, 2018 (the "DIP Term Sheet");

   e) discuss the rationale for:

      - extending the stay of proceedings over GSH, ATL, DMS and an inactive wholly-owned subsidiary, Discovery Air Technical Services Inc. ("DATS") (together with GSH, ATL and DMS, the "Non-Applicant Subsidiaries"), and each of their officers and directors, for the limited purpose of preventing creditor actions against the Non-Applicant Subsidiaries due to the Company's insolvency or its filing for CCAA protection;

      - a $750,000 charge on all of the Company's property to secure the fees and disbursements of the Company's counsel, the Monitor and its counsel in these proceedings (the "Administration Charge");

      - a $100,000 charge in favour of the directors and officers of the Company (the "D&O Charge");

      - a $1.65 million charge (the "KERP Charge") in favour of the beneficiaries of the Company's proposed key employee retention plan ("KERP") and the Company's request to seal the confidential exhibit to the Affidavit which includes the identity and personal compensation information of the employees entitled to the KERP;

      - a charge in favour of the DIP Lender to secure advances under the DIP Facility (the "DIP Lender's Charge");

      - a charge in favour of the Company over the property, assets and undertaking of each of the Non-Applicant Subsidiaries for any intercompany advances which may be made by the Company to the Non-Applicant Subsidiaries ("Intercompany Advances") during these proceedings (each an "Intercompany Charge", and all of them collectively the "Intercompany Charges");

      - the proposed priority in the proposed Initial Order of the Administration Charge, D&O Charge, KERP Charge, DIP Lender's Charge and Intercompany Charges; and

f) recommend that this Court grant the relief sought by the Company in its CCAA application materials.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon the Company's audited and unaudited financial information, including certain of its books and records, and discussions with the Company's management, the Company's counsel and representatives of Clairvest and its counsel. KSV has not audited, reviewed or otherwise verified 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.

2. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

1.4 KSV's Qualifications to Act as Monitor

1. KSV is qualified to act as Monitor in these proceedings:

   a) KSV is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA; and

   b) KSV has extensive experience acting as a monitor under the CCAA in a wide variety of industries, including experience in the aviation and specialized aviation services industries[1].

2. KSV has consented to act as Monitor in these proceedings should the Court grant the Initial Order. A copy of KSV's consent to act as Monitor is attached as Appendix "A".

[1] Completed in its predecessor entities, being the Toronto restructuring practice of RSM Richter Inc. and Duff & Phelps Canada Restructuring Inc.

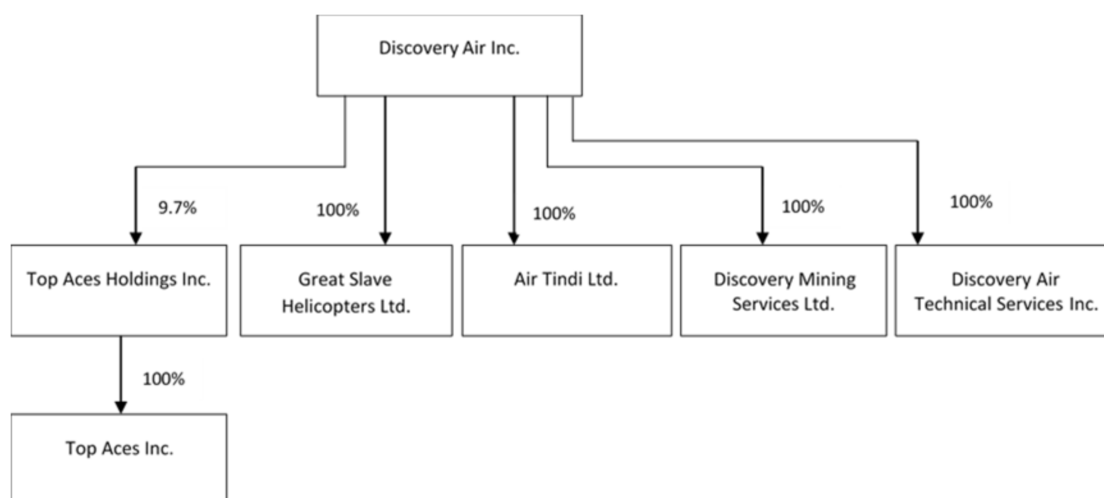
3. KSV was engaged by Clairvest on November 28, 2016 with respect to the Company. Although engaged in late 2016, KSV's mandate has had several long inactive periods, with its mandate being most active in the last several weeks. Since the date of its engagement, KSV has been consulted periodically when liquidity or operating issues arose that could require the Company to file for CCAA protection. To date, KSV's mandate has focused on the structure of these proceedings, reviewing and commenting on application materials, assisting the Company to prepare its Cash Flow Forecast, drafting communication documents to be used in the context of a filing and preparing sale process materials for the SSP (which is proposed to be conducted by the Monitor, as discussed further below).

4. In acting as Monitor in these proposed proceedings, and in any Court-supervised insolvency mandate, KSV acts as an independent officer of the Court and is cognizant to carry out its duties and obligations accordingly. In carrying out its mandate pursuant to the engagement noted in paragraph 3 above, KSV was mindful of the possibility of its potential appointment as a Court officer. KSV's engagement letter states that its advisory engagement will terminate immediately prior to its appointment as a Court officer in any formal insolvency proceeding involving the Company and explains its duties and obligations in performing such role.

2.0 Company Background

1. The Company is a holding company that provides management services to the Non-Applicant Subsidiaries and Top Aces, including strategy, corporate finance, accounting, legal, aviation insurance, human resources and information technology[2]. The Company was founded in 2004 and is headquartered in Toronto, Ontario. (Throughout this Report, the Company and the Non-Applicant Subsidiaries are collectively referred to as the "Group").

2. The Group provides specialty aviation and logistics support services across Canada and in select locations internationally, including the US, Bolivia and Chile. A condensed corporate chart of the Group, including the Company's residual interest in TA Holdings, is provided below.



[2] Some of these services have recently been transferred to the Non-Applicant Subsidiaries, as relevant for their specific operations, and to Top Aces.

3. A summary of the operations of the Non-Applicant Subsidiaries is provided below:

   a) GSH is one of Canada's largest onshore helicopter operators. It operates from its two main bases located in Yellowknife, Northwest Territories and Calgary, Alberta, as well as from sub-bases throughout Canada and in select locations in South America. GSH provides mineral and oil and gas exploration support, forest fire suppression, support to government agencies and other services, including environmental surveying, utilities/pipeline patrol, power line construction and telecommunications support.

   b) ATL is a commercial fixed wing charter company with its main base in Yellowknife, Northwest Territories. ATL operates a diversified fleet of fixed wing aircraft and provides scheduled and charter passenger and cargo services, as well as medevac equipped aircraft services, primarily in Northern Canada. Its customers include government agencies, multinational diamond mining companies, various junior mining, exploration companies and the general public on scheduled and chartered flights.

   c) DMS provides fully scalable remote exploration camps and expediting, logistics and staking services to gold, base metal, uranium and diamond exploration companies operating in the Northwest Territories, Nunavut, Yukon, Northern Saskatchewan and Northern Ontario. DMS provides and manages custom-designed, all-weather exploration camps and assists with its customers' logistical needs.

   d) DATS is an inactive wholly-owned subsidiary. DATS is included in these proceedings as a Non-Applicant Subsidiary as it is the tenant of leased premises in Etobicoke, Ontario which serve as the Company's head office. It is also a guarantor of various secured obligations described in this Report.

4. The Company presently has seven employees. Three of the Company's employees are senior officers of the Group. The remaining employees also serve in key finance and legal functions and provide support to the senior officers and to the Group generally. The Company's employees are not unionized and none of the Company or the Non-Applicant Subsidiaries maintain a pension plan.

5. Prior to May 26, 2017, the Company's Class A common shares were publicly traded on the Toronto Stock Exchange ("TSX") under the symbol DA.A. On May 26, 2017, Clairvest along with certain management shareholders of the Company, which together owned 91% of the Company's shares at the time, acquired the remaining 9% of the Company's Class A common shares through a going-private transaction (the "GPT"). The GPT was approved by the Court on May 24, 2017 and closed on May 26, 2017.

6. Following the GPT, the Company's shares were de-listed from the TSX. The Company continues to be a reporting issuer in respect of unsecured listed convertible debentures which it issued in May, 2011 in the face amount of $34.5 million (the "Unsecured Listed Debentures"). The Unsecured Listed Debentures are listed on the TSX under the symbol DA.DB.A. As at January 31, 2018, approximately $34.7 million was outstanding under the Unsecured Listed Debentures, inclusive of interest. The Unsecured Listed Debentures mature on June 30, 2018.

7. As detailed in the Affidavit, on numerous occasions since Clairvest's initial financing in 2011, the Company has faced liquidity issues, including as recently as late 2017, which have been resolved through financing transactions with Clairvest. Notwithstanding those transactions, the Company continues to face urgent liquidity needs as a result of, *inter alia*:

   a) an anticipated margin shortfall under its operating line of credit with Canadian Imperial Bank of Commerce ("CIBC") that is presently forecasted to arise during the week of March 19, 2018 and to continue to increase thereafter. Additionally, this facility matures on April 30, 2018[3];

   b) the maturity on April 15, 2018 of its obligations (approximately $5.1 million) owing to Roynat Inc. ("Roynat") under a secured aircraft financing facility;

   c) the maturity on May 5, 2018 of its secured obligations (approximately $72.7 million) owing to Clairvest under its secured debentures; and

   d) the maturity on June 30, 2018 of its obligations owing under the Unsecured Listed Debentures (approximately $34.5 million and $1.4 million of principal and interest, respectively).

8. As set out in the Affidavit, the Company is unable to meet or refinance these obligations and Clairvest has advised that it is no longer prepared to provide further funding absent a resolution of the financial challenges facing the Company.

9. Further detailed information concerning the Company and its background is provided in the Affidavit. In order to avoid duplication, that discussion has not been repeated in this Report.

2.1 Financial Overview

1. The Company has incurred significant losses over its last three fiscal years resulting from, among other things, a slowdown in the resource sector and a change in regulatory policies in 2017 that caused the grounding of certain Top Aces aircraft on two separate occasions, at which time Top Aces was wholly owned by the Company.

2. A summary of the Company's consolidated financial results for its fiscal years ending January 31, 2016, 2017 and 2018 is provided in the table below. The table also includes a summary of the Shareholders' Deficit, which has increased on a year-over-year basis, reflecting the ongoing negative performance of the Non-Applicant Subsidiaries.

[3] On December 15, 2017, the Company announced that the maturity date of its CIBC facility had been extended to January 31, 2019 subject to acceleration in certain circumstances. Given the current circumstances, the maturity date of the CIBC facility is effectively April 30, 2018.

(C$000s; consolidated)	January 31, 2016 (audited)	January 31, 2017 (audited)	January 31, 2018 (unaudited) [4]
Revenue	182,181	171,055	143,117
Income from equity investments	1,553	798	858
Expenses	(157,082)	(150,085)	(136,740)
EBITDA	26,652	21,768	7,235
Depreciation and amortization	(21,273)	(19,748)	(17,379)
Finance costs	(19,676)	(20,431)	(21,506)
Other (gains) and losses	(3,350)	(2,682)	(6,010)
Income tax recovery	2,820	3,018	8,704
Income (loss) from discontinued operations, net of tax	(1,184)	27	-
Total comprehensive loss	(16,011)	(18,048)	(28,956)
Retained Earnings/(Deficit)	(37,838)	(55,886)	(80,222)

3. The above table reflects that, *inter alia*:

    a) the Company has incurred losses over the last three fiscal years totalling approximately $63 million, with those losses increasing on a year-over-year basis;

    b) revenue has declined over the period; and

    c) EBITDA was insufficient to cover the Company's debt service costs (principal and interest) and to fund its capital expenditures, which are consistently significant.

4. The Company's deteriorating financial performance has necessitated numerous transactions and/or amendments with multiple lenders, including Clairvest, to its secured credit facilities (and the credit facilities of the Non-Applicant Subsidiaries), to extend maturity dates and to address various defaults, as more fully detailed in the Affidavit.

[4] As a result of transactions more fully detailed in the Affidavit, effective December 14, 2017, the Company has a 9.7% interest in Top Aces. Accordingly, Top Aces is recorded as an investment in its year-end financial statements; however, the fiscal 2018 financial results presented above include Top Aces' results for the period February 1, 2017 to December 14, 2017. The fiscal 2016 and 2017 statements include Top Aces' results for those periods.

3.0 Creditors

3.1 Secured Creditors

1. The following table summarizes the Group's secured obligations, including amounts owing to each creditor as of January 31, 2018[5], based on the Company's books and records.

Creditor	Principal Debt Outstanding	Maturity Date
Clairvest	$72.7 million	May 5, 2018
CIBC	$14.8 million	April 30, 2018
ECN Aviation Inc. ("Element")	$8.6 million	April 1, 2020
Roynat	$5.1 million	April 15, 2018
Textron Financial Corporation ("Textron")	$13.1 million	April 1, 2023

2. The details of each of these facilities are provided in the Affidavit.

3. The Company intends to continue to service principal and interest on these facilities during these proceedings; however, the Initial Order provides a stay in respect of the obligation to repay the amounts due on the maturing facilities.

3.1.1 Security Opinion

1. KSV retained Goodmans LLP ("Goodmans") prior to these proceedings to act as its legal counsel in the event the Initial Order is granted and KSV is appointed as the Monitor. At KSV's request, Goodmans provided an opinion on Clairvest's security which, subject to the assumptions and qualifications contained therein, concluded that: (a) the security granted to Clairvest by the Company and the Non-Applicant Subsidiaries[6], as registered under the *Ontario Personal Property Security Act* ("PPSA"), creates a valid and perfected security interest in the personal property collateral of each of the Company and the Non-Applicant Subsidiaries which is situated in Ontario; and (b) Clairvest has a perfected, first-ranking security interest in the shares of GSH, ATL, DMS and TA Holdings owned by the Company. Goodmans has also advised that, while they have not rendered or sought opinions in other Provinces or Territories, searches under applicable personal property security regimes in each Province (other than Quebec) and Territory have been performed and that Clairvest has registrations in each such Province or Territory. A copy of the security opinion will be made available to the Court should the Court wish to review it.

2. To date, Goodmans has only been asked to perform a review of the Clairvest security since the proposed proceedings contemplate: (a) the SSP, in which Clairvest entities will rely on its security for the purpose of submitting stalking horse offers for the Company's shares of GSH, ATL, DSM and TA Holdings, as further detailed below; and (b) interim financing being provided by a Clairvest entity with related charges to rank prior to the Clairvest security in each instance.

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[5] Other than CIBC, which reflects the Company's indebtedness as at March 16, 2018 and includes amounts owing under outstanding letters of credit totalling approximately $4.2 million.

[6] As DATS is an inactive corporation, Goodmans was instructed not to undertake a review of security granted by DATS.

3.2 Unsecured Creditors

1. The Company's principal unsecured creditors are holders of the Unsecured Listed Debentures. The Unsecured Listed Debentures were issued in the principal amount of $34.5 million pursuant to an indenture dated May 12, 2011, as amended. The Unsecured Listed Debentures mature on June 30, 2018 and accrue interest at a rate of 8.375% per annum, payable on a semi-annual basis.

2. KSV understands that the Company will not be able to meet its obligations in respect of the Unsecured Listed Debentures when they mature on June 30, 2018. On that date, principal and interest in the amounts of approximately $34.5 million and $1.4 million, respectively, will become due and payable. At this time, the Company is current on its Unsecured Listed Debenture obligations, including funding in December, 2017, its most recent semi-annual interest payment of approximately $1.4 million.

3. Based on the Company's books and records as at January 31, 2018, accounts payable and accrued liabilities, excluding the Unsecured Listed Debentures and intercompany obligations, totalled approximately $2 million.

4.0 Cash Flow Forecast

1. The Company prepared the consolidated Cash Flow Forecast, which covers the period March 19, 2018 to June 30, 2018. The Cash Flow Forecast and the Company's statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "B".

2. The Cash Flow Forecast reflects that borrowings under the DIP Facility are projected to peak at approximately $11.9 million during the week ended June 3, 2018. The Cash Flow Forecast also reflects that the Company is projected to require approximately $6.9 million under the DIP Facility until the expiry of the initial stay period on April 20, 2018. Funding is required for the Company and the Non-Applicant Subsidiaries to continue to operate in the normal course, including to meet their respective payroll and other operating expenses. The Cash Flow Forecast has been prepared on the basis that the Company remains in margin under the CIBC facility during these proceedings.

3. Based on KSV's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "C".

5.0 DIP Facility[7] and Intercompany Funding

1. The terms of the DIP Facility are detailed in the DIP Term Sheet. A copy of the DIP Term Sheet is attached to the Affidavit. The significant terms of the DIP Facility are summarized below.

   a) Borrower: the Company, which, if approved by the Court, would make advances to the Non-Applicant Subsidiaries, as required, as "Intercompany Advances" to be secured by the Intercompany Charges in favour of the Company over the business and assets of the applicable Non-Applicant Subsidiary.

   b) Lender: CEP IV Co-Investment Limited Partnership

   c) Loan Amount: $12.6 million

   d) Maturity date: unless otherwise agreed by the parties, the earlier of: (i) the occurrence of any Event of Default that is continuing and has not been cured or waived in writing by the DIP Lender; (ii) the closing of one or more sale transaction(s) for all or substantially all of the Company's assets; and (iii) December 21, 2018.

   e) Interest rate: 10% per annum. Upon the occurrence of an Event of Default, the interest rate will increase to 14% per annum.

   f) Fees and expenses: there are no commitment or other fees included in the DIP Term Sheet other than the Company covering the DIP Lender's reasonable out-of-pocket expenses, including all reasonable legal expenses, incurred by the DIP Lender in connection with these proceedings.

   g) DIP Lender's Charge: all obligations of the Company under the DIP Facility are to be secured by a Court-ordered charge over the Company's property, assets and undertaking. The charge is to rank in priority only to Clairvest's existing security pursuant to its secured debentures but subordinate to all existing security which ranks in priority to Clairvest's existing security.

   h) Intercompany Charges: pursuant to the Initial Order, Intercompany Advances from the Company to each Non-Applicant Subsidiary are to be secured by an Intercompany Charge on the assets, property and undertaking of such Non-Applicant Subsidiary which will in each case rank behind any existing secured obligations of the Non-Applicant Subsidiaries that currently rank in priority to the security held by Clairvest in the assets of that Non-Applicant Subsidiary.

   i) Reporting: reporting obligations include the provision of weekly "rolling" cash flow projections and a weekly budget-to-actual variance analysis.

[7] Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

j) Conditions: key Conditions include:

   i. the entry of the Initial Order and the granting of the DIP Lender's Charge;

   ii. execution and delivery of intercompany loan documents between the Company and each of the Non-Applicant Subsidiaries, in each case on terms acceptable to the DIP Lender; and

   iii. assignments of such intercompany loan documents by the Company to the DIP Lender.

k) Events of Default: The following is a summary of the material Events of Default:

   i. the issuance of a Court Order terminating the CCAA proceedings or lifting the stay in the CCAA proceedings to permit the enforcement of any security, or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against the Company or the Non-Applicant Subsidiaries;

   ii. the issuance of any Court Order: (i) staying, reversing, vacating or otherwise modifying the DIP Lender's Charge; or (ii) that adversely impacts or could reasonably be expected to adversely impact the rights and interests of the DIP Lender; provided, however, that any such order that provides for payment in full forthwith of all of the obligations of the Company under the DIP Facility shall not constitute an Event of Default;

   iii. any update to the DIP Agreement Cash Flow Projection indicating that the Company would require additional funding above the Maximum Amount to meet its obligations at any time during the period of the DIP Agreement Cash Flow Projection; and

   iv. a Court Order is made, a liability arises or an event occurs, including any change in the business, assets, or conditions, financial or otherwise, of the Company or the Non-Applicant Subsidiaries that has or will have a Material Adverse Effect.

5.1 Recommendation

1. KSV considered the following factors when reviewing the reasonableness of the DIP Facility, as well as those set out in Section 11.2 of the CCAA:

   a) KSV understands that the DIP Lender is not willing to provide the required interim financing other than on the terms and conditions set out in the DIP Term Sheet;

   b) without the DIP Facility, the Company will be unable to fund its business and the continued operations of the Non-Applicant Subsidiaries will be at risk, including payroll, fuel costs, maintenance and other capital expenditures and general operating expenses. Accordingly, absent funding under the DIP Facility, the operations of the Company would be discontinued;

c) KSV compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced in 2017 and 2018. The comparison is attached as Appendix "D". Based on KSV's analysis, the cost of the proposed DIP Facility is lower than other recent DIP financings approved by this and other Canadian courts;

d) substantially all of the other DIP facilities approved by Canadian courts provide a corresponding super-priority DIP charge over all other creditors. In these proceedings, the DIP Lender's Charge is contemplated to respect the existing secured lender priorities of the Group and rank in priority to creditors who presently rank subordinate to Clairvest's existing security interests;

e) given the complexity of the Group's debt structure and the structure of these proceedings, KSV is of the view that the Company would not be able to identify a lender who would be willing to provide a DIP facility which respects the existing priorities of the secured creditors of the Group;

f) KSV believes that approval of the DIP Facility is in the best interests of the Group's stakeholders and will enhance the prospects of maximizing value in the circumstances. The DIP Facility is projected to be sufficient to fund the normal course operations of the Group through the completion of these proceedings while the SSP is carried out. KSV does not believe that creditors will be prejudiced from approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of its assets; and

g) KSV has considered the proposed Intercompany Charges. As set out in the Cash Flow Forecast, the primary use of the advances under these charges is to fund the ordinary course payments of the Non-Applicant Subsidiaries during these proceedings. Given that the Non-Applicant Subsidiaries are not CCAA debtors, they intend to continue to pay their obligations as they come due. The Intercompany Charges respect the existing secured lender priorities of the Group. Accordingly, for the reasons noted in the preceding paragraph, KSV is of the view that the Intercompany Charges benefit these proceedings and do not prejudice any creditors.

2. Based on the foregoing, KSV believes that the terms of the DIP Facility are reasonable in the circumstances.

6.0 Stay of Proceedings

1. The Company is the sole applicant in these proceedings; however, the Company is seeking to extend a limited stay of proceedings to the Non-Applicant Subsidiaries and their officers and directors in order to: (a) enhance stability during the restructuring process; and (b) avoid the risk that the insolvency of the Company and the commencement of these proceedings are relied upon as the basis to commence adversarial proceedings, terminate contracts or to take other adverse actions which could disrupt the operations and impair the value of the Non-Applicant Subsidiaries.

2. KSV understands that the Non-Applicant Subsidiaries are parties to hundreds of contracts pursuant to which termination provisions may be triggered as a result of a CCAA filing by the Company. Certain of these contracts are required for the Non-Applicant Subsidiaries to carry on business in the ordinary course. Perhaps most importantly, the Non-Applicant Subsidiaries' secured creditors have complex financing arrangements that include the Company, and it is not practical to stay those obligations at the Company level without also staying those obligations and related cross-defaults and other rights at the Non-Applicant Subsidiaries level. The Company plans to service principal and interest costs arising in respect of its secured debt during the CCAA proceedings (other than to Clairvest), but to stay any maturing principal obligations and any defaults, cross-defaults and similar rights that would permit acceleration and/or enforcement.

3. As a result of the risks identified above, KSV believes that extending the stay of proceedings to the Non-Applicant Subsidiaries and their officers and directors is in the best interests of the Company, its stakeholders and the success of these proceedings.

7.0 Court Ordered Charges

7.1 Administration Charge

1. The Company is seeking an Administration Charge in an amount not to exceed $750,000 to secure the fees and expenses of the Monitor, its counsel and the Company's counsel.

2. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding - it is required by certain of the professionals engaged to assist a debtor company and to protect them in the event that the Company is unable to pay their fees and costs during the CCAA process.

3. The Company worked with KSV to estimate the proposed amount of the Administration Charge.

4. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the Company's proceedings and the services to be provided by professionals involved in these proceedings.

7.2 DIP Lender's Charge

1. The Company is seeking a charge for the DIP Lender to secure its advances under the DIP Facility. KSV is of the view that the DIP Lender's Charge is required and it is appropriate that this relief be sought at the outset of these proceedings as: (i) the Group is in immediate need of liquidity; (ii) the terms of the DIP Facility are reasonable for the reasons set out in Section 5.1 of this Report; (iii) the DIP Lender is not prepared to provide DIP financing without the benefit of the DIP Lender's Charge; and (iv) it is not contemplated that the DIP Lender's Charge will rank in priority to any creditors that presently rank in priority to Clairvest.

7.3 Intercompany Charge

1. The Company's cash management system is described in the Affidavit. Given the centralization of the cash management system, including its revolving line of credit with CIBC, to the extent that the Non-Applicant Subsidiaries require funding, it is to be advanced by the Company. The Initial Order contemplates that the Company will continue to make Intercompany Advances during these proceedings to the Non-Applicant Subsidiaries to fund their businesses.

2. The proposed Initial Order contemplates that the Intercompany Advances will be secured by Intercompany Charges over the assets of each of the Non-Applicant Subsidiaries to the extent of the Intercompany Advances made to each such Non-Applicant Subsidiary. In accordance with the terms of the DIP Term Sheet, the Company's rights under the Intercompany Charges will be assigned to the DIP Lender as security for the Company's obligations under the DIP Facility.

3. KSV is of the view that the Intercompany Charges are reasonable both for the reasons set out in paragraph 5.1(g) above and on the same basis as the DIP Lender's Charge, including that the Intercompany Charges do not upset the priorities of the existing secured lenders in the Group, other than Clairvest, which requires the structure of this facility. Clairvest has consented to the structure of this facility.

7.4 D&O Charge

1. KSV understands that the Company is current on all pre-filing obligations for which directors may be personally liable, including payroll obligations and sales taxes. The Cash Flow Forecast contemplates that all such amounts will continue to be paid in the ordinary course and the Company is projected to have sufficient liquidity to do so provided the DIP Facility is approved. The proposed D&O Charge provides protection for the directors and officers in the event that the Company fails to pay certain obligations which may give rise to liability for directors and officers.

2. In these proceedings, the main risk of directors' and officers' exposure is unpaid payroll and vacation pay. Payroll presently totals approximately $70,000 per pay period (every two weeks). The D&O Charge of $100,000 is intended to cover one payroll cycle, including source deductions and vacation pay.

3. KSV is of the view that the D&O Charge is reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Company and these proceedings.

7.5 KERP Charge

1. The KERP was developed by the Company and its advisors, in consultation with KSV. It is intended to enhance the prospect that key employees, including the Company's officers, provide their assistance during these proceedings. The Company is seeking approval of a KERP and the creation of a related charge in the amount of $1.65 million to secure the payments due under the KERP. If approved, the KERP will cover six employees, each of whom is considered to be integral to the successful completion of these proceedings, including the sale process contemplated by these proceedings.

2. KSV is of the view that the KERP amounts are reasonable and that the KERP Charge will provide security for individuals entitled to the KERP. This will add stability to the business and the SSP during these proceedings.

3. KSV is of the view that it is appropriate for the Company to seek this relief at the outset of the proceedings in order to provide certainty to employees and reduce the risk that they resign. The involvement of these individuals in the process will benefit all stakeholders as it will increase the likelihood that the businesses can continue in the long term.

4. The Company is requesting an order sealing the confidential exhibit to the Affidavit which contains personal information for the employees entitled to participate in the KERP. KSV believes it is appropriate to seal this exhibit as this type of information is typically sealed in order to avoid disruption to the debtor company and to protect the privacy of the beneficiaries of the KERP. KSV does not believe that any stakeholder will be prejudiced if the KERP information is sealed.

5. In connection with the KERP, Top Aces has agreed to reimburse the Company for approximately 40% of the KERP amount as the KERP employees also continue to provide certain support functions to Top Aces.

7.6 Priority of Charges

1. The Company is seeking approval of the Court-ordered charges set out below:

   a) First, the Administration Charge;

   b) Second, the D&O Charge; and

   c) Third, the KERP Charge.

2. The Initial Order provides that: (a) the Administration Charge, the D&O Charge and the KERP Charge will rank in priority to all other security interests and encumbrances; and (b) the DIP Lender's Charge and the Intercompany Charges (with respect solely to the property of the Non-Applicant Subsidiaries) will have the same priority as the existing Clairvest secured debt (i.e. subordinate to secured lenders with prior ranking security vis-à-vis Clairvest, being CIBC on accounts receivable and certain inventory and capitalized parts and Roynat, Element and Textron on specific aircraft and certain engines and other assets).

3. The Initial Order contemplates a comeback motion, which will provide stakeholders with an opportunity to address any concerns with the proposed priorities of the Court-ordered charges.

8.0 Potential US Recognition Proceeding

1. The Affidavit discusses the possibility that the Company may require protection in the United States under Chapter 15 of Title 11 of the *United States Code*. Should a US proceeding be commenced, the Initial Order provides that KSV (as Monitor, if appointed) is authorized to act as the Company's "foreign representative".

2. At this time, no proceedings are contemplated in any foreign jurisdiction, including the US. However, in the event of any urgent developments in the US, it is helpful that the Monitor has the authority to act immediately with respect to recognition proceedings, without needing to re-attend before the Court to seek such authority.

9.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:

   a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and

   b) within five days of the issuance of the Initial Order to:

      i. make the Initial Order publicly available in the manner prescribed under the CCAA;

      ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Company of more than $1,000 advising that the order is publicly available; and

      iii. prepare a list, showing the names and addresses of those creditors (other than employees), and the estimated amounts of those claims, and make it publicly available in the prescribed manner.

2. If appointed Monitor, KSV will also post the Initial Order and all motion materials on its website in accordance with the *E-Service Protocol*.

10.0 Relief to be Sought at the Comeback Motion

1. The Company, Clairvest and KSV have developed the SSP, for which Court approval is expected to be sought at the next motion in these proceedings on notice to the Service List. It is contemplated that the SSP motion will be heard within two weeks of the date of the Initial Order, if issued.

2. It is contemplated that the SSP will include “stalking horse” bids submitted by entities incorporated by Clairvest for the Company’s equity interests in GSH, ATL, DMS and its residual interest in TA Holdings. The stalking horse bids will assist to provide certainty to stakeholders that the operating businesses of the Group will continue on a going-concern basis. The attributes of the SSP will be addressed further in the Court materials to be filed in the context of the SSP approval motion, including a Monitor’s report.

3. Subject to Court approval, it is contemplated that the SSP will be carried out by the Monitor.

11.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(f) of this Report.

* * *

All of which is respectfully submitted,

KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY

Appendix “C”

SALE SOLICITATION PROCESS

Introduction

On March 21, 2018, Discovery Air Inc. (the "**Debtor**") commenced a proceeding (the "**CCAA Proceeding**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") before the Ontario Superior Court of Justice (Commercial List) (the "**Court**"). Pursuant to the initial order issued by the Court in the CCAA Proceeding (the "**Initial Order**"), KSV Kofman Inc. was appointed as monitor (the "**Monitor**") in the CCAA Proceeding.

The following Schedules are incorporated into this SSP: (a) Schedule "A" – References and Definitions; (b) Schedule "B" – Form of Acknowledgment of Sale Solicitation Process; (c) Schedule "C" – Addresses for Notice; and (d) Schedule "D" – Auction Procedures.

On April 4, 2018, the Debtor brought a motion before the Court, for, among other things, an order (the "**SSP Order**") approving:

(a) the Top Aces Stalking Horse Agreement pursuant to which the Top Aces Stalking Horse Bidder has agreed to: (i) purchase: (A) the Top Aces Holdco Shares; (B) certain assets owned by the Debtor and used in the Top Aces business and/or shared between the Top Aces business and the businesses of GSH, ATL and DMS; and (C) intercompany debt owing by Top Aces and/or Top Aces Holdco to the Debtor, if any (collectively, "**Top Aces Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness, if any;

(b) the following Stalking Horse Agreements between the Debtor and the Northern Stalking Horse Bidder:

    (i) the GSH Stalking Horse Agreement pursuant to which the Northern Stalking Horse Bidder has agreed to: (i) purchase: (A) the GSH Shares; (B) certain assets owned by the Debtor and used in the GSH business as more particularly described in the GSH Stalking Horse Agreement; and (C) certain intercompany debt owing by GSH to the Debtor (collectively, the "**GSH Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness of the Debtor;

    (ii) the ATL Stalking Horse Agreement pursuant to which the Northern Stalking Horse Bidder has agreed to: (i) purchase: (A) the ATL Shares; (B) certain assets owned by the Debtor and used in the ATL business as more particularly described in the ATL Stalking Horse Agreement; and (C) certain intercompany debt owing by ATL to the Debtor (collectively, the "**ATL Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness owing by the Debtor;

(iii) the DMS Stalking Horse Agreement pursuant to which the Northern Stalking Horse Bidder has agreed to: (i) purchase: (A) the DMS Shares; and (B) certain assets owned by the Debtor and used in the DMS business as more particularly described in the DMS Stalking Horse Agreement (together with the DMS Shares, the "**DMS Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness owing by the Debtor; and

(c) this SSP.

On April **[4]**, 2018, the Court granted the SSP Order. The Monitor will conduct the SSP in accordance with the SSP Order and this SSP.

Under the SSP, all qualified interested parties will be provided with an opportunity to participate in the SSP on the terms set out herein.

Commencement of the SSP and Identifying Bidders

1. The purpose of the SSP is to conduct certain processes to provide interested parties with opportunities to submit competing offers on an "as is, where is" basis to purchase: (a) the Top Aces Property; (b) the GSH Property or all or substantially all of the assets of GSH; (c) the ATL Property or all or substantially all of the assets of ATL; and (d) the DMS Property or all or substantially all of the assets of DMS (each, an "**Opportunity**"). The SSP shall apply to each of the Opportunities and the related processes and transactions, including without limitation, the Top Aces Transaction, Great Slave Transaction, Air Tindi Transaction and Discovery Mining Transaction.

2. Any sales pursuant to this SSP will be without surviving representations or warranties of any kind, nature, or description by the Monitor, the Companies or any of their respective directors, officers, agents, advisors or other representatives unless otherwise agreed in a definitive agreement.

3. All of the Debtor's right, title and interest in and to any of the Property or other assets to be sold pursuant to any Transactions will be sold free and clear of the pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon as set out in the Court order approving such sale unless specifically permitted to continue pursuant to the terms of the Accepted Bid.

Timeline

4. The following table sets out the key milestones and deadlines under the SSP, which may be extended or amended by the Monitor in its discretion by up to two weeks without Court approval:

Milestone	Deadline (Top Aces SSP)	Deadline (GSH SSP)	Deadline (ATL SSP)	Deadline (DMS SSP)
Commencement SSP	April 4, 2018	April 4, 2018	April 4, 2018	April 4, 2018
Bid Deadline	May 21, 2018	June 4, 2018	June 4, 2018	June 4, 2018
Auction	May 31, 2018	June 14, 2018	June 14, 2018	June 14, 2018
Closing Date Deadline	July 31, 2018	July 31, 2018	July 31, 2018	July 31, 2018

Solicitation of Interest: Notice of the SSP

5. The Debtor will issue a press release providing notice of the SSP and any such other relevant information as the Debtor and Monitor consider appropriate (a "**Notice**") with Canada Newswire for designated dissemination in Canada and such other jurisdictions as the Monitor, in consultation with the Debtor, considers appropriate.

6. The Monitor shall be entitled, but not obligated, to arrange for a Notice to be published in *The Globe and Mail* (National Edition), and any other newspaper or industry journal as the Monitor considers appropriate, if any, if it believes that such advertisement would be useful in the circumstances.

7. The Monitor, with the assistance of the Companies and their Representatives, has prepared:

   (a) a list of potential financial bidders who may be interested in a Top Aces Transaction and a list of potential financial and strategic bidders who may be interested in any or all of the Northern Transactions (collectively, "**Potential Bidders**");

   (b) Teaser Letters describing the Opportunities, outlining the processes under the Top Aces SSP and Northern SSP, respectively, and inviting recipients of the Teaser Letters to express their interest pursuant to the applicable SSP;

   (c) a form of NDA; and

   (d) CIMs describing the Opportunities, which will be made available by the Monitor to Bidders (as defined below).

8. The Monitor, with the assistance of the Companies and their Representatives, has established Data Rooms in respect of the SSPs, which Data Rooms may continue to be updated from time to time during the SSP.

9. The Monitor and its Representatives may consult with, or seek the assistance or cooperation of, the Companies with respect to any matter relating to this SSP and the conduct thereof, including, without limitation, the activities described in paragraphs 6 to 8 above. The Companies and their Representatives shall cooperate fully with the Monitor and its Representatives and provide such assistance as is reasonably requested by the Monitor in connection with the SSP.

10. The Monitor will send the applicable Teaser Letter(s) and applicable form or forms of NDA to all applicable Potential Bidders as soon as reasonably practicable after the granting of the SSP Order and to any other party who requests a copy of a Teaser Letter and NDA or who is identified by the Debtor or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Delivery of CIMs

11. Any party who wishes to participate in one or more of the SSPs (an "**Interested Party**"), including any Potential Bidder, must provide to the Monitor:

    (a) a NDA executed by it, and a letter setting forth the identity of the Interested Party, the contact information for such Interested Party and full disclosure of the direct and indirect principals of the Interested Party;

    (b) an acknowledgment of the applicable SSP or SSPs in which the Interested Party wishes to participate, in the form attached hereto as Schedule "B"; and

    (c) such form of financial disclosure and credit quality support or enhancement that allows the Monitor to make a reasonable determination as to the Interested Party's financial and other capabilities to consummate a Sale Proposal.

12. If it is determined by the Monitor, in its reasonable business judgment, that an Interested Party: (i) has delivered the documents contemplated in paragraph 11 above; and (ii) has the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale pursuant to the SSP or SSPs in which the Interested Party is interested, then such Interested Party will be deemed to be a "**Bidder**". For greater certainty, the Monitor may, in its reasonable business judgment, determine that an Interested Party may be deemed a Bidder in one SSP but not another.

13. The Monitor will provide each Bidder with a copy of the applicable CIM(s) and access to any corresponding Data Rooms. Bidders and Qualified Bidders (as defined below) must rely solely on their own independent review, investigation and/or inspection of all information and of the Property in connection with their participation in any of the SSPs and any transaction they enter into with the Debtor. The Companies, the Monitor and their respective directors, officers, agents and advisors make no representation or warranty whatsoever as to the information (including, without limitation, with respect to its accuracy or completeness) (i) contained in any of the CIMs or the Data Rooms; (ii) provided through the due diligence process or otherwise made available pursuant to any of the SSPs; or (iii) otherwise made available to a Potential Bidder, Interested Party, Bidder or Qualified Bidder, except to the extent expressly contemplated in any definitive documentation duly

executed and delivered by the Successful Bidder (as defined below) duly executed by the applicable Company and approved by the Court.

14. At any time during the SSP, the Monitor may, in its reasonable business judgment, eliminate a Bidder from any of the SSPs, in which case such party will no longer be a Bidder for the purposes of such SSP, provided however, this provision does not apply to either of the Stalking Horse Bidders. For greater certainty, the Monitor may, in its reasonable business judgment, eliminate a Bidder participating in multiple SSPs from one SSP but not other SSPs.

15. None of the Companies nor any of their Representatives or affiliates shall meet or communicate with a Potential Bidder, Interested Party, Bidder or Qualified Bidder (including the Stalking Horse Bidders in respect of the Stalking Horse Bids) regarding any Transaction or Opportunity without (a) first informing and obtaining the consent of the Monitor, and (b) allowing the Monitor the right and opportunity to participate in such meeting, management presentation or communication. In the event a disagreement arises between the Companies and the Monitor with respect to any matters related directly or indirectly to this SSP, the Monitor, unless otherwise ordered by the Court, shall have the sole authority to make a final decision with respect to such matters.

16. Neither the Companies nor their Representatives or affiliates shall communicate the identities of any Interested Parties or information in respect of any bids or transaction documents to representatives of either of the Stalking Horse Bidders, whether in that capacity or any other capacity, unless and until the identities of the Qualified Bidders are exchanged with all other Qualified Bidders at Auction. For greater certainty, the foregoing provision is not intended to prevent or restrict the Companies or their Representatives from meeting or communicating with either of the Stalking Horse Bidders or any party related thereto regarding matters that do not relate to the SSP.

17. The Monitor, with the Companies' assistance, shall afford each Bidder such access to applicable due diligence materials and information pertaining to the applicable SSP or SSPs as the Monitor deems appropriate in its reasonable business judgment. Due diligence access may include management presentations, access to the Data Room(s), on-site inspections, and other matters which a Bidder may reasonably request and which the Monitor deems appropriate. The Monitor will designate one or more representatives to coordinate all reasonable requests for additional information and due diligence access from each Bidder and the manner in which such requests must be communicated. Neither the Debtor nor the Monitor will be obligated to furnish any information relating to the Property to any person other than to Bidders. For the avoidance of doubt, selected due diligence materials may be withheld from certain Bidders if the Monitor determines such information to represent proprietary or sensitive competitive information.

Formal Offers and Determination of Qualified Bids

18. Bidders will be able to refer to template Purchase Agreements (which will be based on the Stalking Horse Agreements) placed in the Data Rooms.

19. Bidders that wish to make a formal offer within one or more of the SSPs (a "**Sale Proposal**") must submit such Sale Proposal to the Monitor so as to be received by the Monitor not later than 5:00 PM (Toronto Time) on (a) May 21, 2018 with respect to the Top Aces SSP, and (b) June 4, 2018 with respect to the Northern SSP (the "**Bid Deadline**"). All Sale Proposals in respect of the applicable transactions must be in the form of a duly authorized and executed Purchase Agreement with any changes disclosed in a comparison against the template Purchase Agreement, if applicable, and delivered by email and/or hard copy to each of the persons specified in Schedule "C" hereto. Bidders who wish to submit a Sale Proposal for the assets of any or all of GSH, ATL and/or DMS may submit any such Sale Proposal in a separate form of asset purchase agreement reflecting terms consistent with an insolvency transaction, including without surviving representations and warranties. For greater certainty, Bidders must submit a separate Purchase Agreement or asset purchase agreement for each SSP in which the Bidder is making a Sale Proposal.

20. The Monitor, in consultation with the Debtor, may modify the Bid Deadline with respect to some or all of the SSPs. Any such modification shall be communicated to all Bidders for the applicable SSP in writing and posted on the Monitor's Website.

21. In order to be considered a "**Final Bid**", a Sale Proposal shall include the following terms (collectively, the "**Final Bid Criteria**"):

    (a) Subject to subsection (b) below, that the bid is binding and irrevocable until the earlier of (i) 30 days after the Bid Deadline and (ii) approval by the Court of the Accepted Bid (the "**Bid Termination Date**");

    (b) include an acknowledgement that if such Final Bid is selected by the Monitor as the Backup Bid at the Auction, such Final Bid shall remain binding, irrevocable and open for acceptance by the Debtor until the closing of the transaction with the Successful Bidder;

    (c) include a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the Monitor, in trust, in an amount equal to 15% (the "**Deposit**") of the purchase price contemplated by the Bidder's Final Bid;

    (d) provide contact information (including an email address) for the Bidder and disclose the identity of each entity (including its ultimate shareholders and/or sponsors) that will be bidding for the Property or otherwise participating in a Final Bid and the complete terms of any such participation;

    (e) include written evidence of a firm, irrevocable commitment for financing or other evidence of an ability to consummate the proposed transaction or transactions comprising the Final Bid, that will allow the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;

(f) include acknowledgments and representations of the Bidder that: (i) it has had an opportunity to conduct any and all due diligence regarding the Property, the Companies or otherwise prior to making its bid; (ii) it has relied solely upon its own independent review, investigation and/or inspection of the Property (including, without limitation, any documents in connection therewith) in making its bid; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Property or the Companies or the completeness of any information provided in connection therewith, except as expressly contemplated in any definitive documentation duly executed by the Successful Bidder and the applicable Company and approved by the Court;

(g) include written evidence, in form and substance reasonably satisfactory to the Monitor, of authorization and approval from the Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Final Bid;

(h) provides value to the creditors and other stakeholders of the Companies (having regard to the relative priority of creditor claims) that is equal to or greater than the value of the applicable Stalking Horse Agreement;

(i) describes the specific Property to be acquired by the Bidder;

(j) details of any liabilities to be assumed by the Bidder;

(k) not be subject to further due diligence;

(l) not be subject to financing;

(m) include a description of any regulatory or other third-party approvals required for the Bidder to consummate the proposed transaction, and the time period within which the Bidder expects to receive such regulatory and/or third-party approvals, and those actions the Bidder will take to ensure receipt of such approvals as promptly as possible;

(n) include a description of any desired arrangements with respect to transition services that may be required from any of the Companies in connection with the sale transaction;

(o) not be subject to any conditions precedent except those that are customary in a transaction of this nature;

(p) not be conditional upon approval by the Court of any bid protection, such as a break-up fee, termination fee, expense reimbursement or similar type of payment;

(q) be received by the Bid Deadline; and

(r) contemplate closing the transaction set out therein on or before July 31, 2018 (the "**Closing Date Deadline**").

22. The Monitor may, if it deems appropriate or desirable in the circumstances**,** modify or amend the Final Bid Criteria.

23. Following the Bid Deadline, the Monitor will determine if each Sale Proposal delivered to the Monitor meets the Final Bid Criteria, provided that each Sale Proposal may be negotiated among the Monitor and the applicable Bidder and may be amended, modified or varied to improve such Sale Proposal as a result of such negotiations. The Monitor shall be under no obligation to negotiate identical terms with, or extend identical terms to, each Bidder.

24. The Monitor may make any modification to the SSP it considers appropriate in the circumstance and, where it considers such modification to be material, it may seek Court approval of such modification on notice to parties in the CCAA Proceeding. For greater certainty, the extension of any deadline by up to two weeks shall not be considered material.

25. If a Sale Proposal meets the Final Bid Criteria, as determined by the Monitor in its sole discretion, such Final Bid will be deemed to be a "**Qualified Bid**" and the Bidder in respect of each such Qualified Bid shall be a "**Qualified Bidder**" in respect of the applicable SSP. The Monitor may waive strict compliance with any one or more of the Final Bid Criteria and deem such non-compliant Sale Proposal to be a Qualified Bid, provided that doing so shall not constitute a waiver by the Monitor of the Final Bid Criteria or an obligation on the part of the Monitor to designate any other Sale Proposal as a Qualified Bid.

Selection of Successful Bidders

26. Within five (5) Business Days of the applicable Bid Deadline, or at such later time as the Monitor may deem appropriate, the Monitor will advise each Bidder if its Sale Proposal is a Qualified Bid (the "**Notification Date**") with respect to the applicable SSP.

27. Each Stalking Horse Bidder is, and is deemed to be, a Qualified Bidder in respect of the applicable SSP and each Stalking Horse Agreement is, and is deemed to be, a Qualified Bid for all purposes in connection with the applicable SSP.

28. If one or more Qualified Bids (in addition to the Stalking Horse Agreement) for a particular SSP is received by the Bid Deadline, all Qualified Bidders for such SSP (including the applicable Stalking Horse Bidder) shall proceed to an Auction to be held on the applicable auction date (set out in the Auction Procedures below), which shall proceed according to the Auction Procedures to identify the Successful Bidder. The Monitor, in consultation with the Debtor, may postpone or delay the commencement of an Auction with respect to either or both of the SSPs in accordance with the Auction Procedures.

29. If no Qualified Bid for a SSP other than the applicable Stalking Horse Agreement is received by the Bid Deadline, an Auction for such SSP will not be held and that Stalking Horse Bidder will be declared to be the Successful Bidder with respect to the applicable Transaction. The "**Accepted Bid**" for a SSP will be either (i) the applicable Stalking Horse Agreement if no other Qualified Bid for such SSP is received by the Bid Deadline or so designated by the Monitor; or (ii) in the event of an Auction, the superior bid as determined by the Monitor pursuant to the Auction Procedures. The party that submitted the Accepted Bid for a SSP is referred to herein as the "**Successful Bidder**" with respect to such SSP.

30. Within seven (7) Business Days of the selection of an Accepted Bid for a Transaction (or as soon as reasonably possible thereafter), the Debtor shall file an Approval Motion. All of the Qualified Bids for the particular Transaction and SSP other than the Accepted Bid and the Backup Bid shall be deemed rejected by the Monitor on and as of the date of approval of the applicable Accepted Bid by the Court.

31. All Deposits received by the Monitor in connection with the SSP will be retained by the Monitor in trust in one or more separate bank accounts. Any Deposit held by the Monitor with respect to the Accepted Bid (plus accrued interest, if any) will be non-refundable (other than as may be provided for in the Purchase Agreement that constitutes the Accepted Bid) and will be applied to the purchase price to be paid by the Successful Bidder upon closing of the transaction under the Accepted Bid. The Deposits (plus applicable interest, if any) of Bidders not selected as Qualified Bidders will be returned to such Bidders within three (3) Business Days of the Notification Date. The Deposits (plus applicable interest, if any) of Qualified Bidders (other than the Backup Bidder) not selected as the Successful Bidder will be returned to such parties within three (3) Business Days of the Bid Termination Date. The Deposit of the Backup Bidder, if any, will be returned to such Backup Bidder upon the Closing of the Transaction with the Successful Bidder, together with applicable interest, if any.

32. If the Successful Bidder for any Transaction fails to close the transaction contemplated by the Accepted Bid by the Closing Date Deadline or such other date as may otherwise be mutually agreed upon among one or more of the Companies, the Monitor and the Successful Bidder, the Monitor shall be authorized but not required to: (a) direct any Company that is a party to such Accepted Bid to exercise such rights and remedies as are available to the applicable Company under the Accepted Bid including, if applicable, deeming that the Successful Bidder has breached its obligations pursuant to the Accepted Bid and that the Successful Bidder has forfeited its Deposit to the applicable Company; (b) designate the Backup Bidder as the Successful Bidder and direct the applicable Company to close the Transaction under the Backup Bid; or (c) take such other steps as it deems advisable, including seeking further advice and directions from the Court. The Companies reserve their right to seek all available remedies, including damages or specific performance, in respect of any defaulting Successful Bidder (including any Backup Bidder designated as a Successful Bidder).

Confidentiality and Access to Information

33. Each Potential Bidder, Interested Party, Bidder or Qualified Bidder (including the Stalking Horse Bidder) shall not be permitted to receive any confidential or competitive information that is not made generally available to all participants in the SSP, including the number or identity of Potential Bidders, Bidders, Qualified Bidders, and Qualified Bids; the details of any bids, Sale Proposals or Final Bids submitted; or the details or existence of any confidential discussions or correspondence among the Companies, the Monitor and any Bidder in connection with the SSP.

34. In addition, the Monitor may consult with any other parties with a material interest (as determined in the Monitor's sole discretion) in the CCAA Proceeding regarding the status and material information and developments relating to the SSP to the extent considered appropriate by the Monitor and taking into account, among other things, whether such party is a Bidder, Qualified Bidder, or other participant or prospective participant in the SSP; provided that such parties may be required to enter into confidentiality arrangements satisfactory to the Monitor. For greater certainty, the Stalking Horse Bidders or their Representatives or affiliates shall not be entitled to any information regarding the status of the SSP unless such information is provided to all Qualified Bidders in the process.

Supervision of the SSP

35. The Monitor will oversee, in all respects, the conduct of the SSP and, without limitation, the Monitor will participate in the SSP in the manner set out herein and in the SSP Order. All discussions or inquiries to the Companies regarding the SSP shall be directed to the Monitor. Under no circumstances should Representatives of the Companies be contacted directly or indirectly in respect of the SSP, including diligence requests, without the prior written consent of the Monitor. Any such unauthorized contact or communication could result in exclusion from the SSP. For greater certainty, the foregoing provision is not intended to prevent or restrict the Companies or their affiliates and Representatives from meeting or communicating with any Stalking Horse Bidder, in a capacity other than as a Stalking Horse Bidder, or any party related thereto regarding matters that do not relate to the SSP.

36. Other than as specifically set forth in the Stalking Horse Agreements or in a definitive agreement between the applicable Company and a Successful Bidder, the SSP does not, and will not be interpreted to, create any contractual or other legal relationship among the Companies, the Monitor, any Potential Bidder, Interested Party, Bidder, Qualified Bidder, the Successful Bidder, or any other party.

37. Subject to the terms of the Initial Order or other Court order and any entitlement of the Stalking Horse Bidder to a Stalking Horse Expense Reimbursement, participants in the SSP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Final Bid, participation in the SSP, Auction, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

SCHEDULE "A"- REFERENCES AND DEFINITIONS

In this document, unless the context otherwise required, words importing the singular include the plural and vice versa. Capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Initial Order. Except where otherwise expressly provided, all dollar reference amounts are to Canadian dollars.

The terms below shall have the following meaning given to them:

(a) "**Accepted Bid**" has the meaning given to it in paragraph 29;

(b) "**Air Tindi Transaction**" means the transaction contemplated by the ATL Stalking Horse Agreement or any other transaction under the ATL Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(c) "**Approval Motion**" means the Debtor's motion or motions to be filed with the Court seeking one or more orders to approve the Accepted Bids;

(d) "**ATL**" means Air Tindi Ltd.;

(e) "**ATL Property**" has the meaning given to it in the Introduction;

(f) "**ATL Shares**" means 1870 issued and outstanding Class A common shares in the capital of ATL, being 100% of the issued and outstanding shares of ATL;

(g) "**ATL SSP**" means the sale and solicitation process to solicit bids for the ATL Property as set out herein;

(h) "**ATL Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Northern Stalking Horse Bidder dated as of March 21, 2018, as the same may be amended, modified, improved or changed pursuant to the terms of this SSP, for the purchase and sale of the ATL Property;

(i) "**Auction**" means an auction conducted pursuant to this SSP pursuant to the Auction Procedures;

(j) "**Auction Location**" has the meaning given to it in paragraph 1 of the Auction Procedures;

(k) "**Auction Procedures**" mean the auction procedures set out in Schedule "D" hereto;

(l) "**Backup Bid**" has the meaning given to it in paragraph 13 of the Auction Procedures;

(m) "**Backup Bidder**" has the meaning given to it in paragraph 13 of the Auction Procedures;

(n) "**Bid Deadline**" has the meaning given to it in paragraph 19;

(o) "**Bid Termination Date**" has the meaning given to it in paragraph 21(a);

(p) "**Bidder**" has the meaning given to it in paragraph 12;

(q) "**Business Day**" means any day, other than Saturday or Sunday, on which the principal commercial banks in Toronto are open for commercial banking business during normal banking hours;

(r) "**CCAA**" has the meaning given to it in the Introduction;

(s) "**CCAA Proceeding**" has the meaning given to it in the Introduction;

(t) "**Clairvest**" means Clairvest Group Inc. and all of its affiliates including certain funds managed by Clairvest Group Inc. and Mr. G. John Krediet;

(u) "**Closing Date Deadline**" has the meaning given to it in paragraph 21(r);

(v) "**CIM**" means a confidential information memorandum to be prepared in connection with the SSP with respect to such Company's Property and business;

(w) "**Companies**" means the Debtor, Top Aces, Top Aces Holdco, GSH, ATL and DMS, and "**Company**" means any of them;

(x) "**Court**" has the meaning given to it in the Introduction;

(y) "**Credit Bid**" means a bid that provides for all or part of the consideration to be paid to be satisfied by way of a credit bid of secured indebtedness of the Debtor;

(z) "**Data Rooms**" means the electronic data rooms to be established in connection with the SSP;

(aa) "**Deposit**" has the meaning given to it in paragraph 21(c);

(bb) "**Debtor**" has the meaning given to it in the Introduction;

(cc) "**Discovery Mining Transaction**" means the transaction contemplated by the DMS Stalking Horse Agreement or any other transaction under the DMS Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(dd) "**DMS**" means Discovery Mining Services Ltd.

(ee) "**DMS Property**" has the meaning given to it in the Introduction;

(ff) "**DMS Shares**" means 22,883,047 issued and outstanding Class A common shares in the capital of DMS, being 100% of the issued and outstanding shares of DMS;

(gg) "**DMS SSP**" means the sale and solicitation process to solicit bids for the DMS Property as set out herein;

(hh) "**DMS Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Northern Stalking Horse Bidder dated as of March 21, 2018 as the same may be amended, modified, improved or changed pursuant to the terms of this SSP for the purchase and sale of the DMS Property;

(ii) "**Final Bid**" has the meaning given to it in paragraph 19;

(jj) "**Final Bid Criteria**" has the meaning given to it in paragraph 20;

(kk) "**Great Slave Transaction**" means the transaction contemplated by the GSH Stalking Horse Agreement or any other transaction under the GSH Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(ll) "**GSH**" means Great Slave Helicopters Ltd.;

(mm) "**GSH Property**" has the meaning given to it in the Introduction;

(nn) "**GSH Shares**" means (i) 157,891,795 issued and outstanding Class A common shares; (ii) 1,111 issued and outstanding Class D common shares; (iii) 40,000,000 issued and outstanding Class E common shares; (iv) 7,624 issued and outstanding Class F Preferred shares; (v) 11,072 issued and outstanding Class G Preferred shares; and (vi) 14,400 issued and outstanding Class H Preferred shares, in each case of the capital of GSH, being 100% of the issued and outstanding shares of GSH;

(oo) "**GSH SSP**" means the sale and solicitation process to solicit bids for the GSH Property as set out herein;

(pp) "**GSH Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Northern Stalking Horse Bidder dated as of March 21, 2018 as the same may be amended, modified, improved or changed pursuant to the terms of this SSP for the purchase and sale of the GSH Property;

(qq) "**Initial Order**" has the meaning given to it in the Introduction;

(rr) "**Interested Party**" has the meaning given to it in paragraph 11;

(ss) "**Potential Bidders**" has the meaning given to it in paragraph 6;

(tt) "**Leading Bid**" has the meaning given to it in paragraph 11 of the Auction Procedures;

(uu) "**Monitor**" has the meaning given to it in the Introduction;

(vv) "**Monitor's Website**" means the Monitor's website at www.ksvadvisory.com/insolvency-cases/discovery-air.

(ww) "**NDA**" a non-disclosure agreement to be used in connection with the solicitation of bids in this SSP;

(xx) "**Northern SSP**" means collectively the GSH SSP, ATL SSP and DMS SSP;

(yy) "**Northern Transactions**" means the Great Slave Transaction, Air Tindi Transaction and Discovery Mining Transaction;

(zz) "**Northern Stalking Horse Bidder**" means 10671541 Canada Inc.;

(aaa) "**Northern Stalking Horse Agreements**" means the GSH Stalking Horse Agreement, ATL Stalking Horse Agreement and DMS Stalking Horse Agreement;

(bbb) "**Notice**" has the meaning given to it in paragraph 6;

(ccc) "**Notification Date**" has the meaning given to it in paragraph 26;

(ddd) "**Opportunity**" has the meaning given to it in paragraph 1;

(eee) "**Overbid**" has the meaning given to it in paragraph 9 of the Auction Procedures;

(fff) "**Property**" means the Top Aces Property, GSH Property, ATL Property and/or DMS Property as the context may require;

(ggg) "**Purchase Agreements**" means the template forms of purchase agreements to be placed in the Data Rooms upon which Bidders are to make Sale Proposals;

(hhh) "**Qualified Bid**" has the meaning given to it in paragraph 25;

(iii) "**Qualified Bidder**" has the meaning given to it in paragraph 25;

(jjj) "**Representatives**" means, with respect to a particular party, such party's directors, officers, employees, partners, principals, advisors (including legal and financial advisors) and agents <u>provided that</u> with respect to the Companies, "Representatives" shall not include any individual who is an employee, director, officer, partner, principal or advisor to Clairvest.

(kkk) "**Sale Proposal**" has the meaning given to it in paragraph 19;

(lll) "**SSP**" means the sale and solicitation processes contemplated herein, including without limitation, the Top Aces SSP, GSH SSP, ATL SSP or DMS SSP, or any one of them as the context may require;

(mmm) "**SSP Order**" has the meaning given to it in the Introduction;

(nnn) "**Stalking Horse Agreements**" means, collectively, the Top Aces Stalking Horse Agreement and the Northern Stalking Horse Agreements.

(ooo) **"Stalking Horse Bidder**" means the Top Aces Stalking Horse Bidder and the Northern Stalking Horse Bidder;

(ppp) "**Starting Bid**" has the meaning given to it in paragraph 7 of the Auction Procedures;

(qqq) "**Subsequent Bid**" has the meaning given to it in paragraph 4 of the Auction Procedures;

(rrr) "**Successful Bidder**" has the meaning given to it in paragraph 29;

(sss) "**Teaser Letter**" means the process summary letters to be prepared by the Monitor, in consultation with the Companies, in connection with the SSP;

(ttt) "**Top Aces**" means Top Aces Inc. (formerly known as Discovery Air Defence Services Inc.);

(uuu) "**Top Aces Holdco**" means Top Aces Holdings Inc.;

(vvv) "**Top Aces Holdco Shares**" means 253.83602 issued and outstanding Class A common shares in the capital of Top Aces Holdco, being 100% of the issued and outstanding shares of Top Aces Holdco owned by the Debtor;

(www) "**Top Aces Property**" has the meaning given to it in the Introduction;

(xxx) "**Top Aces SSP**" means the sale and solicitation process to solicit bids for the Top Aces Property as set out herein;

(yyy) "**Top Aces Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Top Aces Stalking Horse Bidder dated as of March 21, 2018 as the same may be amended, modified, improved or changed pursuant to the terms of this SSP for the purchase and sale of the Top Aces Property;

(zzz) "**Top Aces Stalking Horse Bidder**" means, collectively, CEP IV Co-Investment Limited Partnership, Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partnership IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet.

(aaaa) "**Top Aces Transaction**" means the transaction contemplated by the Top Aces Stalking Horse Agreement or any other transaction under the Top Aces Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(bbbb) "**Transactions**" means the Top Aces Transaction, Great Slave Transaction, Air Tindi Transaction and/or Discovery Mining Transaction.

SCHEDULE "B"

Acknowledgement of the Sale and Solicitation Process

TO: Discovery Air Inc.

AND TO: KSV Kofman Inc. in its capacity as monitor in the CCAA proceedings of Discovery Air Inc.

RE: Sale and Solicitation Process in respect of the following Transaction(s) [*check all that apply*]:

□ Top Aces Transaction

□ Great Slave Transaction

□ Air Tindi Transaction

□ Discovery Mining Transaction

The undersigned hereby acknowledges receipt of the sale and solicitation process approved by the Order of the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List) dated April 4, 2018 (the "**SSP**") and that compliance with the terms and provisions of the SSP is required in order to participate in the SSP and for any Final Bid (as defined in the SSP) to be considered by the Monitor.

This ____day of ________________, 2018.

[**Insert Interested Party name]**

____

Per:
Email Address:

SCHEDULE "C" – ADDRESSES FOR NOTICES

KSV Kofman Inc.
Court-Appointed Monitor in Discovery Air Inc.'s CCAA proceedings
150 King Street West
Suite 2308, Box 42
Toronto ON M5H 1J9

Attention: Bobby Kofman & David Sieradzki

Email: bkofman@ksvadvisory.com/ dsieradzki@ksvadvisory.com

-with copies to-

Goldman Sloan Nash & Haber LLP
Lawyers for the Debtor
1600-480 University Avenue
Toronto, ON M5G 1V2

Attention: Mario Forte and Jennifer Stam

Email: forte@gsnh.com/ stam@gsnh.com

Goodmans LLP
Lawyers for the Monitor
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto ON M5H 2S7

Attention: L. Joseph Latham and Bradley Wiffen

Email: jlatham@goodmans.ca / bwiffen@goodmans.ca

SCHEDULE "D" - AUCTION PROCEDURES

1. The Auctions, if any, shall be conducted by the Monitor, at the offices of Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, ON, M5H 2S7 or such other location as the Monitor may choose in advance of the commencement of an Auction (the "**Auction Location**") commencing at 10:00 a.m. (Toronto time) on the following dates:

   - Top Aces SSP: May 21, 2018
   - Northern SSP: June 14, 2018

   No later than 24 hours prior to the scheduled date of the Auction, the Monitor shall communicate any change in the Auction Location from the offices of Goodmans LLP to another location to all applicable Qualified Bidders in writing (including by e-mail) and post notice of such change in location at the offices of Goodmans LLP and on the Monitor's Website.

2. To the extent that the Monitor is to conduct multiple Auctions, it may choose to conduct such Auctions concurrently or consecutively in its discretion. Any delay or postponement of the commencement of an Auction shall be communicated in accordance with paragraph 27 of the SSP.

3. Unless otherwise ordered by the Court or consented to in writing by the Monitor, only the authorized representatives and professional advisors of the Monitor, the Companies and the applicable Qualified Bidders (including, for certainty, the applicable Stalking Horse Bidder) invited to an Auction shall be eligible to attend an Auction and make any Subsequent Bid (as defined below) at an Auction. Administrative personnel, including without limitation, a court reporter or similar official, will also attend an Auction at the invitation of the Monitor.

4. At an Auction, all applicable Qualified Bidders (including, for certainty, a Stalking Horse Bidder) shall be permitted to increase their Qualified Bids in accordance with the procedures set forth herein (each, a "**Subsequent Bid**"). All Subsequent Bids presented during an Auction shall be made and received in one room on an open basis. All Qualified Bidders participating in an Auction shall be entitled to be present for all bidding with the understanding that the true identity of each participating Qualified Bidder shall be fully disclosed to all other Qualified Bidders and that all material terms of each Subsequent Bid presented during an Auction will be fully disclosed to all Qualified Bidders throughout an Auction.

5. In order to participate in an Auction and submit a Subsequent Bid(s), all Qualified Bidders must have at least one individual representative with authority to bind such Qualified Bidder present in person at the Auction Location during the Auction.

6. All proceedings at an Auction shall be transcribed by a person(s) designated by the Monitor.

7. At least two (2) days prior to an Auction, the Monitor will advise all Qualified Bidders for the applicable SSP which of the Qualified Bids (including a Stalking Horse Agreement) the Monitor has determined in its reasonable business judgment, after consultation with its advisors and the Companies, constitutes the superior Qualified Bid (the "**Starting Bid**").

8. The Starting Bid will be deemed to be the first bid at the Auction and bidding at the Auction will continue, in one or more rounds of bidding, so long as during each round, at least one Subsequent Bid is submitted by a Qualified Bidder that, in the reasonable business judgement of the Monitor (i) improves upon the then Leading Bid (as herein defined) and (ii) meets the Overbid requirement.

9. The first round of bidding at an Auction in respect of the following processes and transactions shall commence in increments to be established by the Monitor and communicated to all Qualified Bidders no later than 2 days prior to the commencement of the applicable Auction (each an "**Overbid**"). The Monitor in its sole discretion shall be entitled to change the amount of the applicable Overbid at the commencement of or in subsequent rounds of bidding at the Auction.

10. Credit Bids will be permitted at an Auction, provided that the validity of such secured indebtedness has been confirmed by the Monitor in its sole satisfaction prior to commencement of such Auction. Bidding shall continue until such time as the superior bid in any Auction is determined by the Monitor, in its reasonable business judgment, after consultation with its advisors. The Monitor, in its sole discretion, shall have the right to modify the bidding increments at the commencement of any round of the Auction. Insofar as a Subsequent Bid (including any Subsequent Bid by a Stalking Horse Bidder) includes a Credit Bid or the assumption of liabilities, the Monitor shall determine the value of the consideration provided by such Subsequent Bid presented at the Auction, and in making such determination shall take into account the amount and priority of any Credit Bid and any liabilities to be assumed by a Qualified Bidder.

11. After the first round of bidding and between each subsequent round of bidding, the Monitor shall announce the Subsequent Bid that the Monitor has determined in its reasonable business judgment, after consultation with its advisors, to be the superior bid (the "**Leading Bid**"). At the commencement of the Auction, the Starting Bid shall be the Leading Bid. A round of bidding will conclude after each participating Qualified Bidder has had an opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid.

12. If no Qualified Bidder submits a Subsequent Bid (as determined by the Monitor) after a period of 30 minutes following the Monitor's acceptance of a Subsequent Bid as the Leading Bid, and provided that the Monitor chooses not to adjourn the subject Auction, the Leading Bid shall be the Accepted Bid, whereupon such Auction will be concluded. The Monitor shall have the right, but not the obligation, to extend the time period to submit a Subsequent Bid.

13. If an Auction is conducted, the Monitor shall determine, in its reasonable business judgment after consultation with its advisors, the next best Qualified Bid after the Accepted Bid (the "**Backup Bid**"). The Qualified Bidder that has submitted the Backup Bid will be designated as the "**Backup Bidder**". The Backup Bidder shall be required to keep its last submitted Subsequent Bid, or if it has not made a Subsequent Bid, its Qualified Bid (the "**Backup Bid**") open and irrevocable until the closing of the transaction with the Successful Bidder pursuant to the terms of the SSP.

14. At or during an Auction, the Monitor, after consultation with its advisors, may employ and announce additional procedural rules that are fair and reasonable under the circumstances for conducting such Auction; provided, however, that such rules are (a) not inconsistent with the SSP or these Auction Procedures, the CCAA, the SSP Order, or any other order of the Court entered in connection with the SSP or Auction Procedures and (b) disclosed to each Qualified Bidder at or during the Auction.

Tab 6

Fourth Report of KSV Kofman Inc. as CCAA Monitor of Discovery Air Inc.

June 15, 2018

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COURT FILE NO.: CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 DISCOVERY AIR INC.

FOURTH REPORT OF KSV KOFMAN INC. AS MONITOR

June 15, 2018

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on March 21, 2018 (the "Initial Order"), Discovery Air Inc. (the "Company") was granted protection under the C*ompanies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Kofman Inc. was appointed monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "A". Certain of the protections and authorizations under the Initial Order were extended to Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. ("ATL"), Discovery Mining Services Ltd. ("DMS") and Discovery Air Technical Services Inc. as "Non-Applicant Subsidiaries" pursuant to the Initial Order.

2. The principal purpose of these CCAA proceedings is to conduct a sale solicitation process ("SSP") for the Company's:

   a) shares of its wholly-owned operating subsidiaries, being GSH, ATL and DMS (together, the "Northern Businesses");

   b) 9.7% interest (the "TA Interest") in Top Aces Holdings Inc. ("TA Holdings"), through which it holds an interest in Top Aces Inc. ("Top Aces") (formerly Discovery Air Defence Services Inc.); and

   c) other assets, including intercompany claims, causes of action and other claims the Company may have against third parties, including shareholders, officers and directors of the Company, the Northern Businesses, TA Holdings and Top Aces.

1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:

   a) provide background information about the Company and these proceedings;

b) summarize the SSP carried out by the Monitor in accordance with a Court order made on April 4, 2018 in these proceedings (the "SSP Approval Order");

c) summarize the terms of the following "stalking horse" asset purchase agreements (the "APAs") submitted by affiliates of Clairvest Group Inc. ("Clairvest") (together, the "Transactions"):

   i. an Asset Purchase Agreement dated as of March 21, 2018 (the "Top Aces APA") among the Company and CEP IV Co-Investment Limited Partnership, Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partnership IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (collectively, the "Top Aces Buyer") pursuant to which the Top Aces Buyer has agreed to purchase the TA Interest and certain other assets owned by the Company (together with the TA Interest, the "Top Aces Property") and assume certain liabilities related to the Top Aces business;

   ii. three separate Asset Purchase Agreements dated as of March 21, 2018 between the Company and 10671541 Canada Inc. (the "Northern Business Buyer"), an entity incorporated by Clairvest, whereby the Northern Business Buyer has agreed to purchase:

      - the Company's issued and outstanding shares in the capital of GSH (the "GSH Shares"), the intercompany debt owing from GSH to the Company and certain assets owned by the Company but used solely in connection with the GSH business (together with the GSH Shares, the "GSH Property") and to assume certain liabilities related to the GSH business (such Asset Purchase Agreement being the "GSH APA");

      - the Company's issued and outstanding shares in the capital of ATL (the "ATL Shares"), the intercompany debt owing from ATL to the Company and certain assets owned by the Company but used solely in connection with the ATL business (together with the ATL Shares, the "ATL Property") and to assume certain liabilities related to the ATL business (such Asset Purchase Agreement being the "ATL APA"); and

      - the Company's issued and outstanding shares in the capital of DMS (the "DMS Shares") and certain assets owned by the Company but used solely in connection with the DMS business (together with the DMS Shares, the "DMS Property") and to assume certain liabilities related to the DMS business (such Asset Purchase Agreement being the "DMS APA");

d) set out the basis for recommending approval of the Transactions by this Court;

e) set out the Monitor's basis for its support of the Company's request that the stay of proceedings be extended from June 29, 2018 to July 31, 2018;

f) detail the Monitor's activities since April 11, 2018, the date to which its reports and activities were previously approved;

g) detail the fees and disbursements of the Monitor and its counsel, Goodmans LLP ("Goodmans"), from the commencement of these proceedings to May 31, 2018, and seek approval of same; and

h) Recommend that this Honourable Court make an order[1]:

- approving each of the Top Aces APA, the ATL APA, the GSH APA and the DMS APA and the Transactions contemplated therein;
- authorizing the Company to enter into any other ancillary documents and agreements required to complete the Transactions;
- vesting in the Top Aces Buyer and the Northern Business Buyer, as applicable, the Company's right, title and interest in and to the applicable Purchased Assets, free and clear of all liens, charges, security interests and encumbrances, other than the Permitted Encumbrances;
- extending the stay of proceedings from June 29, 2018 to July 31, 2018;
- approving the fees and disbursements of the Monitor and Goodmans; and
- approving the Monitor's third report to Court dated April 24, 2018 (the "Third Report"), this Report and the activities described herein.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the Company's books and records and discussions with the Company's management. The Monitor has not audited, reviewed or otherwise verified 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.

2. An examination of the Cash Flow Forecast (as defined below) as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

[1] Terms not defined in this section have the meanings provided to them in the APAs.

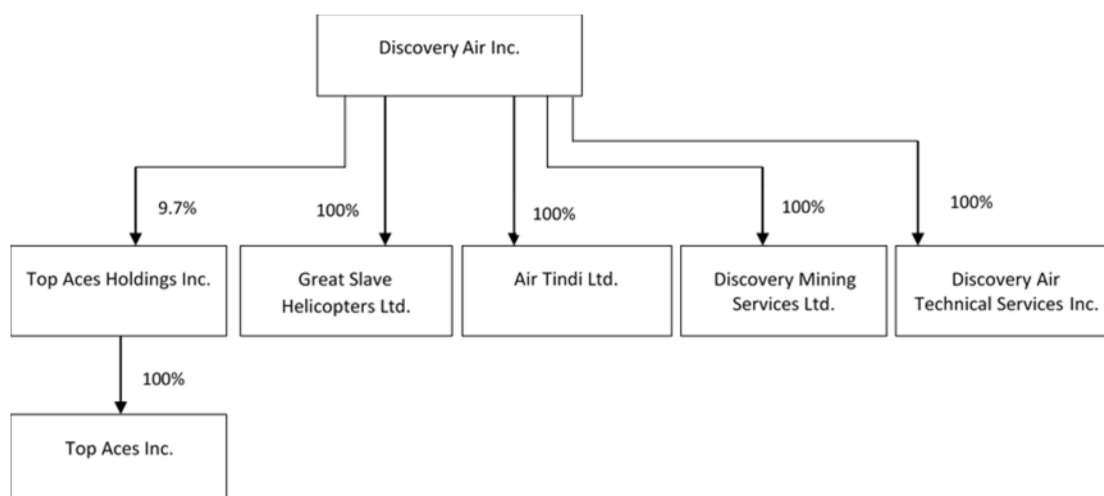
1.3 Currency

1. All currency references in this Report are to Canadian dollars.

2.0 Background

1. The Company is a holding company that provides management services to the Northern Businesses and Top Aces, including strategy, corporate finance, accounting, legal, insurance, human resources and information technology. The Company was founded in 2004 and is headquartered in Toronto, Ontario. Throughout this Report, the Company, Top Aces and the Northern Businesses are collectively referred to as the "Group".

2. The Group provides specialty aviation and logistics support services across Canada and in select locations internationally, including the US, Bolivia and Chile. The Group's condensed corporate chart, including the Company's residual interest in TA Holdings, is provided below[2].



3. Clairvest is the Company's 95.5% shareholder. The remaining shares are owned by past and present management of the Company. Clairvest is also the Company's most significant secured creditor. As at May 31, 2018, the Company's obligations owing to Clairvest under its secured debentures totalled approximately $75.1 million, which continues to accrue interest and costs. Clairvest is also providing DIP financing to the Company pursuant to a DIP term sheet dated March 21, 2018, as amended (the "DIP Facility"), which was approved in the Initial Order and the amendments to which were approved by order dated April 26, 2018. As at the date of this Report, the Company has drawn approximately $12.7 million of the $15 million available under the DIP Facility.

[2] Discovery Air Technical Services Inc. is an inactive corporation – substantially all of its assets were sold in January 2016. It is a non-applicant in these proceedings as it is a guarantor of certain of the Company's secured obligations and is the tenant on the lease for the Company's head office.

4. The affidavit of Paul Bernards, the Company's Chief Financial Officer, sworn March 21, 2018, was filed with the Court in support of the Company's application for CCAA protection and provides, *inter alia*, details regarding the Company's background, including the reasons for the commencement of these proceedings. Mr. Bernards has also sworn an affidavit dated June 15, 2018 in support of the Company's motion for approval of the Transactions.

5. Further information regarding these proceedings and the Group's background is provided in the Monitor's reports filed earlier in these proceedings, copies of which are available on its website at www.ksvadvisory.com/insolvency-cases/discovery-air. All other Court materials filed in these proceedings can also be found on the Monitor's website.

3.0 SSP

1. The focus from the outset of these proceedings has been to carry out the SSP while, concurrently, providing a stabilized environment for the Company and the Northern Businesses to maintain normal course operations. The SSP Approval Order was made on April 4, 2018, a copy of which is attached as Appendix "B".

2. An overview of the SSP is as follows:

   a) Immediately following the issuance of the SSP Approval Order, the Company issued a press release announcing the SSP, a copy of which is attached as Appendix "C";

   b) The Monitor prepared an interest solicitation letter (i.e. a teaser) for Top Aces that was sent to 29 potential financial buyers. The Monitor's rationale for limiting its marketing efforts to financial buyers was set out in its First Report to Court dated March 29, 2018 (the "First Report") and is discussed in Section 3.1 below;

   c) The Monitor prepared an interest solicitation letter for the Northern Businesses that was sent to 144 parties who might be interested in an acquisition of one or more of the Northern Businesses, including parties that had contacted the Monitor on an unsolicited basis following its appointment;

   d) The Monitor, with the Company's assistance, prepared a confidential information memorandum ("CIM") for each of Top Aces, GSH, ATL and DMS;

   e) Attached to the solicitation letters was a confidentiality agreement (the "CA") and a SSP acknowledgment (the "Acknowledgment") that interested parties were required to sign in order to obtain access to the applicable CIM and online data room set up by the Monitor;

   f) Following execution of the CA and the Acknowledgement, prospective purchasers were provided with the applicable CIM(s) and were granted access to the applicable data room(s) so they could perform diligence;

g) Over the course of the SSP, the Monitor facilitated diligence requests from a number of interested parties, including by working with management to update the data rooms with current financial and other information, as required;

h) Each data room included an electronic version of the applicable APA. Prospective purchasers were requested to submit offers in the form of the applicable APA together with a blacklined version of their offer against the applicable stalking horse APA;

i) Under the SSP Approval Order, offers for the Top Aces Property were required to be submitted to the Monitor by 5:00 pm (Eastern time) on May 21, 2018;

j) Under the SSP Approval Order, offers for the Northern Businesses were required to be submitted to the Monitor by 5:00 pm (Eastern time) on June 4, 2018; and

k) Bidders were required to provide a cash deposit equal to 15% of their proposed purchase price.

3. The acquisition opportunities were also exposed to the market through an article published in Skies Magazine on April 11, 2018. The Monitor understands that Skies Magazine is a leading publication in the aviation industry. A copy of the article is attached as Appendix "D".

4. As set out in the First Report, in order to protect the integrity of the SSP, the Initial Order and the SSP Approval Order authorized the Monitor to conduct the SSP. This was necessary given Clairvest's many connections to the Company, including: it has several representatives on the Company's Board, it is the Group's most significant financial stakeholder, entities related to it are providing DIP financing for these proceedings and other entities related to it are the stalking horse bidders in the SSP. In this regard, the Monitor sent a letter to each member of the Company's senior management team reminding them of their confidentiality obligations regarding Clairvest in connection with the SSP. A copy of the Monitor's letter to the Company's senior management team is attached as Appendix "E".

3.1 Top Aces Buyer List

1. As set out in the First Report, the Company owns approximately 9.7% of the shares of TA Holdings (which is defined above as the TA Interest). The remaining 90.3% of the TA Holdings shares are owned by Clairvest (64.75%) and a group of institutional financial investors led by JP Morgan Asset Management (25.55%). The TA Interest is subject to a shareholder agreement that restricts certain rights of minority shareholders, including that the minority shareholder will not be entitled to any board representation and will have restricted liquidity rights. Given the small size of the TA Interest, the Monitor was of the view that the most likely buyers for the TA Interest would be financial buyers.

2. Prior to these proceedings, management of Top Aces communicated to KSV, as the prospective CCAA monitor, concerns about the dissemination of confidential information concerning the TA business[3]. Top Aces management communicated that if strategic buyers gained access to non-public information in respect of Top Aces, such information could be used against Top Aces, which would be adverse to its competitiveness and long term viability. The same is also true if any of Top Aces' competitors acquired the TA Interest. Accordingly, the Monitor was of the view that it would be appropriate to limit the marketing of the Top Aces Property to financial buyers. The Court-approved SSP provides that the Monitor will only approach financial buyers for the Top Aces Property.

3.2 SSP Results – Top Aces Property

1. A summary of the SSP results is as follows:

   a) The Monitor contacted twenty-nine (29) financial parties in respect of the Top Aces opportunity. One party signed a CA for Top Aces and performed diligence. Feedback received from the parties contacted included the following:

      - the TA Interest represents a small minority interest in Top Aces; and

      - parties were unwilling to make an offer that would be competitive with the value of the Top Aces APA.

   b) Accordingly, no qualified bids were received for the TA Interest. On May 22, 2018, the offer submitted by the Top Aces Buyer was accepted, subject to Court approval. A copy of the Monitor's bid acceptance letter is attached as Appendix "F".

3.3 SSP Results – Northern Businesses

1. A summary of the SSP results for the Northern Businesses is as follows:

   a) Of the 144 strategic and financial parties approached by the Monitor, thirty-six (36) parties signed CAs for the Northern Businesses, as detailed below:

	ATL	GSH	DMS	Total
Signed CAs	11	16	9	36

   b) One offer was submitted in the SSP for the Northern Businesses. The offer was not a qualifying offer and, accordingly, no auction was conducted.

   c) Feedback received from the parties that performed diligence on the Northern Business opportunity included:

      - they were unwilling to make an offer that would be competitive with the Northern Business APAs;

[3] Top Aces is a supplier of contracted airborne training services to the Department of National Defense, the Canadian Armed Forces and other militaries around the world pursuant to exclusive, long term contracts.

- parties were not interested in en-bloc going-concern bids for the Northern Businesses. Rather, they were interested in portions of the Northern Businesses and/or certain of their assets; and

- parties were concerned with the post-closing funding requirements of certain of the Northern Businesses.

d) On June 5, 2018, the offers submitted by the Northern Business Buyer were accepted by the Monitor, subject to Court approval. A copy of the Monitor's bid acceptance letter is attached as Appendix "G".

4.0 Transactions

4.1 Top Aces APA[4]

1. The key terms and conditions of the Top Aces APA include the following:

a) Purchaser: Top Aces Buyer

b) Purchase Price (in the form of a credit bid): $20.825 million (being the amount of the Clairvest Credit Bid Amount) plus the Assumed Liabilities. The purchase price is to be satisfied first by extinguishing the Company's indebtedness owing under the DIP Facility, with the balance by extinguishing a portion of Clairvest's pre-filing secured debt.

c) Purchased Assets: the Company's right, title and interest in, to and under the Top Aces Property, including:

i. the TA Shares;

ii. the assets, property and undertaking owned by the Company and used solely in connection with the business of Top Aces;

iii. all original books and records of Top Aces or otherwise relating to the Top Aces Business;

iv. each of the Contracts relating to the business carried on by Top Aces as set out in Schedule 2.1(b) of the Top Aces APA (the "Top Aces Assigned Contracts");

v. any and all debts, liabilities, obligations, causes of action and other claims that the Company may have against TA Holdings, Top Aces or any other Person, including without limitation the officers and directors of the Company, TA Holdings or Top Aces;

vi. any other property, assets and undertaking of the Company related to the Top Aces business as specifically identified by the Top Aces Buyer on or before Closing; and

---

[4] Terms not defined in this section have the meanings provided to them in the Top Aces APA or the SSP.

vii. the Residual Assets, being all other assets of the Company not being acquired by the Northern Business Buyer pursuant to the APAs for the Northern Businesses other than the Company's equity interest in any of its inactive subsidiaries and any other assets the Top Aces Buyer identifies in writing as an excluded asset.

d) Assumed Liabilities: all liabilities and obligations owing by the Company under or in respect of the Top Aces Assigned Contracts (other than post-filing costs to be paid by the Company) and all liabilities and obligations arising from, or in relation to, the Permitted Encumbrances.

e) Termination: the agreement may be terminated by either party if the Top Aces Buyer is not selected as the Successful Bidder on the earlier of: (i) 30 days after the Bid Deadline (the bid deadline was May 21, 2018); and (ii) Court approval of the Accepted Bid. As noted above, the Top Aces Buyer was declared the Successful Bidder on May 22, 2018.

f) Approvals and Consents: other than Court Approval and any consent required in connection with the assignment of any Top Aces Assigned Contracts or any Purchased Assets, no authorization, consent or approval of, or filing with or notice to any Governmental Authority or any other Person is required in connection with the execution, delivery or performance of the Top Aces APA.

g) Transition Services: to the extent necessary, the Company shall provide the Top Aces Buyer with transition services (the "Top Aces Transition Services") relating to: (i) record keeping, financial, tax and other reporting obligations and other general administrative services; and (ii) shared Contracts, services and assets both among the Company, TA Holdings and Top Aces, and among the Company, TA Holdings, Top Aces and one or more of the Northern Businesses, or between or among any combination of the foregoing parties. The Top Aces Buyer may require one or more agreements in respect of the Top Aces Transition Services.

At this time, it does not appear that any Transition Services agreement will be required.

h) Conditions Precedent: the agreement is consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis with minimal representations, warranties and conditions. The conditions include that:

i. the SSP Approval Order shall have been issued and entered on or before April 4, 2018, or such later date as the Company and the Top Aces Buyer agree in writing. This condition was satisfied on April 4, 2018;

ii. the Approval and Vesting Order shall have been issued and entered on or before June 14, 2018, or such later date as the Company and the Top Aces Buyer agree in writing. In this regard, the Top Aces Buyer has agreed to extend this date to the return of this motion, being June 22, 2018;

iii. the Top Aces Buyer shall sign, and be bound by the terms of all shareholders' agreements in respect of TA Holdings and Top Aces; and

iv. there shall not have been a Material Adverse Change.

2. The SSP Approval Order provides that the sale and/or vesting of any property, assets or undertaking of the Company, including the Top Aces Property, is subject to Court approval following completion of the SSP. A copy of the Top Aces APA is attached to the Affidavit of Paul Bernards sworn June 15, 2018.

4.2 Northern Business APAs[5]

1. The structure, terms and conditions of the three Northern Business APAs are virtually identical. They are summarized in the table below.

Term	GSH	ATL	DMS
Purchaser	Northern Business Buyer		
Purchased Assets	The GSH Property	The ATL Property	The DMS Property
Purchase Price	**$12.381 million** plus the Assumed Liabilities.	**$19.765 million** plus the Assumed Liabilities.	**$5 million** plus the Assumed Liabilities.
Satisfaction of Purchase Price	The Purchase Price shall be satisfied on closing by: (i) the assumption of liabilities and obligations under the Clairvest Convertible Debentures equal to the Clairvest Convertible Debentures Indebtedness Assumption Amount; and (ii) the assumption and/or satisfaction of the Assumed Liabilities[6]. Following the assumption by the Northern Business Buyer of the Clairvest Convertible Debentures, Clairvest has agreed that it will not pursue its claims against the Company under the Clairvest Convertible Debentures (but will preserve its claims against the guarantors).		
Assumed Liabilities	The Northern Business Buyer will assume all contracts relevant to the respective Northern Businesses and/or address the obligations owing to each of their lenders on terms acceptable to those lenders, including: a) all liabilities and obligations under or in respect of the GSH/ATL/DMS Assigned Contracts (other than post-filing costs to be paid by the Company); b) liabilities and obligations under the Clairvest Convertible Debentures and the DIP Facility; c) all liabilities and obligations in respect of the Amended and Restated Credit Agreement dated May 26, 2015 among, *inter alia*, the Company, the Canadian Imperial Bank of Commerce ("CIBC") and GSH/ATL/DMS, as guarantors; d) all liabilities and obligations in respect of an Aircraft Loan Agreement, dated as of January 31, 2014, as amended, and an Aircraft Loan Agreement, dated as of March 31, 2014, each among, *inter alia*, the Company, Element Financial Corporation and GSH/ATL/DMS, as guarantors;		

[5] Terms not defined in this section have the meanings provided to them in the Northern Business APAs or the SSP.

[6] The allocation of these amounts will be determined on or before closing but does not affect the purchase price.

Term	GSH	ATL	DMS
	e) all liabilities and obligations in respect of an Aircraft Loan Agreement, dated as of March 26, 2012, as amended, among, *inter alia*, the Company, Roynat Inc., ATL, GSH and DMS; f) all liabilities and obligations arising from, or in relation to, intercompany transactions between the Company and each of GSH, ATL and DMS, respectively; and g) all liabilities and obligations arising from, or in relation to, the Permitted Encumbrances.		
Approvals and Consents	No authorization, consent, approval of or filing with or notice to any Governmental Authority or any other Person is required, except for: a) Court Approval; b) any consent required in connection with the assignment of the Assigned Contracts or any Purchased Assets (whether obtained by Court Order or otherwise); and c) any consent or approval in respect of any change of control provisions in Contracts (whether obtained by Court Order or otherwise).		
Transition Services	The Company[7] shall, if necessary, provide Transition Services relating to: a) record keeping, financial, tax and other reporting obligations and other general administrative services as reasonably requested by the Northern Business Buyer; and b) shared Contracts, services and assets both between the Company and the respective Non-Applicant Subsidiary and among the Company, the respective Non-Applicant Subsidiary and one or more of the Company's other Northern Businesses, or between or among any combination of the foregoing parties. The Northern Business Buyer may require the Company to enter into one or more agreements in respect of Transition Services. At this time, it does not appear that any Transition Services agreement will be required.		
Termination	Each purchase agreement may be terminated if the Northern Business Buyer is not the Successful Bidder, by either party upon the earlier of: a) thirty (30) days after the Bid Deadline (June 4, 2018); and b) approval of the Court of the Accepted Bid.		
Conditions Precedent	The agreements are consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis with minimal representations, warranties and/or conditions. Conditions include that: a) the SSP Approval Order shall have been issued and entered on or before April 4, 2018, or on or before such later date as the Company and the Northern Business Buyer agree. This condition was satisfied on April 4, 2018; b) the Approval and Vesting Order shall have been issued and entered on or before June 28, 2018; c) the Northern Business Buyer shall sign, and be bound by, the terms of all shareholders' agreements in respect of the applicable Non-Applicant Subsidiary; and		

[7] Some of these services may be provided by Top Aces.

Term	GSH	ATL	DMS
	d) there shall not have been a Material Adverse Change, as defined in the Stalking Horse Agreements.		
Other	a) Each Northern Stalking Horse Agreement is an independent offer and, accordingly, is not conditional on acceptance of any of the other bids being the Successful Bid in the SSP for GSH, ATL, DMS and/or Top Aces. Copies of the Northern Business APAs are attached to the Affidavit of Paul Bernards sworn June 15, 2018.		

4.3 Recommendation

1. The Monitor believes the Transactions are appropriate for the following reasons:

a) the SSP was carried out in accordance with the SSP Approval Order;

b) in the Monitor's view, the SSP was commercially reasonable, including timelines, breadth of marketing process and information made available to interested parties, including information in the data rooms;

c) the duration of the SSP (roughly two months) was sufficient to allow interested parties to perform diligence and submit offers. In addition, none of the parties the Monitor contacted expressed any concern or made any requests to extend the SSP timelines;

d) no other qualifying offers were received for the TA Interest or for the Northern Businesses and, accordingly, the stalking horse APAs were the best offers received in the process;

e) the Transactions were extensively negotiated prior to these proceedings with a view to maximizing the value of the Company's business and assets;

f) the value of the Northern Business APAs materially exceeds the liquidation value of the respective Northern Businesses given that, *inter alia*, they are structured as share deals that provide for the assumption of all liabilities of the Northern Businesses, including secured, unsecured, contingent or otherwise[8];

g) the SSP provided all prospective bidders with the opportunity to submit offers for the shares of the Northern Businesses (as contemplated by the APAs) or their assets;

h) all interested parties were permitted to submit offers for any or all of the Northern Businesses;

i) employment in Northern Canada will be preserved;

[8] This consideration is not relevant to the sale of the TA Property, given it is a minority interest in Top Aces.

j) Clairvest, as DIP lender and principal secured creditor, has consented to the Transactions;

k) CIBC has advised that it is not opposed to the requested relief and the other secured creditors will be served with the Company's motion record; and

l) the Monitor does not believe that further time spent marketing the Company's business and assets will result in superior transactions. Moreover, Clairvest, as DIP lender, is not prepared to continue to fund the sale process beyond the current timelines contemplated in the SSP and each of the Top Aces APA, the GSH APA, the ATL APA and the DMS APA contemplate Court approval in June, 2018, and a closing date on or before July 31, 2018.

2. Based on the foregoing, the Monitor recommends that this Honourable Court approve the Transactions.

4.4 Anticipated Timeline to Closing

1. The "Outside Date" in each of the Top Aces APA, ATL APA, GSH APA and DMS APA is July 31, 2018. The Monitor understands that the Company, the Top Aces Buyer and the Northern Business Buyer are working diligently to close the Transactions prior to that date.

2. At this time, the Monitor understands that Court approval is the final significant condition precedent to the Transactions.

5.0 Funding of these Proceedings

1. The maximum amount available under the DIP Facility is $15 million, which was increased from $12.6 million pursuant to a Court order made on April 26, 2018. As at the date of this Report, approximately $12.7 million was outstanding under the DIP Facility.

2. As at the date of this Report, the Company's borrowings under the DIP Facility were less than projected in its most recent cash flow projection filed with the Court on April 24, 2018 (the "Cash Flow Forecast"), which reflected projected borrowings as at June 10, 2018 to be approximately $13.6 million.

3. The Company previously filed with the Court a cash flow forecast for the period ending July 31, 2018 (the "Cash Flow Forecast"), being the proposed stay extension date. A copy of the Cash Flow Forecast is attached as Appendix "H".

4. The Cash Flow Forecast reflects, *inter alia*, that there is projected to be sufficient funding available for the Company and the Northern Businesses to operate in the normal course through the proposed stay extension period without a further draw on the DIP Facility. Given that the DIP Facility will expire on the closing of the Top Aces Transaction, the Company is considering making a final draw under the DIP Facility to provide additional liquidity through to closing of the Northern Business Transactions.

5. Based on the Monitor's review of the Cash Flow Forecast, the cash flow assumptions continue to appear reasonable.

6.0 Stay Extension

1. The Monitor supports the Company's request for an extension of the stay of proceedings from June 29, 2018 to July 31, 2018 for the following reasons:

   a) the Company is acting in good faith and with due diligence;

   b) the extension will provide the opportunity to complete the Transactions;

   c) the Cash Flow Forecast reflects that the Company and the Northern Businesses are projected to have sufficient funding to continue to operate in the normal course through the proposed stay extension period;

   d) Clairvest, being the principal economic stakeholder and DIP lender in these proceedings, supports the stay extension;

   e) CIBC's counsel has advised that CIBC does not oppose the extension;

   f) the other secured creditors will be served with the Company's motion record and will have the opportunity to advise of any objections that they may have; and

   g) no creditor will be materially prejudiced if the extension is granted.

7.0 Anticipated Next Steps in these Proceedings

1. Subject to Court approval of the Transactions and the proposed stay extension, it is expected that the Company's next steps in these proceedings will be to:

   a) work with the Top Aces Buyer and the Northern Business Buyer to close the Transactions;

   b) deal with any sundry post-closing or other issues, including transitional matters (if any); and

   c) bring a final motion to terminate these CCAA proceedings.

8.0 Overview of the Monitor's Activities

1. The Monitor's Pre-Filing Report dated March 21, 2018, First Report dated March 29, 2018, Supplement to the First Report dated April 3, 2018 and Second Report to Court dated April 11, 2018, and its activities described therein, were all approved pursuant to a Court order made on April 18, 2018.

2. The Monitor is presently seeking approval of this Report and its Third Report, a copy of which is attached as Appendix "I", without appendices. Since April 18, 2018, the Monitor's activities have included the following:

   a) carrying out the SSP in accordance with the SSP Approval Order, including drafting teasers and confidential information memoranda, reviewing information to be posted in the data rooms, populating the data rooms, contacting and engaging in discussions with prospective purchasers, negotiating CAs and facilitating diligence performed by prospective purchasers;

   b) working with the Company on cash management matters, including submitting drawdown certificates and preparing weekly variance analyses, as required under the DIP Facility;

   c) corresponding with the Company and Clairvest, in its capacity as DIP lender, regarding weekly variance analyses and other cash management issues;

   d) reviewing weekly cash flow analyses and reports prepared by the Company and discussing same with management and Clairvest, in its capacity as DIP lender;

   e) reviewing monthly borrowing base certificates prepared by the Company;

   f) assisting in the discussions and financial analyses required to settle the First Amendment to the DIP Facility, including assisting the Company to prepare the cash flow forecast on which the amendment was based;

   g) corresponding with the Company and legal counsel in connection with the Company's dealings with the Ontario Securities Commission ("OSC") on the form of a Court order made on April 20, 2018 and a Cease Trade Order issued by the OSC on May 7, 2018;

   h) corresponding with the Company and its counsel regarding an audit on the Company's payroll and HST accounts;

   i) reviewing and commenting on all draft Court materials filed for the motion to approve the amendment to the DIP Facility and this motion;

   j) drafting the Third Report and this Report;

   k) corresponding with the Company regarding the sale of four aircraft completed over the course of these proceedings with the consent of the Company's secured lenders;

   l) responding to enquiries received from the Company's unsecured debenture holders and other stakeholders; and

   m) assisting the Company and the Northern Businesses to deal with their respective stakeholders in connection with these proceedings.

9.0 Professional Fees

1. The Monitor's fees and disbursements (excluding HST) from March 21, 2018, being the commencement of these proceedings, until May 31, 2018, and those of its legal counsel, Goodmans, for the same period, total approximately $392,000 and $204,000, respectively. The fees of the Monitor and Goodmans also include activities prior to the date of the Initial Order in connection with preparing for these CCAA proceedings.

2. The detailed invoices in respect of the fees and disbursements of the Monitor and Goodmans are provided in appendices to the affidavits filed by KSV and Goodmans in the accompanying motion materials.

3. The average hourly rates for KSV and Goodmans for the referenced billing periods were $493.23 and $641.96, respectively.

4. The Monitor is of the view that the hourly rates charged by Goodmans are consistent with the rates charged by corporate law firms practicing in the area of corporate insolvency and restructuring in the Toronto market, and that the fees charged are reasonable and appropriate in the circumstances.

10.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(h) of this Report.

* * *

All of which is respectfully submitted,

KSV KOFMAN INC.
IN ITS CAPACITY AS MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY

Appendix “A”

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 21st
	)	
JUSTICE HAINEY	)	DAY OF MARCH, 2018

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 DISCOVERY AIR INC.

APPLICANT

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Paul Bernards, sworn March 21, 2018, and the Exhibits thereto (the "**Bernards Affidavit**"), and on reading the consent of KSV Kofman Inc. ("**KSV**") to act as the Monitor (in such capacity, the "**Monitor**"), and upon reading the pre-filing report of KSV dated March 21, 2018, in its capacity as the proposed Monitor, and on hearing the submissions of counsel for the Applicant and those subsidiaries set out in Schedule "**A**" hereto (each a "**Non-Applicant Subsidiary**" and collectively the "**Non-Applicant Subsidiaries**", and together with the Applicant the "**Discovery Air Group**"), the proposed Monitor and Clairvest Group Inc., no one appearing for any other party although duly served as appears from the affidavit of service of Katie Parent sworn March 21, 2018,

SERVICE AND DEFINED TERMS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies. Although not Applicants, the Non-Applicant Subsidiaries shall enjoy certain benefits of the protections and authorizations provided by this Order, as set out herein.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system including, subject to the Definitive Documents (as hereinafter defined), the operating facility with Canadian Imperial Bank of Commerce ("**CIBC**") and borrowings that may be made under that facility as well as the cash pooling arrangements currently in place as described in the Bernards Affidavit or replace it with another substantially

similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Discovery Air Group of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Discovery Air Group, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System (and, in particular, in its capacity as the operating facility lender), an unaffected creditor under the Plan or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* R.S.C. 1985 c. B-3, as amended ("**BIA**") with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System. For greater certainty, any security held by CIBC in connection with the foregoing shall continue to retain its priority in respect of any usage or borrowings made from and after the date of this Order.

6. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course, prior to, on or after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts

payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, once a month on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that the Applicant shall be entitled but not obligated to continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) owing to each of Roynat Inc. ("**Roynat**") and ECN Aviation Inc. ("**ECN**") in connection with the secured credit facilities that it has with each such lender and, in the case of Roynat, its regularly scheduled payment of principal on April 15, 2018 provided, for greater certainty, that the maturity of the Roynat facility on such date is stayed as set out herein (all as contemplated by the cash flow forecast attached to the Bernards Affidavit).

10A **THIS COURT ORDERS** that the Applicant shall continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) and other repayments of borrowings from time to time outstanding pursuant to the terms of the operating facility with CIBC provided, for greater certainty, that the maturity of and the final repayment of principal upon maturity or any acceleration under the CIBC facility is stayed as set out herein.

11. **THIS COURT ORDERS** that other than as set out in paragraphs 10 and 10A, and except as may otherwise specifically be permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $500,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;

(c) with the approval of the Monitor, enter into one or more agreements for the provision of shared services with any or all of Top Aces Inc. and/or the Non-Applicant Subsidiaries; and

(d) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "**Restructuring**").

13. **THIS COURT ORDERS** that the Applicant shall provide each of the relevant landlords with notice of the Applicant' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant' claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at

the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE DISCOVERY AIR GROUP OR THEIR PROPERTY

15. **THIS COURT ORDERS** that until and including April 20, 2018, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

16. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or with leave of this Court, no Proceedings shall be commenced or continued against or in respect of the Non-Applicant Subsidiaries, or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "**Non-Applicant Subsidiaries' Property**", and together with the Non-Applicant Subsidiaries' businesses, collectively, the "**Non-Applicant Subsidiaries' Property and Business**"), arising upon or as a result of (i) the insolvency of the Applicant; (ii) the making or filing of these proceedings or of any order in these proceedings; (iii) any default or event of default arising as a result of or pursuant to either of (i) or (ii) or any default under the terms of any document entered into in connection with any of Discovery's or the Non-Applicant Subsidiaries' secured debt facilities including any guarantee thereunder to which any of the Applicant or the Non-Applicant Subsidiaries are a party; or (iv) any default arising out of a contract or agreement to which the Applicant and one or more Non-Applicant Subsidiaries is a party (collectively the "**Non-Applicant Subsidiary Default Events**"). Without limitation, the operation of any provision of a contract or agreement between a Non-Applicant Subsidiary and any other Person that purports to effect or cause a

termination or cessation of any rights of the Non-Applicant Subsidiary, or to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend, amend or modify such contract or agreement, in each case as a result of one or more Non-Applicant Subsidiary Default Events, is hereby stayed and restrained during the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

17A **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Applicant Subsidiaries, or affecting the Non-Applicant Subsidiaries' Property and Business, as a result of a Non-Applicant Subsidiary Default Event are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Non-Applicant Subsidiaries to carry on any business which the Non-Applicant Subsidiaries are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

18. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18A **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any other party as a result of a Non-Applicant Subsidiary Default Event, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18B. **THIS COURT ORDERS** that, notwithstanding paragraphs 15 to 18A or any other provisions of this Order, upon the occurrence of an event of default under the CIBC operating facility other than a default which may arise as a result of, or otherwise relate to, the insolvency of the Applicant, the commencement of the Applicant's proceedings under the CCAA or any relief granted in these proceedings occurring after the date hereof, CIBC shall immediately upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the CIBC operating facility and any and all security granted thereunder, including without limitation, set off and/or consolidate any amounts owing by CIBC to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to CIBC under the operating facility, to make demand, accelerate payment and give other notices, provided however, that CIBC may not take any further steps to enforce its security without leave of this Court, including without limitation, applying for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and the foregoing rights and remedies of CIBC shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility

or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

19A **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with one or more Non-Applicant Subsidiaries or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to any Non-Applicant Subsidiaries, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Non-Applicant Subsidiaries as a result of a Non-Applicant Subsidiary Default Event, and that the Non-Applicant Subsidiaries shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Non-Applicant Subsidiaries in accordance with normal payment practices of the Non-Applicant Subsidiaries or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant or any Non-Applicant

Subsidiary. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant or of the Non-Applicant Subsidiaries with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant or of the Non-Applicant Subsidiaries whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

23. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $100,000, as security for the indemnity provided in paragraph 22 of this Order. The Directors' Charge shall have the priority set out in paragraphs 48 and 50 herein.

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

25. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

26. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Discovery Air Group's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender (as defined herein) and its counsel and CIBC and its counsel on a periodic basis of financial and other information as agreed to between the Applicant and the DIP Lender that may be used in these proceedings, including reporting on a basis to be agreed with the DIP Lender;

(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender or CIBC, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel and CIBC and its counsel on a periodic basis, as agreed to by the DIP Lender;

(e) advise the Applicant in its development of the Plan and any amendments to the Plan;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(h) conduct, supervise and carry out any sales process(es) with respect to the Property and the Business;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) commence applications for recognition of these proceedings outside of Canada in its capacity as foreign representative without further Order of this Court; and

(k) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or the Non-Applicant Subsidiaries' Property and shall take no part whatsoever in the management or supervision of the management of the Business or the Non-Applicant Subsidiaries' Property and Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the foregoing, or any part thereof.

28. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property or the Non-Applicant Subsidiaries' Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure

imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property or the Non-Applicant Subsidiaries' Property within the meaning of any Environmental Legislation, unless it is actually in possession.

29. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicant and the DIP Lender with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

30. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements incurred prior to or following the date hereof, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis or at such other intervals as the Applicant and the Monitor may agree.

32. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $750,000, as

security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 48 and 50 hereof.

34. **THIS COUT ORDERS** that KSV in its capacity as Monitor in these proceedings be and hereby is authorized to act as a foreign representative of the Applicant and of these proceedings for the purpose of having these proceedings recognized outside of Canada.

INTERCOMPANY FINANCING

35. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant may advance funds to its Non-Applicant Subsidiaries after the date of this Order, whether through operation of the Cash Management System, an intercompany loan, including, without limitation, loans made pursuant to the DIP Term Sheet, or otherwise ("**Intercompany Advances**). The Applicant's accounts and records shall constitute, in the absence of manifest error, *prima facie* evidence of the balance of the Intercompany Advances.

36. **THIS COURT ORDERS** that the Intercompany Advances to each Non-Applicant Subsidiary shall be secured by a charge in favour of the Applicant (each, an "**Intercompany Charge**") over the applicable Non-Applicant Subsidiary's Property to the extent of each of their respective indebtedness to the Applicant for Intercompany Advances. The Intercompany Charges shall have the priority set out in paragraph 50 hereof.

DIP FINANCING

37. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from CEP IV Co-Investment Limited Partnership (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures and the Intercompany Advances, provided that borrowings under such credit facility shall not exceed $12.6 million unless permitted by further Order of this Court.

38. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Applicant and the DIP Lender dated as of March 21, 2018 (the "**DIP Term Sheet**"), filed.

39. **THIS COURT ORDERS** that the Applicant and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents, including, without limitation, in connection with the Intercompany Advances (collectively and including the DIP Term Sheet, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 48 and 50 hereof. Without limiting the generality of the foregoing, the Applicant's obligations under the DIP Term Sheet and the Intercompany Advances shall also be secured by the assignment by the Applicant to the DIP Lender of the Intercompany Charges and the repayment obligations of the Non-Applicant Subsidiaries to the Applicant in respect of the Intercompany Advances, each of which are hereby assigned.

41. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge, the Intercompany Charges or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, the DIP Lender shall immediately

upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the DIP Term Sheet, Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, including without limitation, set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to the DIP Lender under the DIP Term Sheet, the Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

42. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any Plan or any proposal filed by the Applicant under the BIA, with respect to any advances made under the Definitive Documents.

KEY EMPLOYEE RETENTION PLAN

43. **THIS COURT ORDERS** that the Applicants' Key Employee Retention Plan ("**KERP**"), as described in the Bernards Affidavit is hereby approved.

44. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to enter into the KERP with KERP Employees (as defined in the Bernards Affidavit).

45. **THIS COURT ORDERS** that the amounts payable to the Key Employees pursuant to the KERP are hereby secured by a charge (the "**KERP Charge**") on the Property, in favour of

the Key Employees. The KERP Charge shall have the priority set out in paragraphs 48 and 50 hereof

46. **THIS COURT ORDERS** that the aggregate amount secured by the KERP Charge granted to secure the Applicants' obligations under the KERP shall be in an amount of no more than CDN$1.65 million.

47. **THIS COURT ORDERS** that Confidential **Exhibit "K"** to the Bernards Affidavit be and is hereby sealed pending further order of this Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

48. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge and the DIP Lender's Charge, as among them, against the Property shall be as follows:

First – Administration Charge (to the maximum amount of $750,000);

Second – Directors' Charge (to the maximum amount of $100,000);

Third – KERP Charge (to the maximum amount of $1.65 million); and

Fourth – DIP Lender's Charge.

49. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

50. **THIS COURT ORDERS** that:

a) each of the Administration Charge, the Directors' Charge and the KERP Charge (all as constituted and defined herein) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") of the Applicant in favour

of any Person other than (i) any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or similar provincial legislation or (ii) any statutory super priority deemed trusts and liens for unremitted employee source deductions;

b) the DIP Lender's Charge shall rank immediately in priority to Clairvest's Encumbrances granted by or against the Applicant or the Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the DIP Lender's Charge shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances; and

c) the Intercompany Charges shall rank immediately in priority to Clairvest's Encumbrances granted by or against any Non-Applicant Subsidiary or the Non-Applicant Subsidiaries' Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the Intercompany Charges shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances with respect to the Non-Applicant Subsidiaries' Property.

51. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant and the Non-Applicant Subsidiaries shall not grant any Encumbrances over any Property or Non-Applicants Subsidiaries' Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges, unless the Applicant also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge, the beneficiaries of the KERP Charge, and the Administration Charge, or further Order of this Court.

52. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the DIP Term Sheet, the Definitive Documents, the DIP Lender's Charge and the Intercompany Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for

bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant or the Non-Applicant Subsidiaries, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant or the Non-Applicant Subsidiaries of any Agreement to which they are a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicant or the Non-Applicant Subsidiaries pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

53. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the interests of the Applicant or of the Non-Applicant Subsidiaries in such real property leases.

SERVICE AND NOTICE

54. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1000, and (C) prepare a list showing the

names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

55. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL 'http://www.ksvadvisory.com/insolvency-cases/discovery-air/'.

56. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

57. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

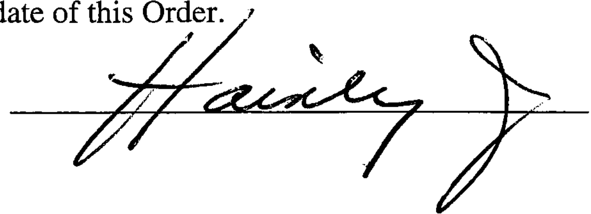
58. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

59. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

60. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as the foreign representative of the Applicant for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

61. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



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Schedule "A" – Non- Applicant Subsidiaries

1. Great Slave Helicopters Ltd.
2. Air Tindi Ltd.
3. Discovery Mining Services Ltd.
4. Discovery Air Technical Services Inc.

Court File No.: CV-18-594380-00CL

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 DISCOVERY AIR INC. (the "APPLICANT")

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicant

Appendix “B”

Court File No. CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 4th
	)	
JUSTICE HAINEY	)	DAY OF APRIL, 2018

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 DISCOVERY AIR INC.

APPLICANT

SSP APPROVAL ORDER

THIS MOTION, made by Discovery Air Inc. (the "**Applicant**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order, *inter alia*, approving a sale solicitation process and certain related relief, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicant, the affidavit of Paul Bernards sworn March 27, 2018, and the Exhibits thereto (the "**Bernards Affidavit**"), the First Report of KSV Kofman Inc., in its capacity as Monitor (the "**Monitor**") dated March 29, 2018, the Supplement to the First Report of the Monitor, dated April 3, 2018, and the affidavit of Stephen Campbell sworn April 4, 2018 filed, and on hearing the submissions of counsel for the Applicant, the Monitor and Clairvest Group Inc., the Ad Hoc Committee of Holders of 8.375% Unsecured Debentures, no one else appearing although duly served as appears from the Affidavits of Service of Katie Parent sworn March 29, 2018 and April 2, 2018, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them under the Sale Solicitation Process attached hereto as Schedule "A" (the "**SSP**").

APPROVAL OF STALKING HORSE AGREEMENTS

3. **THIS COURT ORDERS** that the execution, delivery, entry into, compliance with, and performance by the Applicant of each of the Top Aces Stalking Horse Agreement, GSH Stalking Horse Agreement, ATL Stalking Horse Agreement and DMS Stalking Horse Agreement (each, as defined in the Bernards Affidavit, and, collectively the "**Stalking Horse Agreements**"), be and is hereby ratified, authorized and approved, *provided, however*, that nothing contained in this Order approves the sale or the vesting of any property, assets or undertaking of the Applicant to either of the Stalking Horse Bidders pursuant to any of the Stalking Horse Agreements and that, if any or all of the Stalking Horse Agreements are the Accepted Bid under the SSP, the approval of the sale and vesting of the assets contemplated to be sold thereunder to the applicable Stalking Horse Bidder shall be considered by this Court on a subsequent motion or motions made to this Court following completion of the SSP, all in accordance with the terms of the SSP.

4. **THIS COURT ORDERS** that the Stalking Horse Agreements be and are hereby approved and accepted solely for the purposes of constituting stalking horse bids under the SSP.

5. **THIS COURT DECLARES** that the Stalking Horse Bidders are parties to these proceedings.

6. **THIS COURT ORDERS** that the Stalking Horse Agreements shall not be rendered invalid or unenforceable and the rights and remedies of the Stalking Horse Bidders thereunder shall not otherwise be limited or impaired in any way by: (a) the Applicant's CCAA proceedings and the declarations of insolvency made in connection therewith; (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"),

or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of security interests, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) the execution, delivery or performance of the Stalking Horse Agreements shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party; and

(b) the Stalking Horse Bidders shall not have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the Stalking Horse Agreements.

APPROVAL OF SSP

7. **THIS COURT ORDERS** that the SSP (subject to such non-material amendments as may be agreed to by the Monitor and the Stalking Horse Bidders (including all schedules thereto)) be and is hereby approved and the Monitor, the Applicant, the Non-Applicant Subsidiaries (as defined in the Initial Order) Top Aces Inc. and Top Aces Holdings Inc. (together with the Applicant and the Non-Applicant Subsidiaries, the "**Companies**") are hereby authorized and directed to take such steps as they deem necessary or advisable (subject to the terms of the SSP) to carry out the SSP, subject to prior approval of this Court being obtained before completion of any transaction(s) under the SSP.

8. **THIS COURT ORDERS** that the Monitor, the Companies and their respective affiliates, partners, directors, employees, advisors, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing their duties under the SSP, except to the extent of such losses, claims, damages or liabilities resulting from the gross negligence or wilful misconduct of the Monitor or the Companies, as applicable, as determined by the Court.

9. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Monitor, the Applicant and the Non-Applicant Subsidiaries (under the direction of the Monitor) are hereby authorized and permitted to disclose and transfer to each potential bidder (the "**Bidders**") (including, without limitation, the Stalking Horse Bidders) and to their Representatives, if requested by such Bidders, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in the Companies' records pertaining to the Companies' past and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale of the shares and assets contemplated by the Stalking Horse Agreements (a "**Sale**"). Each Bidder or Representative to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Sale, and if it does not complete a Sale, shall return all such information to the Monitor, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Monitor. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the transaction contemplated in the Accepted Bid(s), shall be entitled to use the personal information provided to it that is related to the Property acquired pursuant to the SSP in a manner that is in all material respects identical to the prior use of such information by the relevant Company or Companies, and shall return all other personal information to the Monitor, or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Monitor.

10. **THIS COURT ORDERS** that none of the Companies or any of their employees or Representatives shall communicate directly with Clairvest regarding any information relating to the SSP including, without limitation, the identities of the Interested Parties (as defined in the SSP).

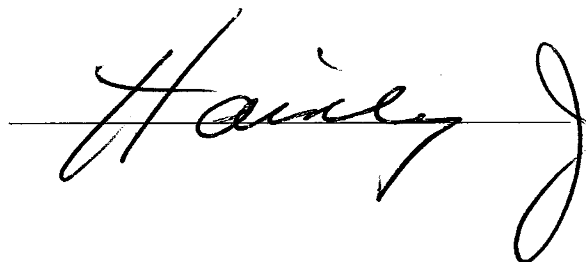
GENERAL

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, or any other jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or

desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

13. **THIS COURT ORDERS** that at any time during the SSP, the Monitor, the Applicant or any Stalking Horse Bidder may apply to the Court for directions with respect to the SSP.



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Schedule "A" – Sale Solicitation Process

SALE SOLICITATION PROCESS

Introduction

On March 21, 2018, Discovery Air Inc. (the "**Debtor**") commenced a proceeding (the "**CCAA Proceeding**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") before the Ontario Superior Court of Justice (Commercial List) (the "**Court**"). Pursuant to the initial order issued by the Court in the CCAA Proceeding (the "**Initial Order**"), KSV Kofman Inc. was appointed as monitor (the "**Monitor**") in the CCAA Proceeding.

The following Schedules are incorporated into this SSP: (a) Schedule "A" – References and Definitions; (b) Schedule "B" – Form of Acknowledgment of Sale Solicitation Process; (c) Schedule "C" – Addresses for Notice; and (d) Schedule "D" – Auction Procedures.

On April 4, 2018, the Debtor brought a motion before the Court, for, among other things, an order (the "**SSP Order**") approving:

(a) the Top Aces Stalking Horse Agreement pursuant to which the Top Aces Stalking Horse Bidder has agreed to: (i) purchase: (A) the Top Aces Holdco Shares; (B) certain assets owned by the Debtor and used in the Top Aces business and/or shared between the Top Aces business and the businesses of GSH, ATL and DMS; and (C) intercompany debt owing by Top Aces and/or Top Aces Holdco to the Debtor, if any (collectively, "**Top Aces Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness, if any;

(b) the following Stalking Horse Agreements between the Debtor and the Northern Stalking Horse Bidder:

  (i) the GSH Stalking Horse Agreement pursuant to which the Northern Stalking Horse Bidder has agreed to: (i) purchase: (A) the GSH Shares; (B) certain assets owned by the Debtor and used in the GSH business as more particularly described in the GSH Stalking Horse Agreement; and (C) certain intercompany debt owing by GSH to the Debtor (collectively, the "**GSH Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness of the Debtor;

  (ii) the ATL Stalking Horse Agreement pursuant to which the Northern Stalking Horse Bidder has agreed to: (i) purchase: (A) the ATL Shares; (B) certain assets owned by the Debtor and used in the ATL business as more particularly described in the ATL Stalking Horse Agreement; and (C) certain intercompany debt owing by ATL to the Debtor (collectively, the "**ATL Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness owing by the Debtor;

  (iii) the DMS Stalking Horse Agreement pursuant to which the Northern Stalking Horse Bidder has agreed to: (i) purchase: (A) the DMS Shares; and (B) certain assets owned by the Debtor and used in the DMS business as more particularly described in the DMS Stalking Horse Agreement

(together with the DMS Shares, the "**DMS Property**"); and (ii) assume or otherwise satisfy certain liabilities and/or extinguish certain indebtedness owing by the Debtor; and

(c) this SSP.

On April **[4]**, 2018, the Court granted the SSP Order. The Monitor will conduct the SSP in accordance with the SSP Order and this SSP.

Under the SSP, all qualified interested parties will be provided with an opportunity to participate in the SSP on the terms set out herein.

Commencement of the SSP and Identifying Bidders

1. The purpose of the SSP is to conduct certain processes to provide interested parties with opportunities to submit competing offers on an "as is, where is" basis to purchase: (a) the Top Aces Property; (b) the GSH Property or all or substantially all of the assets of GSH; (c) the ATL Property or all or substantially all of the assets of ATL; and (d) the DMS Property or all or substantially all of the assets of DMS (each, an "**Opportunity**"). The SSP shall apply to each of the Opportunities and the related processes and transactions, including without limitation, the Top Aces Transaction, Great Slave Transaction, Air Tindi Transaction and Discovery Mining Transaction.

2. Any sales pursuant to this SSP will be without surviving representations or warranties of any kind, nature, or description by the Monitor, the Companies or any of their respective directors, officers, agents, advisors or other representatives unless otherwise agreed in a definitive agreement.

3. All of the Debtor's right, title and interest in and to any of the Property or other assets to be sold pursuant to any Transactions will be sold free and clear of the pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon as set out in the Court order approving such sale unless specifically permitted to continue pursuant to the terms of the Accepted Bid.

Timeline

4. The following table sets out the key milestones and deadlines under the SSP, which may be extended or amended by the Monitor in its discretion by up to two weeks without Court approval:

Milestone	**Deadline (Top Aces SSP)**	**Deadline (GSH SSP)**	**Deadline (ATL SSP)**	**Deadline (DMS SSP)**
Commencement SSP	April 4, 2018	April 4, 2018	April 4, 2018	April 4, 2018
Bid Deadline	May 21, 2018	June 4, 2018	June 4, 2018	June 4, 2018
Auction	May 31, 2018	June 14, 2018	June 14, 2018	June 14, 2018

Closing Date Deadline	July 31, 2018	July 31, 2018	July 31, 2018	July 31, 2018

Solicitation of Interest: Notice of the SSP

5. The Debtor will issue a press release providing notice of the SSP and any such other relevant information as the Debtor and Monitor consider appropriate (a "**Notice**") with Canada Newswire for designated dissemination in Canada and such other jurisdictions as the Monitor, in consultation with the Debtor, considers appropriate.

6. The Monitor shall be entitled, but not obligated, to arrange for a Notice to be published in *The Globe and Mail* (National Edition), and any other newspaper or industry journal as the Monitor considers appropriate, if any, if it believes that such advertisement would be useful in the circumstances.

7. The Monitor, with the assistance of the Companies and their Representatives, has prepared:

   (a) a list of potential financial bidders who may be interested in a Top Aces Transaction and a list of potential financial and strategic bidders who may be interested in any or all of the Northern Transactions (collectively, "**Potential Bidders**");

   (b) Teaser Letters describing the Opportunities, outlining the processes under the Top Aces SSP and Northern SSP, respectively, and inviting recipients of the Teaser Letters to express their interest pursuant to the applicable SSP;

   (c) a form of NDA; and

   (d) CIMs describing the Opportunities, which will be made available by the Monitor to Bidders (as defined below).

8. The Monitor, with the assistance of the Companies and their Representatives, has established Data Rooms in respect of the SSPs, which Data Rooms may continue to be updated from time to time during the SSP.

9. The Monitor and its Representatives may consult with, or seek the assistance or cooperation of, the Companies with respect to any matter relating to this SSP and the conduct thereof, including, without limitation, the activities described in paragraphs 6 to 8 above. The Companies and their Representatives shall cooperate fully with the Monitor and its Representatives and provide such assistance as is reasonably requested by the Monitor in connection with the SSP.

10. The Monitor will send the applicable Teaser Letter(s) and applicable form or forms of NDA to all applicable Potential Bidders as soon as reasonably practicable after the granting of the SSP Order and to any other party who requests a copy of a Teaser Letter and NDA or who is identified by the Debtor or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Delivery of CIMs

11. Any party who wishes to participate in one or more of the SSPs (an "**Interested Party**"), including any Potential Bidder, must provide to the Monitor:

    (a) a NDA executed by it, and a letter setting forth the identity of the Interested Party, the contact information for such Interested Party and full disclosure of the direct and indirect principals of the Interested Party;

    (b) an acknowledgment of the applicable SSP or SSPs in which the Interested Party wishes to participate, in the form attached hereto as Schedule "B"; and

    (c) such form of financial disclosure and credit quality support or enhancement that allows the Monitor to make a reasonable determination as to the Interested Party's financial and other capabilities to consummate a Sale Proposal.

12. If it is determined by the Monitor, in its reasonable business judgment, that an Interested Party: (i) has delivered the documents contemplated in paragraph 11 above; and (ii) has the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale pursuant to the SSP or SSPs in which the Interested Party is interested, then such Interested Party will be deemed to be a "**Bidder**". For greater certainty, the Monitor may, in its reasonable business judgment, determine that an Interested Party may be deemed a Bidder in one SSP but not another.

13. The Monitor will provide each Bidder with a copy of the applicable CIM(s) and access to any corresponding Data Rooms. Bidders and Qualified Bidders (as defined below) must rely solely on their own independent review, investigation and/or inspection of all information and of the Property in connection with their participation in any of the SSPs and any transaction they enter into with the Debtor. The Companies, the Monitor and their respective directors, officers, agents and advisors make no representation or warranty whatsoever as to the information (including, without limitation, with respect to its accuracy or completeness) (i) contained in any of the CIMs or the Data Rooms; (ii) provided through the due diligence process or otherwise made available pursuant to any of the SSPs; or (iii) otherwise made available to a Potential Bidder, Interested Party, Bidder or Qualified Bidder, except to the extent expressly contemplated in any definitive documentation duly executed and delivered by the Successful Bidder (as defined below) duly executed by the applicable Company and approved by the Court.

14. At any time during the SSP, the Monitor may, in its reasonable business judgment, eliminate a Bidder from any of the SSPs, in which case such party will no longer be a Bidder for the purposes of such SSP, provided however, this provision does not apply to either of the Stalking Horse Bidders. For greater certainty, the Monitor may, in its reasonable business judgment, eliminate a Bidder participating in multiple SSPs from one SSP but not other SSPs.

15. None of the Companies nor any of their Representatives or affiliates shall meet or communicate with a Potential Bidder, Interested Party, Bidder or Qualified Bidder (including the Stalking Horse Bidders in respect of the Stalking Horse Bids) regarding

any Transaction or Opportunity without (a) first informing and obtaining the consent of the Monitor, and (b) allowing the Monitor the right and opportunity to participate in such meeting, management presentation or communication. In the event a disagreement arises between the Companies and the Monitor with respect to any matters related directly or indirectly to this SSP, the Monitor, unless otherwise ordered by the Court, shall have the sole authority to make a final decision with respect to such matters.

16. Neither the Companies nor their Representatives or affiliates shall communicate the identities of any Interested Parties or information in respect of any bids or transaction documents to representatives of either of the Stalking Horse Bidders, whether in that capacity or any other capacity, unless and until the identities of the Qualified Bidders are exchanged with all other Qualified Bidders at Auction. For greater certainty, the foregoing provision is not intended to prevent or restrict the Companies or their Representatives from meeting or communicating with either of the Stalking Horse Bidders or any party related thereto regarding matters that do not relate to the SSP.

17. The Monitor, with the Companies' assistance, shall afford each Bidder such access to applicable due diligence materials and information pertaining to the applicable SSP or SSPs as the Monitor deems appropriate in its reasonable business judgment. Due diligence access may include management presentations, access to the Data Room(s), on-site inspections, and other matters which a Bidder may reasonably request and which the Monitor deems appropriate. The Monitor will designate one or more representatives to coordinate all reasonable requests for additional information and due diligence access from each Bidder and the manner in which such requests must be communicated. Neither the Debtor nor the Monitor will be obligated to furnish any information relating to the Property to any person other than to Bidders. For the avoidance of doubt, selected due diligence materials may be withheld from certain Bidders if the Monitor determines such information to represent proprietary or sensitive competitive information.

Formal Offers and Determination of Qualified Bids

18. Bidders will be able to refer to template Purchase Agreements (which will be based on the Stalking Horse Agreements) placed in the Data Rooms.

19. Bidders that wish to make a formal offer within one or more of the SSPs (a "**Sale Proposal**") must submit such Sale Proposal to the Monitor so as to be received by the Monitor not later than 5:00 PM (Toronto Time) on (a) May 21, 2018 with respect to the Top Aces SSP, and (b) June 4, 2018 with respect to the Northern SSP (the "**Bid Deadline**"). All Sale Proposals in respect of the applicable transactions must be in the form of a duly authorized and executed Purchase Agreement with any changes disclosed in a comparison against the template Purchase Agreement, if applicable, and delivered by email and/or hard copy to each of the persons specified in Schedule "C" hereto. Bidders who wish to submit a Sale Proposal for the assets of any or all of GSH, ATL and/or DMS may submit any such Sale Proposal in a separate form of asset purchase agreement reflecting terms consistent with an insolvency transaction, including without surviving representations and warranties. For greater certainty, Bidders must submit a separate

Purchase Agreement or asset purchase agreement for each SSP in which the Bidder is making a Sale Proposal.

20. The Monitor, in consultation with the Debtor, may modify the Bid Deadline with respect to some or all of the SSPs. Any such modification shall be communicated to all Bidders for the applicable SSP in writing and posted on the Monitor's Website.

21. In order to be considered a "**Final Bid**", a Sale Proposal shall include the following terms (collectively, the "**Final Bid Criteria**"):

    (a) Subject to subsection (b) below, that the bid is binding and irrevocable until the earlier of (i) 30 days after the Bid Deadline and (ii) approval by the Court of the Accepted Bid (the "**Bid Termination Date**");

    (b) include an acknowledgement that if such Final Bid is selected by the Monitor as the Backup Bid at the Auction, such Final Bid shall remain binding, irrevocable and open for acceptance by the Debtor until the closing of the transaction with the Successful Bidder;

    (c) include a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the Monitor, in trust, in an amount equal to 15% (the "**Deposit**") of the purchase price contemplated by the Bidder's Final Bid;

    (d) provide contact information (including an email address) for the Bidder and disclose the identity of each entity (including its ultimate shareholders and/or sponsors) that will be bidding for the Property or otherwise participating in a Final Bid and the complete terms of any such participation;

    (e) include written evidence of a firm, irrevocable commitment for financing or other evidence of an ability to consummate the proposed transaction or transactions comprising the Final Bid, that will allow the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;

    (f) include acknowledgments and representations of the Bidder that: (i) it has had an opportunity to conduct any and all due diligence regarding the Property, the Companies or otherwise prior to making its bid; (ii) it has relied solely upon its own independent review, investigation and/or inspection of the Property (including, without limitation, any documents in connection therewith) in making its bid; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Property or the Companies or the completeness of any information provided in connection therewith, except as expressly contemplated in any definitive documentation duly executed by the Successful Bidder and the applicable Company and approved by the Court;

(g) include written evidence, in form and substance reasonably satisfactory to the Monitor, of authorization and approval from the Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Final Bid;

(h) provides value to the creditors and other stakeholders of the Companies (having regard to the relative priority of creditor claims) that is equal to or greater than the value of the applicable Stalking Horse Agreement;

(i) describes the specific Property to be acquired by the Bidder;

(j) details of any liabilities to be assumed by the Bidder;

(k) not be subject to further due diligence;

(l) not be subject to financing;

(m) include a description of any regulatory or other third-party approvals required for the Bidder to consummate the proposed transaction, and the time period within which the Bidder expects to receive such regulatory and/or third-party approvals, and those actions the Bidder will take to ensure receipt of such approvals as promptly as possible;

(n) include a description of any desired arrangements with respect to transition services that may be required from any of the Companies in connection with the sale transaction;

(o) not be subject to any conditions precedent except those that are customary in a transaction of this nature;

(p) not be conditional upon approval by the Court of any bid protection, such as a break-up fee, termination fee, expense reimbursement or similar type of payment;

(q) be received by the Bid Deadline; and

(r) contemplate closing the transaction set out therein on or before July 31, 2018 (the "**Closing Date Deadline**").

22. The Monitor may, if it deems appropriate or desirable in the circumstances, modify or amend the Final Bid Criteria.

23. Following the Bid Deadline, the Monitor will determine if each Sale Proposal delivered to the Monitor meets the Final Bid Criteria, provided that each Sale Proposal may be negotiated among the Monitor and the applicable Bidder and may be amended, modified or varied to improve such Sale Proposal as a result of such negotiations. The Monitor shall be under no obligation to negotiate identical terms with, or extend identical terms to, each Bidder.

24. The Monitor may make any modification to the SSP it considers appropriate in the circumstance and, where it considers such modification to be material, it may seek Court approval of such modification on notice to parties in the CCAA Proceeding. For greater certainty, the extension of any deadline by up to two weeks shall not be considered material.

25. If a Sale Proposal meets the Final Bid Criteria, as determined by the Monitor in its sole discretion, such Final Bid will be deemed to be a "**Qualified Bid**" and the Bidder in respect of each such Qualified Bid shall be a "**Qualified Bidder**" in respect of the applicable SSP. The Monitor may waive strict compliance with any one or more of the Final Bid Criteria and deem such non-compliant Sale Proposal to be a Qualified Bid, provided that doing so shall not constitute a waiver by the Monitor of the Final Bid Criteria or an obligation on the part of the Monitor to designate any other Sale Proposal as a Qualified Bid.

Selection of Successful Bidders

26. Within five (5) Business Days of the applicable Bid Deadline, or at such later time as the Monitor may deem appropriate, the Monitor will advise each Bidder if its Sale Proposal is a Qualified Bid (the "**Notification Date**") with respect to the applicable SSP.

27. Each Stalking Horse Bidder is, and is deemed to be, a Qualified Bidder in respect of the applicable SSP and each Stalking Horse Agreement is, and is deemed to be, a Qualified Bid for all purposes in connection with the applicable SSP.

28. If one or more Qualified Bids (in addition to the Stalking Horse Agreement) for a particular SSP is received by the Bid Deadline, all Qualified Bidders for such SSP (including the applicable Stalking Horse Bidder) shall proceed to an Auction to be held on the applicable auction date (set out in the Auction Procedures below), which shall proceed according to the Auction Procedures to identify the Successful Bidder. The Monitor, in consultation with the Debtor, may postpone or delay the commencement of an Auction with respect to either or both of the SSPs in accordance with the Auction Procedures.

29. If no Qualified Bid for a SSP other than the applicable Stalking Horse Agreement is received by the Bid Deadline, an Auction for such SSP will not be held and that Stalking Horse Bidder will be declared to be the Successful Bidder with respect to the applicable Transaction. The "**Accepted Bid**" for a SSP will be either (i) the applicable Stalking Horse Agreement if no other Qualified Bid for such SSP is received by the Bid Deadline or so designated by the Monitor; or (ii) in the event of an Auction, the superior bid as determined by the Monitor pursuant to the Auction Procedures. The party that submitted the Accepted Bid for a SSP is referred to herein as the "**Successful Bidder**" with respect to such SSP.

30. Within seven (7) Business Days of the selection of an Accepted Bid for a Transaction (or as soon as reasonably possible thereafter), the Debtor shall file an Approval Motion. All of the Qualified Bids for the particular Transaction and SSP other than the Accepted Bid

and the Backup Bid shall be deemed rejected by the Monitor on and as of the date of approval of the applicable Accepted Bid by the Court.

31. All Deposits received by the Monitor in connection with the SSP will be retained by the Monitor in trust in one or more separate bank accounts. Any Deposit held by the Monitor with respect to the Accepted Bid (plus accrued interest, if any) will be non-refundable (other than as may be provided for in the Purchase Agreement that constitutes the Accepted Bid) and will be applied to the purchase price to be paid by the Successful Bidder upon closing of the transaction under the Accepted Bid. The Deposits (plus applicable interest, if any) of Bidders not selected as Qualified Bidders will be returned to such Bidders within three (3) Business Days of the Notification Date. The Deposits (plus applicable interest, if any) of Qualified Bidders (other than the Backup Bidder) not selected as the Successful Bidder will be returned to such parties within three (3) Business Days of the Bid Termination Date. The Deposit of the Backup Bidder, if any, will be returned to such Backup Bidder upon the Closing of the Transaction with the Successful Bidder, together with applicable interest, if any.

32. If the Successful Bidder for any Transaction fails to close the transaction contemplated by the Accepted Bid by the Closing Date Deadline or such other date as may otherwise be mutually agreed upon among one or more of the Companies, the Monitor and the Successful Bidder, the Monitor shall be authorized but not required to: (a) direct any Company that is a party to such Accepted Bid to exercise such rights and remedies as are available to the applicable Company under the Accepted Bid including, if applicable, deeming that the Successful Bidder has breached its obligations pursuant to the Accepted Bid and that the Successful Bidder has forfeited its Deposit to the applicable Company; (b) designate the Backup Bidder as the Successful Bidder and direct the applicable Company to close the Transaction under the Backup Bid; or (c) take such other steps as it deems advisable, including seeking further advice and directions from the Court. The Companies reserve their right to seek all available remedies, including damages or specific performance, in respect of any defaulting Successful Bidder (including any Backup Bidder designated as a Successful Bidder).

Confidentiality and Access to Information

33. Each Potential Bidder, Interested Party, Bidder or Qualified Bidder (including the Stalking Horse Bidder) shall not be permitted to receive any confidential or competitive information that is not made generally available to all participants in the SSP, including the number or identity of Potential Bidders, Bidders, Qualified Bidders, and Qualified Bids; the details of any bids, Sale Proposals or Final Bids submitted; or the details or existence of any confidential discussions or correspondence among the Companies, the Monitor and any Bidder in connection with the SSP.

34. In addition, the Monitor may consult with any other parties with a material interest (as determined in the Monitor's sole discretion) in the CCAA Proceeding regarding the status and material information and developments relating to the SSP to the extent considered appropriate by the Monitor and taking into account, among other things, whether such party is a Bidder, Qualified Bidder, or other participant or prospective participant in the

SSP; provided that such parties may be required to enter into confidentiality arrangements satisfactory to the Monitor. For greater certainty, the Stalking Horse Bidders or their Representatives or affiliates shall not be entitled to any information regarding the status of the SSP unless such information is provided to all Qualified Bidders in the process.

Supervision of the SSP

35. The Monitor will oversee, in all respects, the conduct of the SSP and, without limitation, the Monitor will participate in the SSP in the manner set out herein and in the SSP Order. All discussions or inquiries to the Companies regarding the SSP shall be directed to the Monitor. Under no circumstances should Representatives of the Companies be contacted directly or indirectly in respect of the SSP, including diligence requests, without the prior written consent of the Monitor. Any such unauthorized contact or communication could result in exclusion from the SSP. For greater certainty, the foregoing provision is not intended to prevent or restrict the Companies or their affiliates and Representatives from meeting or communicating with any Stalking Horse Bidder, in a capacity other than as a Stalking Horse Bidder, or any party related thereto regarding matters that do not relate to the SSP.

36. Other than as specifically set forth in the Stalking Horse Agreements or in a definitive agreement between the applicable Company and a Successful Bidder, the SSP does not, and will not be interpreted to, create any contractual or other legal relationship among the Companies, the Monitor, any Potential Bidder, Interested Party, Bidder, Qualified Bidder, the Successful Bidder, or any other party.

37. Subject to the terms of the Initial Order or other Court order and any entitlement of the Stalking Horse Bidder to a Stalking Horse Expense Reimbursement, participants in the SSP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Final Bid, participation in the SSP, Auction, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

SCHEDULE "A"- REFERENCES AND DEFINITIONS

In this document, unless the context otherwise required, words importing the singular include the plural and vice versa. Capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Initial Order. Except where otherwise expressly provided, all dollar reference amounts are to Canadian dollars.

The terms below shall have the following meaning given to them:

(a) "**Accepted Bid**" has the meaning given to it in paragraph 29;

(b) "**Air Tindi Transaction**" means the transaction contemplated by the ATL Stalking Horse Agreement or any other transaction under the ATL Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(c) "**Approval Motion**" means the Debtor's motion or motions to be filed with the Court seeking one or more orders to approve the Accepted Bids;

(d) "**ATL**" means Air Tindi Ltd.;

(e) "**ATL Property**" has the meaning given to it in the Introduction;

(f) "**ATL Shares**" means 1870 issued and outstanding Class A common shares in the capital of ATL, being 100% of the issued and outstanding shares of ATL;

(g) "**ATL SSP**" means the sale and solicitation process to solicit bids for the ATL Property as set out herein;

(h) "**ATL Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Northern Stalking Horse Bidder dated as of March 21, 2018, as the same may be amended, modified, improved or changed pursuant to the terms of this SSP, for the purchase and sale of the ATL Property;

(i) "**Auction**" means an auction conducted pursuant to this SSP pursuant to the Auction Procedures;

(j) "**Auction Location**" has the meaning given to it in paragraph 1 of the Auction Procedures;

(k) "**Auction Procedures**" mean the auction procedures set out in Schedule "D" hereto;

(l) "**Backup Bid**" has the meaning given to it in paragraph 13 of the Auction Procedures;

(m) “**Backup Bidder**” has the meaning given to it in paragraph 13 of the Auction Procedures;

(n) “**Bid Deadline**” has the meaning given to it in paragraph 19;

(o) “**Bid Termination Date**” has the meaning given to it in paragraph 21(a);

(p) “**Bidder**” has the meaning given to it in paragraph 12;

(q) “**Business Day**” means any day, other than Saturday or Sunday, on which the principal commercial banks in Toronto are open for commercial banking business during normal banking hours;

(r) “**CCAA**” has the meaning given to it in the Introduction;

(s) “**CCAA Proceeding**” has the meaning given to it in the Introduction;

(t) “**Clairvest**” means Clairvest Group Inc. and all of its affiliates including certain funds managed by Clairvest Group Inc. and Mr. G. John Krediet;

(u) “**Closing Date Deadline**” has the meaning given to it in paragraph 21(r);

(v) “**CIM**” means a confidential information memorandum to be prepared in connection with the SSP with respect to such Company’s Property and business;

(w) “**Companies**” means the Debtor, Top Aces, Top Aces Holdco, GSH, ATL and DMS, and “**Company**” means any of them;

(x) “**Court**” has the meaning given to it in the Introduction;

(y) “**Credit Bid**” means a bid that provides for all or part of the consideration to be paid to be satisfied by way of a credit bid of secured indebtedness of the Debtor;

(z) “**Data Rooms**” means the electronic data rooms to be established in connection with the SSP;

(aa) “**Deposit**” has the meaning given to it in paragraph 21(c);

(bb) “**Debtor**” has the meaning given to it in the Introduction;

(cc) “**Discovery Mining Transaction**” means the transaction contemplated by the DMS Stalking Horse Agreement or any other transaction under the DMS Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(dd) “**DMS**” means Discovery Mining Services Ltd.

(ee) "**DMS Property**" has the meaning given to it in the Introduction;

(ff) "**DMS Shares**" means 22,883,047 issued and outstanding Class A common shares in the capital of DMS, being 100% of the issued and outstanding shares of DMS;

(gg) "**DMS SSP**" means the sale and solicitation process to solicit bids for the DMS Property as set out herein;

(hh) "**DMS Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Northern Stalking Horse Bidder dated as of March 21, 2018 as the same may be amended, modified, improved or changed pursuant to the terms of this SSP for the purchase and sale of the DMS Property;

(ii) "**Final Bid**" has the meaning given to it in paragraph 19;

(jj) "**Final Bid Criteria**" has the meaning given to it in paragraph 20;

(kk) "**Great Slave Transaction**" means the transaction contemplated by the GSH Stalking Horse Agreement or any other transaction under the GSH Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(ll) "**GSH**" means Great Slave Helicopters Ltd.;

(mm) "**GSH Property**" has the meaning given to it in the Introduction;

(nn) "**GSH Shares**" means (i) 157,891,795 issued and outstanding Class A common shares; (ii) 1,111 issued and outstanding Class D common shares; (iii) 40,000,000 issued and outstanding Class E common shares; (iv) 7,624 issued and outstanding Class F Preferred shares; (v) 11,072 issued and outstanding Class G Preferred shares; and (vi) 14,400 issued and outstanding Class H Preferred shares, in each case of the capital of GSH, being 100% of the issued and outstanding shares of GSH;

(oo) "**GSH SSP**" means the sale and solicitation process to solicit bids for the GSH Property as set out herein;

(pp) "**GSH Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Northern Stalking Horse Bidder dated as of March 21, 2018 as the same may be amended, modified, improved or changed pursuant to the terms of this SSP for the purchase and sale of the GSH Property;

(qq) "**Initial Order**" has the meaning given to it in the Introduction;

(rr) "**Interested Party**" has the meaning given to it in paragraph 11;

(ss) "**Potential Bidders**" has the meaning given to it in paragraph 6;

(tt) "**Leading Bid**" has the meaning given to it in paragraph 11 of the Auction Procedures;

(uu) "**Monitor**" has the meaning given to it in the Introduction;

(vv) "**Monitor's Website**" means the Monitor's website at www.ksvadvisory.com/insolvency-cases/discovery-air.

(ww) "**NDA**" a non-disclosure agreement to be used in connection with the solicitation of bids in this SSP;

(xx) "**Northern SSP**" means collectively the GSH SSP, ATL SSP and DMS SSP;

(yy) "**Northern Transactions**" means the Great Slave Transaction, Air Tindi Transaction and Discovery Mining Transaction;

(zz) "**Northern Stalking Horse Bidder**" means 10671541 Canada Inc.;

(aaa) "**Northern Stalking Horse Agreements**" means the GSH Stalking Horse Agreement, ATL Stalking Horse Agreement and DMS Stalking Horse Agreement;

(bbb) "**Notice**" has the meaning given to it in paragraph 6;

(ccc) "**Notification Date**" has the meaning given to it in paragraph 26;

(ddd) "**Opportunity**" has the meaning given to it in paragraph 1;

(eee) "**Overbid**" has the meaning given to it in paragraph 9 of the Auction Procedures;

(fff) "**Property**" means the Top Aces Property, GSH Property, ATL Property and/or DMS Property as the context may require;

(ggg) "**Purchase Agreements**" means the template forms of purchase agreements to be placed in the Data Rooms upon which Bidders are to make Sale Proposals;

(hhh) "**Qualified Bid**" has the meaning given to it in paragraph 25;

(iii) "**Qualified Bidder**" has the meaning given to it in paragraph 25;

(jjj) "**Representatives**" means, with respect to a particular party, such party's directors, officers, employees, partners, principals, advisors (including legal and financial advisors) and agents provided that with respect to the Companies, "Representatives" shall not include any individual who is an employee, director, officer, partner, principal or advisor to Clairvest.

(kkk) "**Sale Proposal**" has the meaning given to it in paragraph 19;

(lll) "**SSP**" means the sale and solicitation processes contemplated herein, including without limitation, the Top Aces SSP, GSH SSP, ATL SSP or DMS SSP, or any one of them as the context may require;

(mmm) "**SSP Order**" has the meaning given to it in the Introduction;

(nnn) "**Stalking Horse Agreements**" means, collectively, the Top Aces Stalking Horse Agreement and the Northern Stalking Horse Agreements.

(ooo) "**Stalking Horse Bidder**" means the Top Aces Stalking Horse Bidder and the Northern Stalking Horse Bidder;

(ppp) "**Starting Bid**" has the meaning given to it in paragraph 7 of the Auction Procedures;

(qqq) "**Subsequent Bid**" has the meaning given to it in paragraph 4 of the Auction Procedures;

(rrr) "**Successful Bidder**" has the meaning given to it in paragraph 29;

(sss) "**Teaser Letter**" means the process summary letters to be prepared by the Monitor, in consultation with the Companies, in connection with the SSP;

(ttt) "**Top Aces**" means Top Aces Inc. (formerly known as Discovery Air Defence Services Inc.);

(uuu) "**Top Aces Holdco**" means Top Aces Holdings Inc.;

(vvv) "**Top Aces Holdco Shares**" means 253.83602 issued and outstanding Class A common shares in the capital of Top Aces Holdco, being 100% of the issued and outstanding shares of Top Aces Holdco owned by the Debtor;

(www) "**Top Aces Property**" has the meaning given to it in the Introduction;

(xxx) "**Top Aces SSP**" means the sale and solicitation process to solicit bids for the Top Aces Property as set out herein;

(yyy) "**Top Aces Stalking Horse Agreement**" means the stalking horse agreement between the Debtor and the Top Aces Stalking Horse Bidder dated as of March 21, 2018 as the same may be amended, modified, improved or changed pursuant to the terms of this SSP for the purchase and sale of the Top Aces Property;

(zzz) "**Top Aces Stalking Horse Bidder**" means, collectively, CEP IV Co-Investment Limited Partnership, Clairvest Equity Partners IV Limited Partnership, Clairvest

Equity Partnership IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet.

(aaaa) "**Top Aces Transaction**" means the transaction contemplated by the Top Aces Stalking Horse Agreement or any other transaction under the Top Aces Stalking Horse Agreement or any superior bid pursuant to the process set out herein;

(bbbb) "**Transactions**" means the Top Aces Transaction, Great Slave Transaction, Air Tindi Transaction and/or Discovery Mining Transaction.

SCHEDULE "B"

Acknowledgement of the Sale and Solicitation Process

TO: Discovery Air Inc.

AND TO: KSV Kofman Inc. in its capacity as monitor in the CCAA proceedings of Discovery Air Inc.

RE: Sale and Solicitation Process in respect of the following Transaction(s) [*check all that apply*]:

☐ Top Aces Transaction

☐ Great Slave Transaction

☐ Air Tindi Transaction

☐ Discovery Mining Transaction

The undersigned hereby acknowledges receipt of the sale and solicitation process approved by the Order of the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List) dated April 4, 2018 (the "**SSP**") and that compliance with the terms and provisions of the SSP is required in order to participate in the SSP and for any Final Bid (as defined in the SSP) to be considered by the Monitor.

This ____day of _______________, 2018.

[Insert Interested Party name]

____
Per:
Email Address:

SCHEDULE "C" – ADDRESSES FOR NOTICES

KSV Kofman Inc.
Court-Appointed Monitor in Discovery Air Inc.'s CCAA proceedings
150 King Street West
Suite 2308, Box 42
Toronto ON M5H 1J9

Attention: Bobby Kofman & David Sieradzki

Email: bkofman@ksvadvisory.com/ dsieradzki@ksvadvisory.com

-with copies to-

Goldman Sloan Nash & Haber LLP
Lawyers for the Debtor
1600-480 University Avenue
Toronto, ON M5G 1V2

Attention: Mario Forte and Jennifer Stam

Email: forte@gsnh.com/ stam@gsnh.com

Goodmans LLP
Lawyers for the Monitor
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto ON M5H 2S7

Attention: L. Joseph Latham and Bradley Wiffen

Email: jlatham@goodmans.ca / bwiffen@goodmans.ca

SCHEDULE "D" - AUCTION PROCEDURES

1. The Auctions, if any, shall be conducted by the Monitor, at the offices of Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, ON, M5H 2S7 or such other location as the Monitor may choose in advance of the commencement of an Auction (the "**Auction Location**") commencing at 10:00 a.m. (Toronto time) on the following dates:

    - Top Aces SSP: May 21, 2018
    - Northern SSP: June 14, 2018

    No later than 24 hours prior to the scheduled date of the Auction, the Monitor shall communicate any change in the Auction Location from the offices of Goodmans LLP to another location to all applicable Qualified Bidders in writing (including by e-mail) and post notice of such change in location at the offices of Goodmans LLP and on the Monitor's Website.

2. To the extent that the Monitor is to conduct multiple Auctions, it may choose to conduct such Auctions concurrently or consecutively in its discretion. Any delay or postponement of the commencement of an Auction shall be communicated in accordance with paragraph 27 of the SSP.

3. Unless otherwise ordered by the Court or consented to in writing by the Monitor, only the authorized representatives and professional advisors of the Monitor, the Companies and the applicable Qualified Bidders (including, for certainty, the applicable Stalking Horse Bidder) invited to an Auction shall be eligible to attend an Auction and make any Subsequent Bid (as defined below) at an Auction. Administrative personnel, including without limitation, a court reporter or similar official, will also attend an Auction at the invitation of the Monitor.

4. At an Auction, all applicable Qualified Bidders (including, for certainty, a Stalking Horse Bidder) shall be permitted to increase their Qualified Bids in accordance with the procedures set forth herein (each, a "**Subsequent Bid**"). All Subsequent Bids presented during an Auction shall be made and received in one room on an open basis. All Qualified Bidders participating in an Auction shall be entitled to be present for all bidding with the understanding that the true identity of each participating Qualified Bidder shall be fully disclosed to all other Qualified Bidders and that all material terms of each Subsequent Bid presented during an Auction will be fully disclosed to all Qualified Bidders throughout an Auction.

5. In order to participate in an Auction and submit a Subsequent Bid(s), all Qualified Bidders must have at least one individual representative with authority to bind

such Qualified Bidder present in person at the Auction Location during the Auction.

6. All proceedings at an Auction shall be transcribed by a person(s) designated by the Monitor.

7. At least two (2) days prior to an Auction, the Monitor will advise all Qualified Bidders for the applicable SSP which of the Qualified Bids (including a Stalking Horse Agreement) the Monitor has determined in its reasonable business judgment, after consultation with its advisors and the Companies, constitutes the superior Qualified Bid (the "**Starting Bid**").

8. The Starting Bid will be deemed to be the first bid at the Auction and bidding at the Auction will continue, in one or more rounds of bidding, so long as during each round, at least one Subsequent Bid is submitted by a Qualified Bidder that, in the reasonable business judgement of the Monitor (i) improves upon the then Leading Bid (as herein defined) and (ii) meets the Overbid requirement.

9. The first round of bidding at an Auction in respect of the following processes and transactions shall commence in increments to be established by the Monitor and communicated to all Qualified Bidders no later than 2 days prior to the commencement of the applicable Auction (each an "**Overbid**"). The Monitor in its sole discretion shall be entitled to change the amount of the applicable Overbid at the commencement of or in subsequent rounds of bidding at the Auction.

10. Credit Bids will be permitted at an Auction, provided that the validity of such secured indebtedness has been confirmed by the Monitor in its sole satisfaction prior to commencement of such Auction. Bidding shall continue until such time as the superior bid in any Auction is determined by the Monitor, in its reasonable business judgment, after consultation with its advisors. The Monitor, in its sole discretion, shall have the right to modify the bidding increments at the commencement of any round of the Auction. Insofar as a Subsequent Bid (including any Subsequent Bid by a Stalking Horse Bidder) includes a Credit Bid or the assumption of liabilities, the Monitor shall determine the value of the consideration provided by such Subsequent Bid presented at the Auction, and in making such determination shall take into account the amount and priority of any Credit Bid and any liabilities to be assumed by a Qualified Bidder.

11. After the first round of bidding and between each subsequent round of bidding, the Monitor shall announce the Subsequent Bid that the Monitor has determined in its reasonable business judgment, after consultation with its advisors, to be the superior bid (the "**Leading Bid**"). At the commencement of the Auction, the Starting Bid shall be the Leading Bid. A round of bidding will conclude after each participating Qualified Bidder has had an opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid.

12. If no Qualified Bidder submits a Subsequent Bid (as determined by the Monitor) after a period of 30 minutes following the Monitor's acceptance of a Subsequent Bid as the Leading Bid, and provided that the Monitor chooses not to adjourn the subject Auction, the Leading Bid shall be the Accepted Bid, whereupon such Auction will be concluded. The Monitor shall have the right, but not the obligation, to extend the time period to submit a Subsequent Bid.

13. If an Auction is conducted, the Monitor shall determine, in its reasonable business judgment after consultation with its advisors, the next best Qualified Bid after the Accepted Bid (the "**Backup Bid**"). The Qualified Bidder that has submitted the Backup Bid will be designated as the "**Backup Bidder**". The Backup Bidder shall be required to keep its last submitted Subsequent Bid, or if it has not made a Subsequent Bid, its Qualified Bid (the "**Backup Bid**") open and irrevocable until the closing of the transaction with the Successful Bidder pursuant to the terms of the SSP.

14. At or during an Auction, the Monitor, after consultation with its advisors, may employ and announce additional procedural rules that are fair and reasonable under the circumstances for conducting such Auction; provided, however, that such rules are (a) not inconsistent with the SSP or these Auction Procedures, the CCAA, the SSP Order, or any other order of the Court entered in connection with the SSP or Auction Procedures and (b) disclosed to each Qualified Bidder at or during the Auction.

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 DISCOVERY AIR INC. (the "APPLICANT")

Court File No.: CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

SSP APPROVAL ORDER

GOLDMAN SLOAN NASH & HABER LLP
480 University Avenue, Suite 1600
Toronto, Ontario M5G 1V2
Fax: 416-597-6477

Mario Forte (LSUC#: 27293F)
Tel: 416.597.6477
Email: forte@gsnh.com

Michael Rotsztain (LSUC#: 17086M)
Tel: 416.597.7870
Email: rotsztain@gsnh.com

Jennifer Stam (LSUC#: #46735J)
Tel: 416.597.5017
Email: stam@gsnh.com

Lawyers for the Applicant

Appendix “C”

DISCOVERY AIR

DISCOVERY AIR INC. ANNOUNCES APPROVAL OF SALE PROCESS TO PRESERVE BUSINESS; AFFILIATES OF CLAIRVEST SUBMIT STALKING HORSE BIDS TO PURCHASE ASSETS

Toronto, ON - March 21, 2018 - Discovery Air Inc. ("Discovery") was granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") pursuant to an order (the "Initial Order") of the Ontario Superior Court of Justice ("Court"). Pursuant to the Initial Order, KSV Kofman Inc. ("KSV") was appointed as the CCAA monitor (" Monitor").

On April 4, 2018, the Court granted an order (the "SSP Order") approving a sale solicitation process ("SSP") for the sale of Discovery's shares of its wholly owned subsidiaries Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. ("ATL") and Discovery Mining Services Ltd. ("DMS") and its remaining minority interest in its former defence business along with certain other residual assets of Discovery. Discovery previously announced that it has entered into four asset purchase agreements with one or more affiliates of Clairvest Group Inc. ("Clairvest") for the sales of such interests. Pursuant to the SSP Order, the asset purchase agreements were approved for the purpose of constituting "stalking horse agreements" in the SSP. Pursuant to the SSP Order, the Monitor will conduct and oversee the sale process.

Under the SSP, interested parties must submit qualified bids by no later than (a) May 21, 2018 for the shares of the former defence business with any auction to take place on May 31, 2018; and (b) June 4, 2018 for any of the shares or assets of GSH, ATL and/or DMS with any auctions to take place on June 14, 2018. It is expected that Court approval of the final transactions (the "Approval Hearing") will be sought shortly after completion of any auctions and closing of all transactions is contemplated to occur no later than July 31, 2018. During that time GSH, ATL and DMS will continue to operate in the ordinary course.

On April 4, 2018, the Court also granted an Order approving an extension of Discovery's stay of proceedings to and including June 29, 2018. As previously announced, although not applicants, the stay of proceedings extends to GSH, ATL and DMS to prevent creditor actions against them as a result of Discovery's filing for CCAA protection. Discovery anticipates that it will seek a further extension of the stay at the Approval Hearing to allow the transactions to be completed.

A copy of the Initial Order, SSP Order and other Court materials and information related to the Company's CCAA proceedings is available on the Monitor's website at http://www.ksvadvisory.com/insolvency-cases/discovery-air/.

About Discovery Air

Discovery Air, through its subsidiaries, is a specialty aviation business with operations in the medevac equipped aircraft services, air charter services, helicopter operations and transport and logistics support sectors.

For further information, contact Investor Relations at 866-903-3247.

Appendix “D”

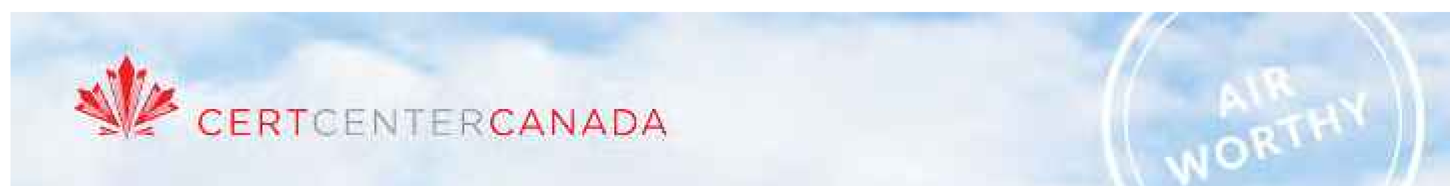
Discovery Air Inc. announces approval of sale process to preserve business

Posted on April 11, 2018; Discovery Air Press Release

Discovery Air Inc. (Discovery) was granted protection under the Companies' Creditors Arrangement Act (CCAA) pursuant to an order (the Initial Order) of the Ontario Superior Court of Justice (Court).

Pursuant to the Initial Order, KSV Kofman Inc. (KSV) was appointed as the CCAA monitor (Monitor).

Advertisement



On April 4, 2018, the Court granted an order (the SSP Order) approving a sale solicitation process (SSP) for the sale of Discovery's shares of its wholly owned subsidiaries Great Slave Helicopters Ltd. (GSH), Air Tindi Ltd. (ATL) and Discovery Mining Services Ltd. (DMS) and its remaining minority interest in its former defence business along with certain other residual assets of Discovery.

Discovery previously announced that it has entered into four asset purchase agreements with one or more affiliates of Clairvest Group Inc. (Clairvest) for the sales of such interests.

Pursuant to the SSP Order, the asset purchase agreements were approved for the purpose of constituting "stalking horse agreements" in the SSP. Pursuant to the SSP Order, the Monitor will conduct and oversee the sale process.

Under the SSP, interested parties must submit qualified bids by no later than (a) May 21, 2018 for the shares of the former defence business with any auction to take place on May 31, 2018; and (b) June 4, 2018, for any of the shares or assets of GSH, ATL and/or DMS with any auctions to take place on June 14, 2018.

It is expected that Court approval of the final transactions (the Approval Hearing) will be sought shortly after completion of any auctions and closing of all transactions is contemplated to occur no later than July 31, 2018.

During that time GSH, ATL and DMS will continue to operate in the ordinary course.

Advertisement

On April 4, 2018, the Court also granted an order approving an extension of Discovery's stay of proceedings to and including June 29, 2018. As

previously announced, although not applicants, the stay of proceedings extends to GSH, ATL and DMS to prevent creditor actions against them as a result of Discovery's filing for CCAA protection.

Discovery anticipates that it will seek a further extension of the stay at the Approval Hearing to allow the transactions to be completed.

A copy of the Initial Order, SSP Order and other Court materials and information related to the Company's CCAA proceedings is available on the Monitor's website.

Appendix “E”

David Sieradzki
ksv advisory inc.
150 King Street West, Suite 2308
Toronto, Ontario, M5H 1J9
T +1 416 932 6030
F +1 416 932 6266
dsieradzki@ksvadvisory.com

ksvadvisory.com

April 2, 2018

DELIVERED BY EMAIL

Discovery Air Inc.
170 Attwell Drive, Suite 370
Toronto, ON
M9W 5Z5

Attention: Alan Torrie, David Kleiman, Paul Bernards, and Alasdair Martin

Top Aces Inc.
1675 Trans Canada, Suite 201
Dorval, Quebec, Canada
H9P 1J1

Attention: Paul Bouchard

Dear Messrs. Torrie, Kleiman, Bernards, Martin and Bouchard:

Re: Discovery Air Inc. (the "Company")

Pursuant to an order of the Ontario Superior Court of Justice (the "Court") made on March 21, 2018 (the "Initial Order"), the Company was granted protection under the *Companies' Creditors Arrangement Act* and KSV Kofman Inc. was appointed as the monitor ("Monitor").

On April 4, 2018, the Company is seeking Court approval of a Sale Solicitation Process ("SSP") (the "SSP Order"). As you know, in developing the SSP, the Company, Monitor and counsel were cognizant of the Company's many connections with Clairvest Group Inc. and its affiliates ("Clairvest"), including in its capacity as the Company's principal shareholder, secured creditor, DIP lender and stalking horse bidder in the SSP. As such, pursuant to the proposed SSP Order, the SSP is to be conducted by the Monitor with the assistance of the Company's representatives and representatives of the Northern Businesses ("Northern Businesses"), being Great Slave Helicopters Ltd., Air Tindi Ltd. and Discovery Mining Services Ltd., and of Top Aces Inc. ("Top Aces") (collectively, "Representatives").

The purpose of this letter is to remind management of its obligation during the SSP that all information regarding the SSP is to be kept confidential and not shared with any party, including representatives of Clairvest, and that any communications from any interested parties must be directed immediately to the Monitor.

Specifically, please note that both the SSP and the SSP Order specifically state:

- none of the "Companies" (which includes the Company, GSH, ATL, DMS, Top Aces Holdings Inc. and Top Aces) nor any of the Representatives shall meet or communicate with any "potential bidder, interested party, bidder or qualified bidder (including Clairvest)" without first obtaining the consent of the Monitor and allowing the Monitor to participate in any communications;

- under no circumstances should any of the Companies or the Representatives be contacted directly or indirectly by any interested parties without consent of the Monitor. This includes communication for diligence requests;

- none of the Companies nor any of the Representatives shall communicate the identities of any interested parties or any other information regarding any bids or any transaction to either of the stalking horse bidders; and

- none of the Companies nor any of the Representatives shall communicate directly with Clairvest regarding any information relating to the SSP.

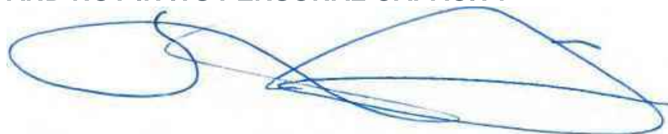
If you or any of your employees are contacted by any party regarding the SSP, please refer them directly to the Monitor to ensure that both you and such interested party remain compliant with the SSP and the SSP Order.

Thank you for your cooperation in this regard. Please advise all other Company, Northern Business and Top Aces employees who may be involved in the SSP of the confidentiality obligations discussed in this letter.

Should you have any questions, please contact the undersigned.

Yours very truly,

KSV KOFMAN INC.
IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY



Per: David Sieradzki

DS:rk
c.c. Jennifer Stam/Mario Forte (Goldman Sloan Nash & Haber LLP)

Appendix “F”

David Sieradzki
ksv advisory inc.
150 King Street West, Suite 2308
Toronto, Ontario, M5H 1J9
T +1 416 932 6030
F +1 416 932 6266
dsieradzki@ksvadvisory.com

ksvadvisory.com

May 22, 2018

DELIVERED BY EMAIL

Clairvest Group Inc.
22 St. Clair Avenue East
Suite 1700
Toronto, ON M4T 2S3

Attention: Adrian Pasricha and Jim Miller

Dear Adrian and Jim:

Re: Discovery Air Inc. (the "Company")

We are writing in our capacity as monitor ("Monitor"), appointed pursuant to an order of the Ontario Superior Court of Justice (Commercial List) ("Court") made on March 21, 2018 in the Company's proceedings under the *Companies' Creditors Arrangement Act*.

On April 4, 2018, the Court made an Order approving a sale solicitation process ("SSP") for substantially all of the Company's property, assets and undertaking. All capitalized terms in this letter have the meanings provided to them in the SSP.

The bid deadline for the Top Aces Property was May 21, 2018. The purpose of this letter is to declare the Top Aces Stalking Horse Agreement as the Accepted Bid and the Top Aces Stalking Horse Bidder as the Successful Bidder under the SSP for the Top Aces Property.

In accordance with the SSP, the Company will be bringing the Approval Motion in due course.

Should you have any questions, please contact the undersigned.

Yours very truly,

KSV KOFMAN INC.
IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY

Per: David Sieradzki

DS:rk
c.c. David Bish (Torys LLP)
Jennifer Stam/Mario Forte (Goldman Sloan Nash & Haber LLP)
Joe Latham (Goodmans LLP)

Appendix “G”

David Sieradzki
ksv advisory inc.
150 King Street West, Suite 2308
Toronto, Ontario, M5H 1J9
T +1 416 932 6030
F +1 416 932 6266
dsieradzki@ksvadvisory.com

ksvadvisory.com

June 5, 2018

DELIVERED BY EMAIL

10671541 Canada Inc.
c/o Clairvest Group Inc.
22 St. Clair Avenue East
Suite 1700
Toronto, ON M4T 2S3

Attention: Adrian Pasricha and Jim Miller

Dear Adrian and Jim:

Re: Discovery Air Inc. (the "Company")

We are writing in our capacity as monitor ("Monitor"), appointed pursuant to an order of the Ontario Superior Court of Justice (Commercial List) ("Court") made on March 21, 2018 in the Company's proceedings under the *Companies' Creditors Arrangement Act*.

On April 4, 2018, the Court made an Order approving a sale solicitation process ("SSP") for substantially all of the Company's property, assets and undertaking. All capitalized terms in this letter have the meanings provided to them in the SSP.

The bid deadline for the ATL, GSH and DMS Property was June 4, 2018. The purpose of this letter is to declare the ATL, GSH and DMS Stalking Horse Agreements as the Accepted Bids and the Northern Stalking Horse Bidder as the Successful Bidder under the SSP for ATL, GSH and DMS Property.

In accordance with the SSP, the Company will be bringing the Approval Motion in due course.

Should you have any questions, please contact the undersigned.

Yours very truly,

KSV KOFMAN INC.
IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY

Per: David Sieradzki

DS:rk

c.c. David Bish (Torys LLP)
Jennifer Stam/Mario Forte (Goldman Sloan Nash & Haber LLP)
Joe Latham (Goodmans LLP)

Appendix “H”

Discovery Air Inc.
Cash Flow Forecast
For the Period Ending July 31, 2018
(Unaudited; C$)

	Notes	29-Apr-18	06-May-18	13-May-18	20-May-18	27-May-18	03-Jun-18	10-Jun-18	17-Jun-18	24-Jun-18	01-Jul-18	08-Jul-18	15-Jul-18	22-Jul-18	29-Jul-18	31-Jul-18	Total
Receipts																	
Collections from Non-Applicant Subsidiaries	2	1,179,887	1,165,427	1,277,358	3,516,935	2,559,898	1,345,158	1,387,895	1,542,895	2,696,852	1,507,895	3,508,795	1,921,895	2,938,352	1,957,895	512,895	29,020,032
HST collections	3	-	28,000	-	-	28,000	-	270,000	28,000	-	-	-	-	-	-	-	354,000
Total Receipts		1,179,887	1,193,427	1,277,358	3,516,935	2,587,898	1,345,158	1,657,895	1,570,895	2,696,852	1,507,895	3,508,795	1,921,895	2,938,352	1,957,895	512,895	29,374,032
Disbursements																	
Payments to Non-Applicant Subsidiaries for operations	4	1,817,262	5,276,881	1,248,032	3,190,706	1,363,641	2,936,349	1,930,578	1,954,508	2,107,398	2,040,169	2,765,775	1,939,982	2,308,840	1,027,791	1,471,817	33,379,728
Payroll costs	5	60,000	30,000	-	30,000	-	30,000	-	30,000	-	30,000	-	30,000	-	-	1,680,000	1,920,000
Occupancy costs	6	-	13,285	-	-	-	13,285	-	-	-	-	-	-	-	-	-	26,570
Other sundry expenses	7	10,000	75,000	50,000	50,000	50,000	50,000	75,000	50,000	50,000	50,000	75,000	50,000	50,000	50,000	-	735,000
Debt service payments	8	20,417	64,000	60,000	39,000	-	64,000	88,333	39,000	-	-	164,000	39,000	-	-	-	577,750
Professional fees	9	219,000	-	225,000	-	-	225,000	-	-	-	-	225,000	-	-	-	-	894,000
Total Disbursements		2,126,678	5,459,166	1,583,032	3,309,706	1,413,641	3,318,634	2,093,911	2,073,508	2,157,398	2,120,169	3,229,775	2,058,982	2,358,840	1,077,791	3,151,817	37,533,048
Net Cash Flow		(946,791)	(4,265,739)	(305,674)	207,229	1,174,257	(1,973,476)	(436,016)	(502,613)	539,454	(612,274)	279,020	(137,087)	579,512	880,104	(2,638,922)	(8,159,016)

DIP Funding Requirement		29-Apr-18	06-May-18	13-May-18	20-May-18	27-May-18	03-Jun-18	10-Jun-18	17-Jun-18	24-Jun-18	01-Jul-18	8-Jul-18	15-Jul-18	22-Jul-18	29-Jul-18	31-Jul-18
Opening funding requirement		9,988,178	10,934,969	15,200,708	15,506,382	15,299,153	14,124,896	16,098,373	16,534,389	17,037,002	16,497,547	17,109,821	16,830,801	16,967,888	16,388,376	15,508,272
Net cash flow		(946,791)	(4,265,739)	(305,674)	207,229	1,174,257	(1,973,476)	(436,016)	(502,613)	539,454	(612,274)	279,020	(137,087)	579,512	880,104	(2,638,922)
Closing funding requirement		10,934,969	15,200,708	15,506,382	15,299,153	14,124,896	16,098,373	16,534,389	17,037,002	16,497,547	17,109,821	16,830,801	16,967,888	16,388,376	15,508,272	18,147,194
Permitted borrowings under CIBC facility	10	10,155,784	9,943,562	9,943,562	9,943,562	9,943,562	10,160,517	11,097,874	11,097,874	11,097,874	11,097,874	14,118,111	14,118,111	14,118,111	14,118,111	14,118,111
DIP funding requirement		(779,185)	(5,257,146)	(5,562,820)	(5,355,591)	(4,181,335)	(5,937,856)	(5,436,514)	(5,939,127)	(5,399,673)	(6,011,947)	(2,712,690)	(2,849,777)	(2,270,265)	(1,390,161)	(4,029,083)
Permitted DIP advances up to existing Maximum Amount	11	800,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000
Additional DIP funding surplus/(requirement)		20,815	(857,146)	(1,162,820)	(955,591)	218,665	(1,537,856)	(1,036,514)	(1,539,127)	(999,673)	(1,611,947)	1,687,310	1,550,223	2,129,735	3,009,839	370,917
Projected DIP Facility, closing balance		8,979,185	13,457,146	13,762,820	13,555,591	12,381,335	14,137,856	13,636,514	14,139,127	13,599,673	14,211,947	10,912,690	11,049,777	10,470,265	9,590,161	12,229,083

Discovery Air Inc.
Notes to Cash Flow Forecast
For the Period Ending July 31, 2018
(Unaudited; $C)

Purpose and General Assumptions

1. The purpose of this analysis is to present a cash flow forecast for Discovery Air Inc. (the "Company") for the period April 23, 2018 to July 31, 2018 in respect of its proceedings under the *Companies' Creditors Arrangement Act* . The Company is the only applicant in the proceedings. In accordance with the Initial Order, the cash flow reflects the cash management system used by the Company and the Non-Applicant Subsidiaries (the "Non-Applicant Subsidiaries"), being Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. ("ATL") and Discovery Mining Services Ltd ("DMS").

   The cash flow forecast has been prepared based on hypothetical assumptions developed and prepared by the Company's management.

Hypothetical Assumptions

2. Represents projected accounts receivable collections for GSH, ATL and DMS, which are assumed to be collected in accordance with existing customer payment terms and practices.

3. Represents net HST refundable.

4. Represents funding by the Company for the operating expenses of the Non-Applicant Subsidiaries, including payroll costs, aircraft maintenance, equipment purchases, fuel, occupancy costs, insurance, travel, employee training, aircraft and vehicle leases and debt service costs in respect of ATL's loan facility with Textron Financial Corporation. All such expenses are projected to be paid in the normal course in accordance with existing terms and payment practices.

5. Represents net payroll for the Company's employees.

6. Represents rent for the Company's head office in Toronto, Ontario and for a leased office in London, Ontario.

7. Represents telecommunications, technology, office supplies, utilities, accounting and other sundry expenses incurred by the Company.

8. Represents the payment of debt service costs on the Company's secured credit facilities, as follows:

   (a) interest to ECN Aviation Inc.;

   (b) interest, letter of credit fees and a standby overdraft fee to Canadian Imperial Bank of Commerce ("CIBC"); and

   (c) Interest to Roynat Inc. ("Roynat")

9. Represents payment of the estimated professional fees of the Monitor, its legal counsel and the Company's legal counsel.

10. "Net assets available for borrowing" is calculated in accordance with CIBC's existing lending formula. The DIP Facility is structured to fund any amounts required in excess of the Company's borrowing base.

11. Reflects permitted advances under the DIP Facility pursuant to the existing maximum amount of $12.6 million.

Appendix “I”

Third Report of KSV Kofman Inc. as CCAA Monitor of Discovery Air Inc.

April 24, 2018

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COURT FILE NO.: CV-18-594380-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 DISCOVERY AIR INC.

THIRD REPORT OF KSV KOFMAN INC. AS MONITOR

April 24, 2018

1.0 Introduction

1. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on March 21, 2018 (the "Initial Order"), Discovery Air Inc. (the "Company") was granted protection under the C*ompanies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Kofman Inc. was appointed monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "A".

2. The principal purpose of these CCAA proceedings is to conduct a sale solicitation process ("SSP") for the Company's: (i) wholly-owned operating subsidiaries, Great Slave Helicopters Ltd. ("GSH"), Air Tindi Ltd. and Discovery Mining Services Ltd. (together, the "Non-Applicant Subsidiaries"); (ii) 9.7% interest in Top Aces Holdings Inc. ("TA Holdings"), through which it holds an interest in Top Aces Inc. ("Top Aces") (formerly Discovery Air Defence Services Inc.); and (iii) other assets, including intercompany claims, causes of action and other claims the Company may have against the Non-Applicant Subsidiaries, TA Holdings, Top Aces and/or their officers and directors.

3. The SSP was approved pursuant to a Court Order made on April 4, 2018 (the "SSP Approval Order") and is presently being carried out by the Monitor.

1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:

   a) provide background information about the Company and these proceedings;

   b) report on the Company's revised cash flow projection for the period April 23, 2018 to July 31, 2018 ("Revised Cash Flow Forecast");

c) provide the basis for the Monitor's recommendation that the Court issue an order:

i. approving the first amendment (the "First Amendment") to the DIP term sheet (the "DIP Facility") dated as of March 21, 2018 between the Company and CEP IV Co-Investment Limited Partnership (the "DIP Lender"), an affiliate of Clairvest Group Inc. (together with its affiliates, "Clairvest"), pursuant to which: (a) the maximum principal amount available under the DIP Facility is to be increased from $12.6 million to $15 million; and (b) all interest payable to the DIP Lender will accrue and there will be no cash payment of interest absent further default; and

ii. providing that advances by the DIP Lender under the DIP Facility, as amended by the First Amendment, are secured by the DIP Lender's Charge and the Intercompany Charges (both as defined in the Initial Order).

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the Company's books and records and discussions with the Company's management. The Monitor has not audited, reviewed or otherwise verified 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.

2. The Monitor expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Monitor in preparing this Report. Any party placing reliance on the Company's financial or other information in this Report should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

3. An examination of the Revised Cash Flow Forecast as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Revised Cash Flow Forecast will be achieved.

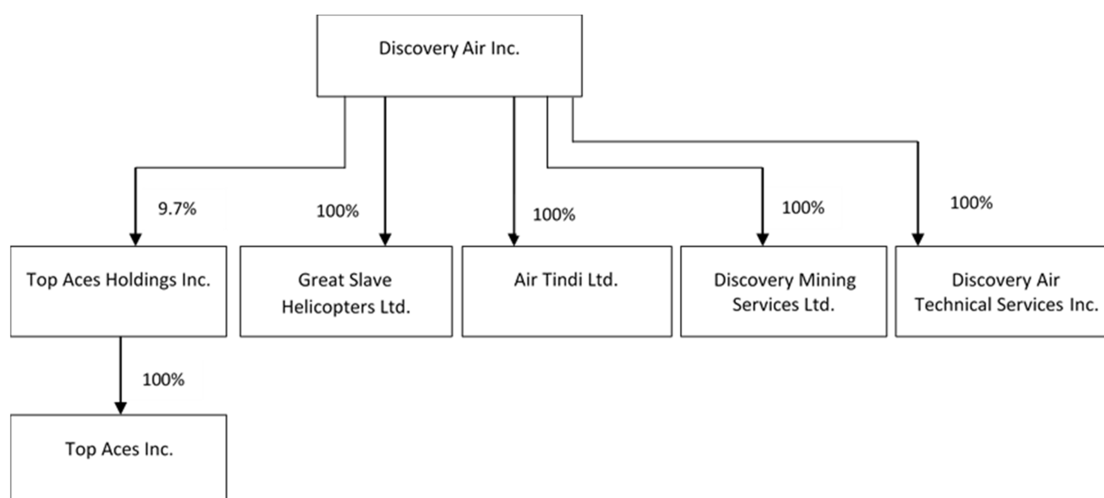
1.3 Currency

1. All currency references in this Report are to Canadian dollars.

2.0 Background

1. The Company is a holding company that provides management services to the Non-Applicant Subsidiaries and Top Aces, including strategy, corporate finance, accounting, legal, insurance, human resources and information technology. The Company was founded in 2004 and is headquartered in Toronto, Ontario. Throughout this Report, the Company and the Non-Applicant Subsidiaries are collectively referred to as the “Group”.

2. The Group provides specialty aviation and logistics support services across Canada and in select locations internationally, including the US, Bolivia and Chile. The Group’s condensed corporate chart, including the Company’s residual interest in TA Holdings, is provided below.



3. Clairvest is the Company’s 95.5% shareholder (the balance of the shares are owned by past and present management of the Company) and its most significant secured creditor. As at January 31, 2018, the Company’s obligations owing to Clairvest under its secured debentures totalled approximately $72.7 million, which obligations continue to accrue interest and costs.

4. The affidavit of Paul Bernards, the Company’s Chief Financial Officer, sworn March 21, 2018, was filed with the Court in support of the Company’s application for CCAA protection and provides, *inter alia*, details regarding the Company’s background, including the reasons for the commencement of these proceedings. Mr. Bernards has also sworn an affidavit dated April 23, 2018 in support of this motion.

5. Further information regarding these proceedings and the Group’s background is provided in the Monitor’s reports filed previously in these proceedings, copies of which are available on its website at www.ksvadvisory.com/insolvency-cases/discovery-air. All other Court materials filed in these proceedings can also be found on this website.

3.0 Revised Cash Flow Forecast

1. The Company's initial CCAA application materials included a cash flow forecast for the period March 19, 2018 to June 30, 2018 (the "Initial Cash Flow Forecast"). The Initial Cash Flow Forecast reflected, *inter alia,* a peak DIP funding requirement of approximately $12 million during the week ended June 3, 2018. The DIP Facility, which was approved under the Initial Order, provided for a maximum principal amount of $12.6 million (the "Maximum Amount").

2. As at April 23, 2018, the Company had drawn $11.1 million under the DIP Facility, which exceeded the amount forecasted to be drawn for the same period by approximately $4.4 million.

3. The Company attributes the additional funding requirements to, *inter alia*:

   a) expedited payment terms required by certain of the Non-Applicant Subsidiaries' vendors in the immediate post-filing period;

   b) unanticipated capital expenditures required to maintain certain of the Non-Applicant Subsidiaries' aircraft and/or to prepare for a government contract recently awarded to GSH; and

   c) timing differences which have required borrowings in advance of the date originally contemplated and which are expected to reverse.

4. The First Amendment includes a waiver from the DIP Lender of the default that arose from the Company failing to pay in cash the interest which had accrued under the DIP Facility at the end of March, 2018. The DIP Lender advised that it would waive the interest payment default on terms that were ultimately documented and settled in the First Amendment.

5. The DIP Facility requires the Company to provide to the DIP Lender an updated cash flow forecast on a weekly basis. In preparing the updated weekly cash flow forecasts, it became apparent that the Company would require an increase to the Maximum Amount in order for the Group to continue to operate in the normal course. The Monitor flagged this issue in its Supplement to the First Report to Court dated April 3, 2018, which noted that "*there is a significant risk that additional funding beyond $12.6 million would be required at some point during these proceedings*".

6. The Company has prepared the Revised Cash Flow Forecast, a copy of which, together with the Company's statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA, is attached as Appendix "B". The Revised Cash Flow Forecast reflects, *inter alia*:

   a) the Company is first projected to exceed the current Maximum Amount by approximately $860,000 during the week ending May 6, 2018;

b) the peak funding requirement is projected to be in excess of $14 million during June, 2018; and

c) the Company's funding requirements under the DIP Facility are projected to decrease after June due to the seasonality of the Non-Applicant Subsidiaries' businesses.

7. While the Revised Cash Flow Forecast reflects a maximum funding requirement under the DIP Facility slightly in excess of $14 million, the First Amendment contemplates the Maximum Amount being increased to $15 million to provide for contingencies and additional timing variances that may arise during the projection period.

8. Based on the Monitor's review of the Revised Cash Flow Forecast, the cash flow assumptions appear reasonable. The Monitor's statutory report on the Revised Cash Flow Forecast is attached as Appendix "C".

4.0 Recommendation re: the First Amendment

1. The Monitor believes the First Amendment to the DIP Facility is reasonable and appropriate and that advances up to the increased Maximum Amount of $15 million should be secured by the DIP Lender's Charge and the Intercompany Charges for the following reasons:

a) the Non-Applicant Subsidiaries require additional liquidity to continue to operate in the normal course;

b) the terms of the DIP Facility are reasonable for the reasons set out in the Monitor's pre-filing report dated March 21, 2018, including that the DIP Facility respects the existing priorities of the Group's secured creditors[1];

c) the DIP Lender is not prepared to provide additional funding absent Court approval of the First Amendment and the extension of the DIP Lender's Charge and the Intercompany Charges to include these further amounts;

d) the First Amendment provides a funding mechanism to prevent a liquidity crisis;

e) the additional funding is projected to be sufficient to allow the businesses to operate until the conclusion of the SSP; and

f) CIBC, the Company's operating lender, has advised that it does not oppose the relief sought by the Company.

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[1] Pursuant to the Initial Order, the DIP Lender's Charge ranks in priority only to Clairvest and creditors who rank subordinate to Clairvest.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(c) of this Report.

* * *

All of which is respectfully submitted,

KSV KOFMAN INC.
IN ITS CAPACITY AS MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY

Tab 7

DISCOVERY AIR

ANNUAL INFORMATION FORM
For the year ended January 31, 2017

April 13, 2017

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EXPLANATORY NOTES

Unless otherwise noted, all information is given as at January 31, 2017. Financial information is based on the audited consolidated financial statements of Discovery Air Inc. ("**Discovery Air**", the "**Corporation**", "**us**" or "**we**") for the fiscal year ended January 31, 2017, and information contained herein should be read in conjunction with these consolidated financial statements and their related notes. All monetary amounts are expressed in Canadian dollars and references to "$" are to Canadian dollars unless otherwise noted.

The Corporation's fiscal year end is January 31. All references in this document to fiscal year refer to the twelve months ended January 31 for the year referenced.

NON-IFRS MEASURES

The Corporation's management ("**management**") believes "EBITDA" to be an important metric in measuring the performance of the Corporation's day-to-day operations. This measurement is useful in assessing the Corporation's ability to service debt and to meet other payment obligations, and as a basis for valuation. EBITDA is not defined by International Financial Reporting Standards ("**IFRS**").

"**EBITDA**" means net earnings before finance costs, income taxes, depreciation of property and equipment and intangible assets, gains and losses on disposal of assets and extinguishment of debt, gains on acquisition and disposals, impairment losses, and gains and losses resulting from the change in fair value of financial liabilities.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking information is based on assumptions, estimates, analysis and opinions of management made in light of management's experience and perception of trends, current conditions and expected developments, as well as other facts that management believes to be relevant and reasonable at the date that such statements are made. Generally, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "could", "should", "would", "expect", "believe", "plan", "estimate", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Although management believes that the assumptions underlying the forward-looking statements are reasonable, they could prove to be inaccurate and, therefore, there can be no assurance that expected results will be obtained. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Actual results may vary from predictions. A number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: outcome of the award of the CATS Contract (as defined below) by PWGSC (as defined below), and the outcome of the award of other government contracts; the Corporation's business development initiatives; the ability of DA Defence (as defined below) to secure additional capital sufficient to complete the acquisition of the Additional Fighter Jets (as defined below) and to fund other capital expenditure requirements associated with the potential award of government contracts; the receipt of the TPT Approval (as defined below); the ability of DA Defence to secure a government contract for combat airborne training services that will require the use of the Additional Fighter Jets; the strength of the economy in general and the strength of local economies in which the Corporation's subsidiaries operate; government and military procurement efforts, policies and practices; the effects of changes in interest rates; the effects of changes in foreign currency exchange rates; the effects of competition in the markets in which the Corporation's subsidiaries operate; capital market fluctuations; resource and commodity price fluctuations; the effects of changing technology; the

weather and weather patterns; and the impacts of changes in laws. Other risk factors can be found in this Annual Information Form below under "*Risk Factors*" and in the Management's Discussion and Analysis of the Corporation for the fiscal year ended January 31, 2017, which is available on SEDAR at www.sedar.com. Forward-looking information is provided for the purposes of meeting legal disclosure requirements, and also to assist the public in understanding our business. Because of the inherent risk of inaccuracy in forward-looking information, the reader is cautioned that it may not be appropriate for the stated (or other) purposes. When relying on forward-looking statements to make decisions, investors and others should carefully consider these factors and other uncertainties or potential events.

NAME, ADDRESS AND INCORPORATION

Discovery Air was incorporated on November 12, 2004 pursuant to the Ontario *Business Corporations Act* and was continued under the *Canada Business Corporations Act* on March 27, 2006. The share structure of the Corporation was amended at the time of the continuance to restrict foreign voting control in order to meet the requirement in the *Canada Transportation Act* (the "**CTA**") that holders of licences to operate domestic Canadian air services be "Canadian". As a result, the Corporation has two classes of common shares: Class A common voting shares (the "**Class A Shares**") and Class B common variable voting shares (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**"). See "*Description of Capital Structure*" for further details concerning the Corporation's share structure.

In April 2006, Discovery Air completed an initial public offering of Class A Shares and listed the Class A Shares on the TSX Venture Exchange. In June 2006, the Class A Shares were listed on the Toronto Stock Exchange (the "**TSX**") (symbol: DA.A). The Class B Shares are not listed on any exchange.

In May 2011, the Corporation issued $34.5 million principal amount (inclusive of a $4.5 million over-allotment option) of 8.375% convertible unsecured subordinated debentures (the "**Unsecured Debentures**"), which are listed on the TSX (symbol: DA.DB.A). The Unsecured Debentures were amended on November 27, 2014.

In September 2011, the Corporation issued $70,000,005 of senior secured convertible debentures (the "**Secured Debentures**") pursuant to a private placement. The Secured Debentures are not listed on any exchange.

Also in September 2011, all of the issued and outstanding Common Shares were consolidated on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares. The Class A Shares commenced trading on a post-consolidation basis on September 29, 2011. All references to Common Shares herein are references to such shares on a post-consolidation basis.

In April 2014, the Corporation completed a rights offering (the "**2014 Rights Offering**") which was backstopped by a limited standby commitment (the "**Standby Commitment**")[1] from Clairvest Group Inc. ("**Clairvest**"), all as more fully described in the Corporation's short form prospectus dated March 21, 2014 (the "**2014 Rights Offering Prospectus**"). A copy of the 2014 Rights Offering Prospectus can be

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[1] In connection with the 2014 Rights Offering, the Corporation entered into a standby purchase agreement with Clairvest dated February 24, 2014 pursuant to which Clairvest agreed to purchase, at the subscription price specified in the 2014 Rights Offering Prospectus, all of the Common Shares not otherwise purchased pursuant to the exercise of rights under the 2014 Rights Offering up to a maximum number of Common Shares equal to 49.0% of the Common Shares that would be issued and outstanding after giving effect to the purchase of Common Shares pursuant to the exercise of rights under the 2014 Rights Offering and the purchase of Common Shares by Clairvest *less* that number of Common Shares already held by Clairvest (including the Common Shares acquired upon the exercise of rights) prior to giving effect to the purchase of Common Shares by Clairvest pursuant to the Standby Commitment.

found on SEDAR at www.sedar.com. On April 28, 2014, the Corporation issued 1,952,009 Class A Shares from treasury pursuant to the exercise of rights issued under the 2014 Rights Offering. On May 2, 2014, the Corporation issued 15,489,851 Common Shares from treasury pursuant to the Standby Commitment. Of the Common Shares that were issued pursuant to the 2014 Rights Offering and the Standby Commitment, 15,554,906 Common Shares were issued to Clairvest, and/or certain of Clairvest's affiliates and/or investors in certain of Clairvest's funds (the "**Clairvest Parties**"), which resulted in the Clairvest Parties owning, or exercising control or direction over, approximately 48.8% of the aggregate number of Common Shares issued and outstanding after such issuances.

In November, 2014, holders of the Unsecured Debentures voted in favor of two amendments to the Unsecured Debentures and as a result: (i) the definition of "change of control" in the Unsecured Debenture Indenture was changed to allow for Clairvest to increase its equity interest above 50% without requiring the Corporation to repurchase the Unsecured Debentures; and (ii) the maturity date of the Unsecured Debentures was extended from June 30, 2016 to June 30, 2018, which extension was subject to the Corporation completing, prior to June 29, 2016, an equity offering of Common Shares for minimum aggregate net proceeds of $5 million. This condition was satisfied by the completion of the 2015 Rights Offering (as defined below).

In March, 2015, the Corporation completed a rights offering (the "**2015 Rights Offering**"), as more fully described in the Corporation's short form prospectus dated January 30, 2015 (the "**2015 Rights Offering Prospectus**"). A copy of the 2015 Rights Offering prospectus can be found on SEDAR at www.sedar.com. On March 13, 2015, the Corporation issued 50,000,000 Class A Common Shares from treasury pursuant to the exercise of rights issued under the 2015 Rights Offering. Of the Common Shares that were issued pursuant to the 2015 Rights Offering, 46,267,443 Common Shares were issued to the Clairvest Parties, as a result of which the Clairvest Parties then owned, or exercised control or direction over, approximately 75.5% of the aggregate number of Common Shares of the Corporation then issued and outstanding.

In May, 2015, the Clairvest Parties acquired 1,440,746 Class B Shares and in June, 2015, the Clairvest Parties acquired 4,417,358 Class A Shares and 128,902 Class B Shares, in each case from former members of management of the Corporation and related parties to former members of management of the Corporation. As a result of such acquisition, the Clairvest Parties then owned, or exercised control or direction over, 66,422,606 Common Shares, or 81% of the aggregate number of Common Shares of the Corporation then issued and outstanding.

In December, 2016, the Clairvest Parties acquired a further 4,179,122 Common Shares of the Corporation representing approximately 5.1% of the Corporation's issued and outstanding Common Shares , at a price of $0.20 per share (the "**Clairvest Share Purchase**"). Following the Clairvest Share Purchase, the Clairvest Parties own or exercise control over 70,601,728 Common Shares, and, together with the 8,375,570 Common Shares issuable upon conversion of the Secured Debentures, would, if the Secured Debentures were converted, own or exercise control over approximately 87.5% of the Corporation's issued and outstanding shares on an "as converted" basis

On March 24, 2017, the Corporation announced that it had entered into a definitive agreement with the Clairvest Parties which will result in the Clairvest Parties, together with certain management shareholders of the Corporation (collectively, the "**Purchaser Group**"), holding all of the issued and outstanding shares in the capital of the Corporation by way of arrangement (the "**Arrangement**") pursuant to the *Canada Business Corporation Act* (the "**Going Private Transaction**"). Pursuant to the terms of the Arrangement, the Clairvest Parties will indirectly acquire from the shareholders of the Corporation all of the issued and outstanding Class A Shares and Class B Shares not already held by the Purchaser Group for $0.20 per Common Share (the "**Cash Consideration**"). The total Cash Consideration to be paid by

the Clairvest Parties is approximately $1.5 million. The completion of the Arrangement is subject to the satisfaction of certain conditions, including, among others, the approval of the Ontario Superior Court of Justice (Commercial List) and the approval of 66 2/3% of the votes cast by holders of Common Shares at a special meeting of Corporation shareholders to approve the Arrangement (the "**Special Meeting**"). The members of the Purchaser Group collectively currently own over 90% of the Common Shares and have indicated their intent to vote in favour of the Arrangement at the Special Meeting. A special committee of disinterested members of the Corporation's Board of Directors (the "**Special Committee**") believes, on the basis of, among other things, the valuation and fairness opinion provided by the Special Committee's financial advisor, Capital Canada Limited, that the Cash Consideration to be received by Corporation shareholders is fair, from a financial point of view, and that the Arrangement is in the best interests of the Corporation. Upon the completion of the Going Private Transaction, the Class A Shares of the Corporation will be de-listed from the TSX, and there will cease to be any public market for the Common Shares. Notwithstanding the foregoing, as the Unsecured Debentures will remain outstanding following the Going Private Transaction, the Corporation will remain a reporting issuer for the purposes of securities laws. A copy of the press release in respect of the Going Private Transaction can be found on SEDAR at www.sedar.com. More information concerning the Going Private Transaction, including associated Risk Factors, will be available in the Management Information Circular in respect of the Going Private Transaction on SEDAR at www.sedar.com.

The head and registered office address of the Corporation is 170 Attwell Drive, Suite 370, Toronto, Ontario, M9W 5Z5.

INTERCORPORATE RELATIONSHIPS

Discovery Air is the parent company to four material subsidiaries that are engaged in the delivery of specialty aviation services including airborne training, helicopter charter services, fixed-wing air charter services, medevac equipped aircraft services, and exploration and logistics support.

Each of the subsidiaries was acquired by the Corporation between June 2006 and January 2008.

The following chart sets out the material subsidiaries of the Corporation, all of which are wholly-owned by the Corporation, along with their dates of acquisition, and jurisdictions of incorporation.

NAME OF SUBSIDIARY	DATE OF ACQUISITION OR INCORPORATION BY DISCOVERY AIR	JURISDICTION OF INCORPORATION
Great Slave Helicopters Ltd. ("**GSH**")	June 2006	Canada
Air Tindi Ltd. ("**Air Tindi**")	December 2006	Canada
Discovery Air Defence Services Inc. (formerly, Top Aces Inc.) ("**DA Defence**")	August 2007	Canada
Discovery Mining Services Ltd. ("**Discovery Mining**")	January 2008	Canada

On January 8, 2016, the Corporation sold substantially all of the non-financial assets of its wholly-owned subsidiary, Discovery Air Technical Services Inc. ("**Technical Services**"). Until such sale, Technical Services was a material subsidiary of the Corporation engaged in the delivery of a range of maintenance, repair overhaul, modification, engineering and certification services. Originally incorporated in April 2010, Technical Services remains an inactive subsidiary of the Corporation.

On December 19, 2016, DA Defence (as defined below) amalgamated with Discovery Air Innovations Inc. ("**DAI**") in a horizontal short-form statutory amalgamation. DAI was an inactive direct subsidiary of

the Corporation. DAI had previously transferred its business development activities and associated personnel to DA Defence.

On January 31, 2017, the Corporation completed a transaction to sell the fire services business then operated by its wholly-owned subsidiary, Discovery Air Fire Services Inc. ("**Fire Services**") to certain affiliates of Clairvest (the "**DAFS Disposition**"). Until the DAFS Disposition, Fire Services was a material subsidiary of the Corporation engaged in (among other things) the deli very aerial fire surveillance, airspace and aircraft management, air transport services in support of the Ontario government's forest fire management program, and court -related air transport services for a variety of provincial government agencies. Because Clairvest is both a shareholder of the Corporation as well as affiliated with the purchasers in the DAFS Disposition, the DAFS Disposition was subject to "minority approval" as a "related party transaction". Such minority approval was received in November , 2016. The Corporation filed a Material Change Report and certain Material Contracts in connection with the DAFS Disposition on September 14, 2016 and January 31, 2017, copies of which are available on SEDAR at www.sedar.com.

GENERAL DEVELOPMENT OF THE BUSINESS

Discovery Air is a specialty aviation services company which, through its subsidiaries, operates across Canada and in select locations internationally including the United States, Germany, Australia, Bolivia and Chile. The Corporation and its subsidiaries operate over 110 aircraft, employ more than 700 flight crew, maintenance personnel and support staff and deliver a variety of air transport, airborne training and logistics solutions to their government, natural resource and other business customers. Recent developments in the Corporation's business are described below.

Operational Developments

DA Defence is the prime supplier of airborne training services to the Department of National Defence ("**DND**") and the Canadian Armed Forces (the "**Canadian Armed Forces**"). These training services are currently provided by DA Defence under a program known as Interim Contracted Airborne Training Services ("**ICATS**"). DA Defence has derived its revenue under the ICATS program from a series of standing offer agreements with the Government of Canada (the " **Standing Offers**"). The most recent extensions to the Standing Offers extended DA Defence's ICATS program to December 2017, with two additional six-month option periods.

In August, 2015, Public Works and Government Services Canada ("**PWGSC**") issued a request for proposals (the "**2015 RFP**") for a ten year (with possibility for extensions until 2031) contracted airborne training services contract to replace the Standing Offers (the " **CATS Contract**"). A series of amendments were issued to the 2015 RFP by PWGSC in late 2015. DA Defence submitted a bid in response to the 2015 RFP in February, 2016. Although a decision in respect of the award of the CATS Contract was initially expected in late 2016 or early 2017, DA Defence consented to an extension of the bid validity period in respect of the 2015 RFP to October, 2017. As such, PWGSC is not obligated to make a determination in respect of the award of the CATS Contract before this time.

During fiscal 2015, fiscal 2016 and fiscal 2017, DA Defence continued to make significant efforts to expand its business internationally based on management's belief that there are significant growth

opportunities for DA Defence in the international combat support[2] and military flight training[3] markets. In connection with such efforts, DA Defence subsequently commenced operations in a number of foreign markets.

In December 2013, DA Defence acquired the business of Advanced Training Systems International, Inc. through the merger of that company with and into Advanced Training Systems International Corp. ("**ATSI**"), a wholly owned subsidiary of DA Defence that was established for the purpose of completing the acquisition. ATSI changed its name to Top Aces Corp. ("**TAC**") on June 2, 2015. TAC is an airborne services company based in Mesa, Arizona and owns a fleet of ten Douglas A-4 "Skyhawk" aircraft. The Corporation filed a Material Change Report in connection with this acquisition on December 17, 2013, a copy of which is available on SEDAR at www.sedar.com.

On January 31, 2014, DA Defence entered into a contract w ith the German government (the "**German Contract**") pursuant to which it provides fast jet airborne training services to the German Armed Forces for a term of five years utilizing seven of TAC's McDonnell Douglas A-4N aircraft. The services are based out of Wittmund, Germany. Revenue generating operations under the German Contract commenced in January 2015. The Corporation filed a Material Change Report in connection with this contract on February 4, 2014, a copy of which is available on SEDAR at www.sedar.com.

On May 23, 2015, TAC entered into an agreement for high-performance upset prevention and recovery training with Aviation Performance Solutions LLC, an Arizona, USA-based flight training company. TAC provided notice of intent to terminate this contract in March, 2017.

In February, 2017, DA Defence and Inzpire Ltd. ("**Inzpire**"), a UK-based airborne training provider, agreed to work together to collectively bid for the UK Ministry of Defence's Air Support to Defence Operational Training ("**ASDOT**") program. DA Defence has further agreed to partner with Inzpire to provide services in respect of any contract awarded in respect of the ASDOT program (the "**UK Contract**"). DA Defence and Inzpire expect to submit a bid in this regard in 2017.

In March, 2017, DA Defence and Air Affairs Australia Pty Ltd. were awarded a two-year trial contract by the Commonwealth of Australia to provide "Red Air" (adversary aircraft) and fighter support to the Australian Defence Force (the "**Australia Contract**"). The Australia Contract will be conducted with three DA Defence-owned, upgraded Alpha Jets based at Royal Australian Air Force Base Williamtown. DA Defence will provide Red Air and fighter support to the Royal Australian Air Force, joint terminal attack controller training to the Australian Army, and anti-surface training for the Royal Australian Navy. Revenue generating operations under the Australian Contract are expected to commence in August or September, 2017.

Additionally, in October 2013, a subsidiary of DA Defence entered into an agreement, as later amended, for the purchase of six General Dynamics F-16 "Fighting Falcon" aircraft and six McDonnell Douglas A-4N **"**Skyhawk" aircraft, together with an integrated logistics support package, spare engines, F-16 conversion training and options for additional F-16 and A-4N aircraft (the "**Sale Agreement**"). Management believes that there are various opportunities in the internationa l military flight training

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[2] The terms "combat support" and "airborne training" are used interchangeably in this document. Combat support or airborne training services refer to training provided to military personnel in which the service provider uses military fighter jet aircraft to provide realistic, live-flying simulation of various combat scenarios.

[3] The term "military flight training" refers to pilot training for new or ju nior military pilots, including basic, advanced and fighter lead-in training. Jet and non-jet aircraft are used typically for these types of pilot training.

markets and that a fleet of F-16 and A-4N aircraft (the "**Additional Fighter Jets**") would provide DA Defence with the ideal combination of supersonic and high subsonic aircraft for the needs of that market.

Completion of the transactions contemplated by the Sale Agreement are conditional on a number of regulatory approvals, the most significant of which is the receipt of approval under the U.S. Arms Export Control Act for the third party transfer of the F-16 and A-4N aircraft from the seller to DA Defence (the "**TPT Approval**"). The TPT Approval will require, among other things, the award to DA Defence of a government contract for combat airborne training services that requires the use of the Additional Fighter Jets. Assuming that TPT Approval and all ancillary regulatory approvals are received and the Corporation is awarded a qualifying government contract, the Corporation will require significant additional capital in order to complete all of the transactions contemplated by the Sale Agreement and to make the necessary capital expenditures that would likely be required to perform its obligations under any such qualifying government contract.

While no assurances can be given as to the timing of the TPT Approval and associated ancillary regulatory approvals, the Corporation is currently exploring debt financing options that would provide sufficient capital to the Corporation to permit it to acquire the Additional Fighter Jets (the "**Financing Options**") and to make the necessary capital expenditures to perform under any additional government contracts awarded to DA Defence and/or its subsidiaries. Since the award of any qualifying government contracts is uncertain, as is the receipt and timing of TPT Approval and all ancillary regulatory approvals, the Financing Options remain purely exploratory at this stage, and there can be no assurance that such financing will be available to the Corporation on acceptable terms, or at all, when required by the Corporation. The management of DA Defence has reason to believe that TPT Approval will be successful and are in discussions with the U.S. State Department, though no assurances can be given as to if and when such approval will be granted. Additionally, no assurances can be given as to if or when DA Defence will be awarded one or more qualifying government contracts.

GSH also pursued certain business expansion efforts. In fiscal 2017, GSH entered into a number of new partnerships with Indigenous groups in northern Canada. Additionally, in fiscal 2017 GSH focused on expanding its business in South America by way of teaming with local operators in Argentina and Bolivia.

In January 2015, Air Tindi entered into the medevac equipped aircraft services contract for the Stanton Territorial Health Authority to provide air evacuation services in the Northwest Territories. The contract is for a term of eight years (plus two option years) and is a renewal of a contract that Air Tindi has serviced for seven years. In connection with this contract, Air Tindi purchased three King Air 250 aircraft from Beechcraft (the "**Stanton Acquisition**") for US $13.3 million.

Rationalization Efforts

Additionally, the Corporation has ceased operating certain businesses that were not considered by management to be accretive to the Corporation's profitability going forward or that were otherwise not core to its specialty aviation mandate. In early fiscal 2014, the business development activities and associated personnel of DAI were transferred to DA Defence in view of the fact that a majority of business development activities carried on by DAI pertained to the business of DA Defence. In January, 2016, the Corporation sold substantially all of the non-financial assets of Technical Services. In January 2017, the Corporation sold all of the issued and outstanding shares in the capital of Fire Services. Additionally, in January, 2017, GSH ceased operations in Peru after an evaluation of the local market for helicopter services established that remaining in Peru would not be accretive to the Corporation, and after GSH management determined that obtaining a local Air Operator's certificate would not be cost effective.

The Corporation has also undertaken efforts to improve the efficiency and profitability of its operations. In fiscal 2014, Air Tindi undertook aggressive cost cutting measures, which included the cessation of executive jet charter services, and the closure of its facility in Calgary, Alberta. During fiscal 2015 GSH reduced head count by 25%, and during fiscal 2017 GSH undertook further cost cutting measures which included right-sizing of its fleet and human resources rationalization at the senior management level.

Additionally, in fiscal 2015, the Corporation commenced an equipment rationalization project designed to optimize its fleet Corporation-wide and ensure that the needs of its various operating subsidiaries continued to be met in a cost-effective and efficient manner. In connection with this project, certain underused aircraft were sold or listed for sale and certain other aircraft were acquired or upgraded. This equipment rationalization continued in fiscal 2016 and 2017.

Corporate Finance Activities

Discovery Air has completed several significant financing transactions in order to, among other things, fund growth initiatives and provide working capital. In August 2012, the Corporation entered into a new, committed operating facility with the Canadian Imperial Bank of Commerce (the "**Operating Facility**"). In March 2014, the Corporation entered into a loan agreement with one of its existing lenders in order to refinance certain of its existing term indebtedness and eliminate certain obligations it previously had to either restore the airworthiness of certain aircraft or repay approximately $4 million of indebtedness. The Corporation filed a Material Change Report in connection with this transaction on April 3, 2014, a copy of which is available on SEDAR at www.sedar.com. On April 28, 2014, the Corporation completed the 2014 Rights Offering pursuant to which it raised gross proceeds of approximately $1.7 million. The Corporation filed a Material Change Report in connection with the 2014 Rights Offering on February 28, 2014, a copy of which is available on SEDAR at www.sedar.com. On May 2, 2014, the Corporation raised gross proceeds of approximately $13.3 million from the issuance of Common Shares pursuant to the Standby Commitment. The Corporation filed a Material Change Report in connection with the Standby Commitment on May 6, 2014, a copy of which is available on SEDAR at www.sedar.com. On March 13, 2015, the Corporation completed the 2015 Rights Offering pursuant to which it raised gross proceeds of $11.0 million. The Corporation filed a Material Change Report in connection with the 2015 Rights Offering on March 13, 2015, a copy of which is available on SEDAR at www.sedar.com. On March 31, 2015, in connection with the Stanton Acquisition, Air Tindi received approximately $15 million in equipment financing from Textron Financial Corporation (the "**Stanton Financing**") with a term of eight years. The Stanton Financing is secured by the acquired aircraft and guaranteed by the Corporation. In May 2015, the Corporation renewed the Operating Facility for a term ending June 30, 2017 (the "**Renewed Operating Facility**"). The Renewed Operating Facility has a limit of up to $30 million (depending on whether advances are made during or outside of the Corporation's peak operating period and on the value of eligible receivables and inventory) and may be used for working capital and general corporate purposes. The Renewed Operating Facility is secured by a first charge on the receivables and inventory of the Corporation and certain of its subsidiaries, general security agreements and other customary security agreements. On March 30, 2016, the Corporation entered into a credit agreement with the Clairvest Parties (the "**Clairvest Loan**"), which provided for a revolving credit facility in the aggregate principal amount of $12 million. Proceeds from the Clairvest Loan were used to finance aircraft upgrades in support of certain growth initiatives and for business development activities at certain subsidiaries. The Corporation repaid the Clairvest Loan in December, 2016. The Corporation filed a Material Change Report in connection with the Clairvest Loan on March 30, 2016, a copy of which is available on SEDAR at www.sedar.com. On December 20, 2016, the Corporation, through its subsidiary, DA Defence, entered into a credit agreement with the Clairvest Parties (the "**New Clairvest Loan**") providing for a revolving credit facility in the aggregate principal amount of $25 million. The borrowings under the New Clairvest Loan are secured, bear interest at a rate of 12% per annum and

mature on June 30, 2017. The New Clairvest Loan also contains an optional conversion feature, which provides the Clairvest Parties an option, subject to certain conditions, to convert the outstanding balance under the New Clairvest Loan into common shares of DA Defence at a conversion price to be determined on the basis of the value of the DA Defence business after the application of certain agreed upon adjustments, as determined by an independent and qualified valuator. The Corporation filed a Material Change Report and Material Contracts in connection with the New Clairvest Loan on December 23, 2016, copies of which are available on SEDAR at www.sedar.com. For additional information on the New Clairvest Loan, please see below under the heading "*Risk Factors*".

Senior Management and Board of Directors

In addition to the developments described above, there have also been a number of recent changes in the Corporation's senior management team. In March, 2014, William (Bill) Martin resigned as the Corporation's Chief Financial Officer ("**CFO**"). Paul Bernards was appointed as the Corporation's CFO on April 1, 2014. The Corporation filed Material Change Reports in respect of Mr. Martin's resignation as CFO and Mr. Bernards' appointment as CFO on February 21, 2014 and March 17, 2014, respectively.

On February 1, 2014, Al Martin was appointed President of Air Tindi, replacing Sean Loutitt who resigned on April 8, 2013.

In May 2014, David Kleiman was appointed Vice President, General Counsel and Corporate Secretary, replacing Dennis Lopes who resigned in May 2014.

On July 3, 2014, Mr. Kenneth Rotman was appointed as Chair of the Board, replacing Brian Semkowski, who resigned June 2014.

In May 2015, Chris Bassett was appointed President of GSH, replacing Adam Bembridge who resigned as President of GSH in October of 2014. Subsequently, in June 2016, Mr. Bassett departed as President of GSH and was replaced by Alasdair Martin. Mr. Martin remains President of Air Tindi concurrently with serving as President of GSH.

In January 2017, Thomas Andrew (Drew) Hickey was appointed to the Corporation's board of directors.

DESCRIPTION OF THE BUSINESS

The Corporation has two reportable segments: "Aviation" and "Corporate Support and Other."

The Aviation segment is comprised of DA Defence, GSH, and Air Tindi and, until January 2017, also included Fire Services[4].

The Corporate Support and Other segment includes Discovery Mining and Corporate (which comprises the central management, information technology and administrative activities of the Corporation). Prior to its sale in January 2016, Technical Services was included in this segment[5].

During the fiscal years ended January 31, 2017 and January 31, 2016, the revenues by service type and segment type (and which accounted for 15% or more of total consolidated revenues) were as follows:

[4] The 100% of the shares of Fire Services were sold on January 31, 2017.
[5] Substantially all of the non-financial assets of Technical Services were sold in January, 2016.

REVENUES (AS A PERCENTAGE (%) OF TOTAL REVENUES)		
SERVICE TYPE	**FISCAL YEAR ENDED JANUARY 31, 2017**	**FISCAL YEAR ENDED JANUARY 31, 2016**
Government	66	65
Mining Exploration & Production	14	16
Other*	20	19

*Includes oil and gas, charter, scheduled flights and miscellaneous.

REVENUES (AS A PERCENTAGE (%) OF TOTAL REVENUES)		
SEGMENT	**FISCAL YEAR ENDED JANUARY 31, 2017**	**FISCAL YEAR ENDED JANUARY 31, 2016**
Aviation	98	98
Corporate Support and Other	2	2

Aviation Segment

DA Defence

DA Defence is the prime supplier of contracted airborne training services to the DND and the Canadian Armed Forces, and a supplier of airborne training services to other militaries around the world. In Canada, these training services are provided by DA Defence under a program known as ICATS. DA Defence's revenue-generating opportunities are typically highest in the periods from February to June and September to November.

Over the course of the fiscal year ended January 31, 2017, DA Defence operated 14 Alpha Jet aircraft, and 2 Westwind special mission aircraft in support of the ICATS program. DA Defence's fleet provides adversary support, forward air controller training and electronic warfare mission support to Canada's army, navy, air force and special forces. DA Defence supports Canadian military training at various locations in Canada and the United States. DA Defence together with its subsidiaries employs approximately 206 flight crew, maintenance, administrative and management personnel.

Since 2005, DA Defence has derived its revenue under the ICATS program from the Standing Offers. In February 2005, the Government of Canada awarded three national Standing Offers to DA Defence to provide "fast jet" (known as Type 1) airborne training services to the Canadian Armed Forces. The Standing Offers were initially for a period of three years, with two option years exercisable by the Government of Canada. In 2006, the Government of Canada awarded two additional national Standing Offers to DA Defence to provide "business jet" (known as Type 2) airborne training services to the Canadian Armed Forces. These Standing Offers were for a three year period, with two option years exercisable by the Government of Canada.

All option years were exercised by the Government of Canada and the Standing Offers have subsequently been extended on several occasions. The most recent extensions extended the Standing Offers to December, 2017, with two additional six-month option periods.

In August, 2015, PWGSC issued a request for proposals (the "**2015 RFP**") for the CATS Contract to replace the Standing Offers. A series of amendments were issued to the 2015 RFP by PWGSC in late 2015. DA Defence submitted a bid in response to the 2015 RFP in February 2016. Although a decision in respect of the award of the CATS Contract was initially expected in late 2016 or early 2017, DA Defence

consented to an extension of the bid validity period in respect of the 2015 RFP to October, 2017. As such, a decision in respect of the award of the CATS contract is now expected by October, 2017.

DA Defence's competitive advantages are currently derived from the following primary sources:

- an efficient and safe fighter aircraft platform which possesses many of the capabilities desirable in an adversary aircraft;
- experienced ex-military pilots who have a deep understanding of the military training environment;
- a business model and flying operation optimized to deliver cost effective combat support services to militaries;
- a track record of delivering combat support services at a very high reliability rate; and
- an industry-leading safety record.

Management believes that there are significant growth opportunities for DA Defence in the international combat support and military flight training markets. The Corporation believes that the ICATS program has been a very successful outsourcing program for the Government of Canada as it has enabled the Canadian Armed Forces to maintain its army, navy and air force units at the highest possible operational readiness while significantly reducing costs relative to previous, in-sourced training solutions. As governments around the world face increasing budgetary pressures, the Corporation believes that those governments will seek out cost effective solutions for reducing their defence spending while maintaining high operational readiness. Management believes that DA Defence's "turn-key" combat support solution and unparalleled record of safety present significant growth opportunities for DA Defence in the international market.

As noted above (see *"General Development of the Business"*), DA Defence completed the TAC acquisition in December 2013 and, through a subsidiary, entered into the Sale Agreement, as amended. On January 30, 2014, DA Defence also secured the German Contract for the provision of airborne training services for a term of five years to the German Armed Forces utilizing a fleet of seven A-4N aircraft sourced from TAC. Revenue generating operations under the German Contract commenced in January 2015. Additionally, in furtherance of its international expansion strategy, in May 2015, a subsidiary of DA Defence entered into an agreement for high performance upset prevention and recovery training with Aviation Performance Solutions LLC, an Arizona-based flight training company, and provided notice of intent to terminate this contract in March, 2017. Furthermore, DA Defence has partnered with Inzpire to bid for the UK Contract. In Australia, DA Defence and Air Affairs Australia Pty Ltd. were awarded the Australia Contract.

In 2015, TAC established a board of advisors comprised of former senior members of the US military, to provide targeted strategic and tactical advice to the leadership of TAC regarding business development and other matters.

For additional, historical information on the business of DA Defence, refer to Form 51-102F4 – Business Acquisition Report of the Corporation dated November 5, 2007. For additional information concerning DA Defence's growth initiatives, the terms of the Sale Agreement and associated risk factors, refer to the 2014 Rights Offering Prospectus and the 2015 Rights Offering Prospectus. The business acquisition report, the 2014 Rights Offering Prospectus and the 2015 Rights Offering Prospectus are each available on SEDAR at www.sedar.com.

GSH

GSH is one of the largest helicopter operators in Canada and conducts operations through most parts of western and northern Canada as well as internationally. GSH's main base of operations is in Yellowknife,

Northwest Territories; however, it has sub-bases strategically placed throughout northern Canada to help support its aircrew and maintenance personnel in the challenging environments and locations where many customers require GSH's services. GSH also has a facility in Springbank, Alberta and a facility (operated by a subsidiary) in Rancagua, Chile. GSH's Chilean operations are designed to diversify its revenues and reduce the seasonality effects of its business.

GSH derives revenue from the following core business sectors:

- exploration support, including oil, gas, seismic, base mineral, and diamond exploration;
- forest fire suppression services;
- provision of support to government agencies, including environmental, geological and scientific support; and
- other services, including environmental surveying, utilities/pipeline patrol, power line construction and telecommunications support.

GSH employs over 250 personnel and its fleet is comprised of 9 different aircraft types including Bell 206 Series, Bell 407, Bell 205, Bell 212, Bell 212S, Bell 412EP, AS350 series, AS355N and BK117.

Services for the oil and gas exploration sector augment GSH's non-peak months from October to April, while services for the mineral and diamond exploration sector support normal peaks in May and continue until September. GSH is a service provider for several large mineral exploration companies that utilize helicopter services for their exploration programs. GSH's network of bases and diverse fleet provide timely back-up equipment for added safely and reliability.

GSH has also formed a number of joint ventures with Indigenous communities. These joint ventures secure GSH's role of primary supplier of helicopter support in and around these Indigenous communities within various land claim settlement areas. Flight operations are completed by GSH crews.

In association with the forest fire management departments of provincial and territorial governments in central and western Canada, GSH also provides varying degrees of forest fire management, protection and suppression services.

GSH faces competition from other large and medium-sized companies that operate in the same geographic and commercial markets; however, GSH has a competitive advantage in many of these markets as a function of its experienced workforce, fleet diversity, Indigenous joint ventures, safety record and quality assurance programs.

For additional historical information on the business of GSH, refer to Form 51-102F4 – Business Acquisition Report of the Corporation dated September 15, 2006. The business acquisition report is available on SEDAR at www.sedar.com.

Air Tindi

Air Tindi is a commercial fixed wing charter company with the main base in Yellowknife, Northwest Territories and a sub-base in Cambridge Bay, Nunavut. The company operates a diversified fleet of fixed wing aircraft and provides scheduled and charter passenger and cargo services, as well as medevac equipped aircraft services primarily in northern Canada. Its customers include government agencies, multinational diamond mining companies as well as various junior mining and exploration companies.

Air Tindi provides essential charter services to communities with limited or no land access. It has developed strong relationships with various Indigenous groups culminating in joint ventures which provide benefits to the various stakeholder groups in these communities.

Air Tindi derives revenue from the following core business sectors:

- mining operations and construction projects;
- mineral exploration;
- scheduled services to local communities;
- medevac equipped aircraft services;
- government and public sector charters for environmental and wildlife surveys, forest fire control, environmental site clean-up, defence forces, law enforcement and other functions; and
- tourism (outfitters, lodges, eco-tourism, hunting and fishing).

In January 2015, Air Tindi entered into an eight-year contract (plus two option years) for the provision of medevac equipped aircraft services for the Stanton Territorial Health Authority in the Northwest Territories. The contract award is similar to the contracted services that Air Tindi has performed for the sever years prior to the contract award. The new contract calls for the provision of expanded services with significantly newer aircraft equipped with new medical equipment. In connection with this contract, Air Tindi purchased three King Air 250 aircraft from Beechcraft.

Air Tindi operates from two locations in Yellowknife: various facilities at the Yellowknife airport as well as a float base location which is home to float aircraft in the summer and ski-equipped aircraft in the winter.

In fiscal 2014, Air Tindi evaluated its existing business and ceased operations that were not accretive to its profitability going forward. Specifically, Air Tindi undertook aggressive cost cutting measures, which included the cessation of executive jet charter services, a comprehensive review and right-sizing of staffing levels, aggressively negotiating with vendors, the consolidation of support staff and the identification of certain underutilized aircraft for potential sale. In total, several aircraft were identified as being underutilized or no longer required and were either sold or transferred to other subsidiaries of the Corporation. In connection with such measures, Air Tindi dissolved Discovery Air International Inc., its wholly-owned subsidiary which had been established to provide primarily executive jet charter services.

Air Tindi operates a diversified fleet of fixed wing aircraft and employs approximately 190 people.

For additional, historical information on the business of Air Tindi, refer to Form 51-102F4 – Business Acquisition Report of the Corporation dated March 6, 2007. The business acquisition report is available on SEDAR at www.sedar.com.

Fire Services

Fire Services provided fire detection, birddog and air transport services in support of the Ontario Government's forest fire management program, as well as court related air transport services to a variety of government agencies, at the time of the sale of all of the issued and outstanding shares of Fire Services in January 2017 to certain affiliates of Clairvest.

At the time of its sale, Fire Services employed 45 people.

Corporate Support and Other Segment

Discovery Mining

Discovery Mining provides remote exploration camps and expediting, logistics and staking services to a broad spectrum of gold, base metal, uranium and diamond exploration companies operating in the Northwest Territories, Nunavut, Yukon, northern Saskatchewan and northern Ontario.

Discovery Mining's customers typically operate in some of the most remote locations in Canada and, as a result, Discovery Mining is a high volume user of both fixed-wing and helicopter air transportation services.

Discovery Mining's competitive advantage is derived from its understanding of mineral, base and precious metal mining exploration operations, the experience of its employees, the company's ability to support a spectrum of services including freight forwarding, purchasing and expediting on behalf of customers and providing turn-key remote camp construction and management in harsh climates. During its peak season, from April to August each year, Discovery Mining employs over 50 people. Due to the seasonal nature of Discovery Mining's business, the average number of employees over the remainder of the year is approximately 12.

Technical Services

Technical Services provided airframe maintenance, repair and overhaul services until January, 2016, when substantially all of its assets were sold. Technical Services specialized in servicing aircraft containing 100 and fewer seats, and was authorized to perform maintenance and modifications on Canadian, U.S. and European registered aircraft.

At the time of its sale in January 2016, Technical Services employed 142 people.

Corporate Support

Discovery Air provides management services to its operating subsidiaries, including strategy, Corporate Finance and accounting services, Legal, Human Resources and Information Technology.

Ordinary course of business operating decisions are made by management of the Corporation's various operating subsidiaries.

REGULATORY ENVIRONMENT

The aviation industry operates in a stringent and comprehensive regulatory environment.

Civil air transportation in Canada is regulated federally and is the responsibility of the Minister of Transport under the CTA. The Canadian Transportation Agency is responsible for the licensing of air carriers that provide domestic or international publicly available air transportation services, and for the enforcement of the CTA and its related regulations. Transport Canada administers the *Aeronautics Act* (Canada), and all related regulations, orders and advisory materials, which contain the requirements for the issuance and maintenance of air operator certificates. No person may operate an air transport service or aerial work service unless that person holds and complies with the provisions of an air operator certificate that authorizes the person to operate that service.

As part of the certification process, an applicant must demonstrate that it has developed an operational control system and organizational structure in accordance with Transport Canada regulations. Transport Canada approval is required for key managerial personnel, including the accountable executive. Transport Canada must also approve an applicant's operations manual, standard operating procedures, minimum equipment lists and other required documents.

An air operator certificate designates the operator to which the certificate is issued as adequately equipped and capable of conducting a safe operation. Air Tindi, GSH, and DA Defence have been issued air operator certificates to conduct their respective flight operations. As long as they comply with the conditions and operations specifications outlined in the respective certificates, the certificates will remain valid.

All operators participating in the civil air transportation business must also adhere to the aviation safety requirements as set out in the *Canadian Aviation Regulations* ("**CARs**"). The CARs are administered by Transport Canada and prescribe requirements relating to aircraft identification and registration, personnel licensing, general operating and flight rules, commercial air services and air navigation services.

Many of the flight operations and maintenance procedures, policies and controls of Air Tindi, GSH, and DA Defence are subject to approval by Transport Canada. DA Defence is also subject to certain rules and regulations imposed by the Canadian Armed Forces and under the Canadian Controlled Goods Program. In addition, both DA Defence and its U.S. subsidiaries are required to comply with the U.S. International Traffic in Arms Regulations ("**ITAR**"), the U.S. Export Administration Regulations and the German War Weapons Control Act with respect to the handling of certain defence articles and related technical data, and the provision of certain defence services.

See also "*Description of Capital Structure – Constraints*" regarding CTA-imposed restrictions on foreign ownership.

RISK FACTORS

The discussion below addresses the principal risks that the Corporation currently views as having the potential to significantly impact its business, financial condition, liquidity or results of operations. Those principal risks are described below, followed by other risk factors that could also impact the Corporation but which have been assessed as having a lower probability of occurrence or a lesser impact on the Corporation, or both, than the principal risks.

The Corporation has significant risks to manage. The significance of these risks may change over time. Furthermore, certain risks that the Corporation has not yet identified, or that it currently considers to be immaterial, may be or may become principal or otherwise significant risks.

Principal Risks

Risks to CATS Contract and ICATS Standing Offers

A significant portion of DA Defence's revenues and earnings are derived from the Standing Offers. Once awarded by PWGSC, the CATS Contract will replace the Standing Offers. Therefore, if DA Defence is not awarded the CATS Contract or is only able to secure the CATS Contract on significantly reduced profit margins, the Corporation's revenues, EBITDA and cash flows would be materially adversely affected. This could result in the Corporation being unable to meet its obligations as they become due and/or breaching its debt covenants. Absent waivers or other concessions from any lenders whose loans are in default, those lenders may be entitled to accelerate the amounts due under their loans or otherwise take enforcement action against the Corporation. If enforcement action were taken by the Corporation's lenders, the Corporation may need to seek protection from its creditors. Such events would have a material adverse effect on the Corporation's business, prospects, operations, financial condition and operating results. As a result, the value of the Common Shares may decline or become worthless.

The Corporation is undertaking a number of actions to mitigate the probability and impact of this risk materializing, including pursuing combat support services opportunities in international markets. To this end, DA Defence completed the TAC acquisition, secured the German Contract, secured the Australian Contract and (through its subsidiary) entered into the Sale Agreement in order to source a fleet of supersonic and high subsonic aircraft that management expects will position DA Defence to secure new business in the U.S. and international combat support markets. Additionally, DA Defence plans to bid on the UK Contract.

Acquisition of the F-16 and A-4N Aircraft

To prepare for the further growth of DA Defence, in October, 2013, it entered into the Sale Agreement, as amended. Additionally, in order to complete the acquisition of the Additional Fighter Jets and certain upgrades and transport of the aircraft, DA Defence or its U.S. subsidiaries must first obtain TPT Approval (among other regulatory approvals). The TPT Approval will require, among other things, the award to DA Defence of a government contract for combat training services that requires the use of the Additional Fighter Jets. A number of factors could adversely affect the ability of DA Defence to obtain TPT approval, including changes in government policy, laws or political factors with respect to the operation of ex-military aircraft. Furthermore, given the complexity of the regulatory approval process, there can be no assurances as to whether the required approvals will be obtained, the timing of any such approvals, or conditions or limitations which may accompany any such approval. There can be no assurance that there will be a government procurement for combat airborne training services that will require the use of the Additional Fighter Jets. Furthermore, a number of factors could adversely affect the likelihood of an award to DA Defence of a qualifying government contract or the ability of DA Defence to perform under any such contract, including competition from existing competitors, entry into the contracted airborne training market by new competitors; changes in government policy, laws or political factors with respect to government and/or military procurement and/or operation of ex-military aircraft; or the inability of DA Defence to secure financing pursuant to the Financing Options.

Financing for DA Defence

In order to grow its business, including completing the acquisition of the Additional Fighter Jets, completing certain required upgrades, and making the required capital expenditures that are expected to be required to perform under new government contracts for airborne training services, DA Defence will require significant additional capital. The Corporation is in discussions with various funding sources but has not yet agreed to any terms for any such financing. Furthermore, there can be no assurances that any such financing will be available on acceptable terms, or at all, when it is required.

Additionally, the Corporation will require significant further capital should it proceed to exercise all of its options under the Sale Agreement.

Challenges to Growing the Corporation's Business if the Sale Agreement is not Completed

Management believes that the Additional Fighter Jets will, if ultimately acquired by DA Defence, provide DA Defence with the most advanced fleet of combat support aircraft in the world and, accordingly, provide DA Defence with a highly competitive offering with which to grow in the U.S. and international combat support markets. If the Corporation is unable to obtain TPT Approval and complete the purchase of the Additional Fighter Jets, DA Defence's prospects for competitive advantage in the U.S. and international combat support markets may be significantly reduced. Although DA Defence may continue to pursue revenue diversification in the U.S. and other international jurisdictions leveraging the strength of its track record as an experienced combat support services provider, the management of the Corporation believes that the lack of an advanced offering, such as the Additional Fighter Jets, may limit DA Defence's growth prospects. Absent the identification and execution of significant, offsetting growth opportunities in the Corporation's other subsidiaries, the Corporation's long-term growth prospects may be limited.

In the event that the Corporation fails to grow revenues, it may not be able to generate sufficient EBITDA and cash flows to remain in compliance with its debt covenants beyond fiscal 2018. Absent waivers or other concessions from any lenders whose loans are in default, those lenders may be entitled to accelerate the amounts due under their loans or otherwise take enforcement action against the Corporation. If enforcement action were taken by the Corporation's lenders, the Corporation may need to seek protection

from its creditors. Such events could have a material adverse effect on the Corporation's business, prospects, operations, financial condition and operating results. As a result, the value of the Common Shares may decline or become worthless.

Regulatory Environment

The air transport industry is subject to a number of aviation, environmental, employment, competition and other laws relating to various aspects of the business. These laws generally require aircraft operators and maintenance facilities to maintain and comply with the terms of a variety of certificates, permits, licences or approvals. As an air operator, DA Defence is subject to the same regulatory provisions as the Corporation's other subsidiaries; however, the military nature of its operations and equipment subject DA Defence to additional regulatory approvals under the airworthiness rules of the Canadian Armed Forces and foreign armed forces, and to additional government regulations including the Controlled Goods Regulations (Canada), the ITAR and similar foreign regulations.

Furthermore and with respect to aviation laws, the ability of GSH, Air Tindi, and DA Defence to conduct business depends on their ability to comply with applicable regulatory requirements. Although the Corporation and its subsidiaries are committed to complying with all applicable laws, there is no assurance that it will be in full compliance with all requirements at all times.

In addition, the Corporation's aviation subsidiaries are subject to routine audits by Transport Canada and other international aviation regulators to ensure compliance with all applicable flight operation and aircraft maintenance requirements. DA Defence also undergoes regular audits by DND Operational and Technical Airworthiness authorities. Failure to pass such audits could result in fines or the grounding of aircraft.

Compliance with Covenants

The Corporation is required to maintain certain covenants under its financing covenants. The Corporation was in compliance with the amended covenants as of January 31, 2017.

There can be no assurances that the Corporation will be able to comply with the revised covenants or obtain waivers or amendments going forward. Factors that could negatively affect covenant compliance include:

- negative pressure on EBITDA;
- increases in debt service payments due to increased borrowing costs or changes to loan amortization; and
- the ability of the Corporation to continue to acquire waivers, or amendments, on certain covenants from its majority shareholder.

If a loan is in default, that lender may be entitled to accelerate the amounts due under their loans or otherwise take enforcement action against the Corporation. If enforcement action were taken by the Corporation's lenders, the Corporation may need to seek protection from its creditors. Such events would have a material adverse effect on the Corporation's business, prospects, operations, financial condition and operating results. As a result, the value of the Common Shares may decline or become worthless.

Deterioration of the Corporation's Financial Condition

Should the Corporation experience deterioration in its financial condition due, among other factors, to a deterioration in its consolidated revenues and relationships with suppliers and/or the ability to manage costs, the Corporation may be materially adversely affected and may not be able to pay its debts as they become due. Such events would have a material adverse effect on the Corporation's business, prospects,

operations, financial condition and operating results. As a result, the value of the Common Shares may decline or become worthless.

Liquidity and Access to Capital

The Corporation's cash flows are affected by the seasonality of its operations, in particular, the cash outflows required to support the ramp up in operations in the first quarter of each fiscal year (which, among other things, requires expenditures on aircraft maintenance and ferrying and additional working capital). The Corporation anticipates spending additional funds in fiscal 2018 to fund capital expenditures including aircraft sourcing and upgrading initiatives at DA Defence. In the event that the Corporation's liquidity becomes constrained, the Corporation may need to curtail expenditures on growth projects which could adversely affect the future profitability of its business.

Furthermore, if the Corporation is unable to achieve certain key milestones set out in the Secured Debentures relating to the award to or loss by DA Defence of the CATS Contract, the maturity date of the Secured Debentures may be accelerated and it may be difficult for the Corporation to continue meeting certain financial covenants. Further, if the Corporation's share price fails to rise above the minimum price necessary for the Unsecured Debentures and the Secured Debentures to be converted into equity (whether because the key milestones set in the Secured Debentures are not met or otherwise), the Corporation will owe approximately $117.2 million on March 31, 2018 and $34.5 million on June 30, 2018. If this were to occur, there is a risk that the Corporation might not be able to fully repay or refinance those debts as they come due.

The Corporation's other debt agreements also contain affirmative and negative covenants that could limit the Corporation's ability to respond to changes in business and economic conditions or to undertake profitable growth initiatives. Failure to observe those covenants could result in a default under one or more of the Corporation's debt agreements, and upon such default and any related cross defaults, the Corporation's lenders could elect to declare all principal and interest owing under such debt agreements to be immediately due and payable.

If the Corporation is unable to fully repay or refinance debts as they came due or the Corporation's lenders choose to take enforcement action as a result of a default by the Corporation of one or more of its debt covenants, the Corporation may need to seek protection from its creditors. Such events would have a material adverse effect on the Corporation's business, prospects, operations, financial condition and operating results. As a result, the value of the Common Shares could decline or become worthless.

The Corporation currently carries a significant amount of debt relative to its peers. Adverse changes in credit conditions, including significant increases in interest rates or the adoption of more restrictive lending practices, could have an adverse effect on the Corporation's ability to fund future growth or refinance existing debt as it matures.

Resources Required to Support an Expanded DA Defence Business

Since 2005, DA Defence has operated in North America on behalf of the Canadian Armed Forces. In December, 2013, DA Defence acquired TAC and, as of January 2015, began providing training services to the German Armed Forces. As a result of these developments, DA Defence now directly manages, or oversees the management of, operations in Canada, the U.S. and Germany. In fiscal 2018, DA Defence will begin operations in Australia pursuant to the Australian Contract providing training services to the Australian Defence Force.

If DA Defence is successful in obtaining TPT Approval and the necessary financing for the acquisition of the Additional Fighter Jets, those aircraft will, together with the ten aircraft of TAC, result in a significant increase in the fleet size actively employed (directly and indirectly) in the DA Defence business.

The expansion of the DA Defence business requires DA Defence and its subsidiaries to recruit, hire and train experienced pilots, maintenance engineers and management personnel in Canada, and internationally. To the extent that the subsidiaries of DA Defence are required to hold security clearances from the Canadian, or international governments, those subsidiaries may be required to abide by certain measures designed to limit influence or control by foreign persons and, therefore, may need to operate at arm's length from DA Defence management in Canada. Although the Corporation's management believes that the human resources required by DA Defence and its subsidiaries are readily available, there is a risk that DA Defence or its subsidiaries may be unable to recruit, hire and train all of the required personnel on a timely basis.

In addition to the capital required to purchase the Additional Fighter Jets, DA Defence and its subsidiaries will also have elevated capital requirements associated with the on-going maintenance of a larger fleet of aircraft and compliance with obligations under any newly awarded government contracts. The Corporation may need to fund future capital requirements of the DA Defence business from external sources of financing. There can be no assurance that the necessary financing will be available to the Corporation when required or, if available, that it will be on terms acceptable to the Corporation. If the Corporation is not able to meet its capital requirements, this could adversely affect the Corporation's ability to maintain its aircraft (and, therefore, the value of its aircraft) and service commitments to customers.

Mining, Oil and Gas Exposure

The earnings and cash flow of the Corporation's GSH, Mining Services and Air Tindi businesses are exposed to changes in commodity prices and the general performance of the oil & gas and mining sectors more generally. These businesses derive a significant amount of their earnings and cash flow from the services provided to these sectors. As a result, a decrease in commodity prices or activity levels in the oil & gas or mining sectors may materially reduce demand for services provided by GSH, Mining Services and/or Air Tindi, which may in turn materially adversely affect the Corporation's business, prospects, operations, financial condition and operating results.

The management of each of the Corporation's subsidiaries is continually assessing its revenue mix and dependence on specific industry segments. The Corporation's subsidiaries engaged in commercial operations have recently undertaken a review of the markets in which they operate and commenced the development of sales and marketing plans for specific customer segments, and have ceased operations in certain markets where management determined continued operation would not be accretive to the Corporation's profitability going forward.

Safety of Operations

Hazards are inherent in the operation of aircraft, particularly in the challenging environments in which the Corporation's aviation subsidiaries operate. Such hazards can be significant and could, among other things, result in: personal injury or fatality; damage to, or destruction of, the Corporation's aircraft or other equipment; damage to third party property; delays, suspensions or permanent reductions in the services the Corporation offers, or is able to offer; litigation and, ultimately, legal liability; regulatory or governmental intervention imposing fines or limitations on the Corporation's operations; and monetary losses. In addition, if the Corporation's safety record were to materially deteriorate, or be perceived to have materially deteriorated, its ability to attract and retain customers and employees could be adversely affected. Furthermore, although Discovery Air maintains insurance against the principal risks arising from aviation accidents, the coverage provided by its insurance is subject to limits, including exclusions and coverage limits, which could cause the Corporation to incur direct financial exposure if the liability arising from an accident exceeded its coverage limit or were excluded from coverage. The foregoing hazards, factors, limitations and other considerations could have a material adverse effect on the

Corporation's business, prospects, operations, financial condition and operating results. As a result, the value of the Common Shares could decline or become worthless.

While safety is a primary consideration for Discovery Air and its customers, no assurances can be given that the Corporation will be able to operate without significant incident. For example, in 2014, 2015 and 2016 the Corporation's aviation subsidiaries had a forced airplane landing due to weather and two helicopter accidents, one of which regrettably resulted in the fatality of an employee.

In fiscal 2013, Discovery Air formed a company-wide safety committee comprised of flight and occupational health and safety representatives from each of the Corporation's subsidiaries. This committee meets regularly to collaborate on safety initiatives, review reported safety incidents, their causes and corrective action plans, and share best practices with a view to facilitating each subsidiary's continuous improvement efforts. The leader of the safety committee also participates in, and provides reports to, the Corporation's senior leadership team on a weekly basis. However, no assurances can be given that this committee, or other of the Corporation's safety initiatives, will be able to prevent any particular future incident.

Additional funding for Pursuit of Growth Projects

In order to continue to fund growth projects at DA Defence, the Corporation will require additional financing in fiscal 2018 and beyond. There can be no assurance that the Corporation will be able to secure such additional financing on terms acceptable to the Corporation. If the Corporation is unable to secure such financing on terms acceptable to it, the Corporation may need to curtail further expenditures on growth projects at DA Defence, which could impair the ability of DA Defence and its U.S. subsidiaries to secure a combat support contract with the U.S. or other foreign government.

If, in addition to being unable to secure such additional financing, the Corporation's financial condition deteriorates further, the Corporation may be unable to maintain adequate liquidity solely by curtailing expenditures on growth projects. In such case, the Corporation may be unable to pay its debts as they become due. Such events would have a material adverse effect on the Corporation's business, prospects, operations, financial condition and operating results. As a result, the value of the Common Shares may decline or become worthless.

Sale Of Underutilized Aircraft And Other Non-Core Assets

The Corporation continually reviews its fleet to determine whether to dispose of any underutilized aircraft or other assets. There can be no assurance as to if and when any of the other underutilized aircraft or assets will be sold and, if so, whether the sale prices will be at or above their carrying value. Proceeds from the sale of aircraft and other assets will be used to pay down outstanding loan balances, or provide additional working capital for the Corporation or purchase other required assets. Should the value realized on the sale of assets be lower than their associated loan balances, the Corporation may be required to use additional cash from operations to repay the deficiency. The timing of these sales will be dependent on the demand from purchasers, which is currently not determinable.

Attraction and Retention of Required Human Resources

Qualified pilots, aircraft mechanics and other highly trained personnel are in high demand and are likely to remain a scarce resource for the foreseeable future. This is made even more challenging by the Corporation's need to place personnel in remote geographic locations and by the need to meet high minimum levels of experience stipulated by some of Discovery Air's largest customers. If the Corporation is unable to successfully attract and retain personnel possessing the skills and experience required for its business at a sustainable cost, it may be unable to profitably retain its most profitable customers and/or grow the business.

The compensation paid by the Corporation and its subsidiaries to their employees is, in most cases, competitive in the geographic areas in which it operates. Discovery Air periodically reviews its compensation practices and adjusts them when necessary or advisable having regard to market conditions.

The Corporation's management acknowledges, however, there are a number of factors unrelated to compensation that affect Discovery Air's ability to attract and retain the human resources it requires to be successful. In this regard, the Corporation annually conducts an employee survey aimed at identifying the principal drivers of satisfaction and dissatisfaction among its employees. Discovery Air used this information to develop human resources programs and practices aimed at enhancing employee engagement and improving the Corporation's ability to attract and retain qualified personnel.

Non-Principal Risks

The discussion below describes risks that could have a significant impact on the Corporation but which, due to their most recently assessed probability and impact, are not considered to be principal risks. These risks are organized into the following categories: Business and Operational Risks; Financial Risks, Industry Risks and Risks to Shareholders in Holding Common Shares of the Corporation.

As indicated above, the significance of these risks may change over time. Furthermore, certain risks that the Corporation has not yet identified, or that it currently considers to be immaterial, may be or may become principal or otherwise significant risks.

Political and Economic Risks in Foreign Jurisdictions

The Corporation conducts operations in a number of foreign countries. The Corporation is also actively seeking additional opportunities to expand its business into jurisdictions where there is a demand for its services, where appropriate risk-adjusted returns can be earned and where the Corporation is able to maintain the flight safety standards comparable to those employed in its Canadian operations. It is possible that political and economic conditions in foreign jurisdictions in which the Corporation's subsidiaries operate could change in a manner unfavourable to the Corporation. Such changes could include, among other things, changes in laws affecting ownership of assets, taxation, rates of exchange, safety standards, environmental protection, labour relations, repatriation of income or return of capital, all or any of which could adversely affect the ability of the Corporation's subsidiaries to continue carrying on business in such jurisdictions.

Importance of Indigenous Relationships

The Indigenous joint ventures to which the Corporation's subsidiaries are parties are important to the success of those subsidiaries. An inability to maintain such relationships and comply with local requirements could adversely affect the Corporation's business in northern and western Canada.

Competitive Conditions

Specialty aviation services are typically purchased through competitive bid processes in which proponents compete on the basis of their reputation for safety, dispatch reliability, service quality, aircraft specifications and availability, operational experience, reputation and pricing.

For example, management of the Corporation believes GSH's large fleet and record for quality provide a competitive advantage in the helicopter services industry. However, the industry has a large number of operators whose fleet ranges from one or two aircraft to more than twenty, and so the environment for helicopter services remains competitive.

Further, while management of the Corporation believes that DA Defence is the only Canadian-based aviation services company that is currently operationally capable of performing airborne training services

for the Canadian Armed Forces, there is no assurance that operationally capable competitors for these services will not emerge in the future.

Finally, management of the Corporation believes that Air Tindi's competitive advantages include its strategic network of loyal clients, strong Indigenous joint-ventures, and highly experienced, long standing staff. Notwithstanding such advantages, the aviation market in Yellowknife and the northern territories remains stagnant as a result of few new junior mining exploration clients entering the market.

Financial Risks

Foreign Currency Fluctuations

Much of the revenues and expenses from the Corporation's growing foreign operations are primarily in U.S. Dollars, which increases its exposure to foreign currency risk. The Corporation also incurs payment obligations on the purchase of aircraft, maintenance expenditures related to overhauls and spare parts procurement in U.S. dollars and Euros.

Furthermore, DA Defence may receive all or a substantial portion of its revenues under the German Contract in Canadian Dollars even though a majority or a significant portion of its expenses in incurred in connection with that contract are expected to be incurred in Euros and U.S. Dollars.

As of January 31, 2017, the Corporation evaluated the currency risk on unhedged foreign currency liabilities by assessing the impact of a 5.0% rise or fall in the Canadian dollar against the foreign currencies, with all other variables unchanged. Such an exchange rate change would have a $0.4 million impact on the Corporation's loss and equity for the year ended January 31, 2017. This impact would be offset by the change in foreign currency accounts receivables, netting to an immaterial impact.

Changes in Interest Rates

As of January 31, 2017, a substantial portion of the Corporation's debt bears a fixed rate of interest, with $36.6 million of loans and borrowings subject to variable rates. The Corporation may be exposed to future financial risk from fluctuations in interest rates and the resulting interest expense associated with its short-term and long-term debt. A 25 basis point increase or decrease in interest rates on such debt obligations would impact the Corporation's annual interest expense by approximately $0.1 million.

Environmental Conditions

Air operations are affected across all subsidiaries by weather. Unusually harsh conditions may affect the ability to complete operations.

Dividend history or policy

No dividends on the Common Shares have been paid by the Corporation to date. The Corporation anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business as well as to reduce debt. Payment of any future dividends will be at the discretion of the Corporation's board of directors, after taking into account many factors, including the Corporation's operating results, financial condition and current and anticipated cash needs.

Risks of Holding Shares in a Controlled Company

To the best of the Corporation's knowledge, the Clairvest Parties currently own, or exercise control or direction over, 70,601,728 Common Shares, representing approximately 86.1% of the votes attaching to all of the Common Shares issued and outstanding. Accordingly, the Clairvest Parties have significant influence on the Corporation's strategic direction and significant corporate transactions, and may determine any matter coming before a vote of shareholders of the Corporation, including the election of directors. The Clairvest Parties alone are in a position to cause or prevent approval of certain matters

requiring shareholder approval and the Clairvest Parties may also be able to effect certain fundamental changes to the Corporation in accordance with the *Canada Business Corporations Act* because they are able to, on their own, meet the applicable 66 $^2/_3$% voting threshold for shareholder approval to effect such changes. The interests of shareholders of the Corporation may not align with the interests of the Clairvest Parties. In addition, in exercising their voting rights with respect to the Common Shares controlled by them, the Clairvest Parties do not owe a fiduciary duty to other shareholders or the Corporation. As a result, the Clairvest parties could cause the Corporation to take actions that other shareholders do not support. Shareholders should also be aware that votes in respect of the Common Shares may be significantly influenced by a small group of shareholders of the Corporation, including in the context of "majority of the minority" approvals for certain related party transactions.

This concentration of voting power may cause the market price of the Common Shares to decline, delay or prevent any acquisition or delay or discourage take-over attempts that shareholders may consider to be favourable, or make it more difficult or impossible for a third party to acquire control of the Corporation or effect a change in the Corporation's Board of Directors and management. Any delay or prevention of a change of control transaction could deter potential acquirers or prevent the completion of a transaction in which the Corporation's shareholders could receive a substantial premium over the then current market price for their Common Shares. In addition, the Clairvest Parties' interests may not in all cases be aligned with the interests of the other shareholders of the Corporation. The Clairvest Parties may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of its management, could enhance its investment in the Corporation, even though such transactions might involve risks to the shareholders of the Corporation and may ultimately affect the market price of the Common Shares.

Further, the significant ownership of Common Shares by the Clairvest Parties may affect the market price, trading volume and liquidity of the Common Shares. The effect of the Clairvest Parties' influence may impact the price that investors are willing to pay for Common Shares. If the Clairvest Parties sell a substantial number of Common Shares in the public market, the market price of the Common Shares could decrease significantly.

Risks Associated with the New Clairvest Loan

On December 20, 2016, the Corporation, through its subsidiary, DA Defence, entered into the New Clairvest Loan providing for a revolving credit facility in the aggregate principal amount of $25 million. The borrowings under the New Clairvest Loan, as secured, bear interest at a rate of 12% per annum and mature on June 30, 2017. The New Clairvest Loan also contains an optional conversion feature (the "**Conversion Feature**"), which provides the Clairvest Parties an option, subject to certain conditions, to convert the outstanding balance under the New Clairvest Loan into common shares of DA Defence, a wholly-owned subsidiary of the Corporation, at a conversion price to be determined on the basis of the value of the DA Defence business, after the application of certain agreed upon adjustments, as determined by an independent and qualified valuator. The Corporation filed a Material Change Report and certain Material Contracts in connection with the New Clairvest Loan on December 23, 2016, a copy of which is available on SEDAR at www.sedar.com. To the best of the Corporation's knowledge, the Clairvest Parties currently own, or exercise control or direction over, 70,601,768 Common Shares, representing approximately 86.1% of the votes attaching to all of the Common Shares issued and outstanding. Accordingly, the Clairvest Parties have significant influence on the Corporation's strategic direction and significant corporate transactions and may be in a position to determine any matter coming before a vote of shareholders. The interests of shareholders of the Corporation may not align with the interests of the Clairvest Parties, and the Clairvest Parties do not owe a fiduciary duty to other shareholders or the Corporation. As a result, the Clairvest Parties could take certain actions that other shareholders of the Corporation do not support, including exercising the Conversion Feature. Though the Conversion Feature is subject to certain conditions (the "**Conversion Conditions**"), including any required shareholder or

other regulatory approval necessary under applicable securities law and TSX rules, the Clairvest Parties exercising the Conversion Feature and successfully satisfying the Conversion Conditions could result in the Corporation owning significantly less of DA Defence, which is one of the Corporation's key subsidiaries. In addition, the exact terms of the Conversion Feature are subject to the valuation and adjustments described above and, as such, cannot be known at this time. Successful exercise of the Conversion Feature could impact the assets and future growth prospects of the Corporation, resulting in a potential diminishment in value of the Corporation and its securities in a way that disproportionately impacts the non-Clairvest Party securityholders.

Risks Relating to the Potential Equity Privatization

Conditions Precedent to the completion of the Arrangement

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside the control of Corporation, including, without limitation, receipt of shareholder and court approval. There can be no certainty, nor can the Corporation provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Though shareholders that together hold 90.5% of the outstanding Common Shares have indicated they will vote in favour of the Arrangement, there can be no assurance that the Arrangement will be completed. If the Arrangement is not completed, the market price of the Corporation's securities may be adversely affected.

Cash Consideration is Dependent Upon the Completion of the Arrangement

The Cash Consideration to be paid to Corporation shareholders pursuant to the Arrangement is dependent upon the successful completion of the Arrangement, which, for reasons discussed above, is not assured. If the Arrangement is not completed, the Corporation shareholders will not receive the Cash Consideration, the assets and future growth prospects of the Corporation may be adversely affected, and the market price of the Corporation's securities may be adversely affected.

Matters Affecting Trading Prices for the Unsecured Debentures

Whether or not the Unsecured Debentures will trade at lower prices depends on many factors, including the liquidity of the Unsecured Debentures, prevailing interest rates and the markets for similar securities, the conversion value of the Unsecured Debentures, general economic conditions and the Corporation's financial condition, historic financial performance and future prospects.

In the case of certain transactions, each Unsecured Debenture will become convertible into the securities, cash or property receivable by a holder of Common Shares in the kind and amount of securities, cash or property into which the Unsecured Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value, or perceived value, of the conversion privilege associated with the Unsecured Debenture in the future. For example, if the Corporation were acquired in a cash merger, each Unsecured Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors.

The market price of the Unsecured Debentures may be adversely affected by a variety of factors relating to the Corporation's business, including fluctuations in the Corporation's operating and financial results, the results of any public announcements made by the Corporation and the Corporation's failure to meet expectations. In addition, from time to time, the market experiences significant price and volume volatility that may affect the market price of the Unsecured Debentures for reasons unrelated to the Corporation's performance. There can be no assurance that the market price of the Unsecured Debentures will not experience significant fluctuations in the future.

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

There is no guarantee that the Corporation will have sufficient cash available to make interest and principal payments on the Unsecured Debentures on a timely basis or at all. In addition, the Unsecured Debentures are unsecured obligations of the Corporation and are subordinate in right of payment to all the Corporation's existing and future indebtedness obligations. Therefore, if the Corporation becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Corporation's assets will be available to pay its obligations with respect to the Unsecured Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Unsecured Debentures then outstanding. The Unsecured Debentures are also effectively subordinate to claims of creditors (including trade creditors) of the Corporation's subsidiaries except to the extent the Corporation is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Unsecured Debenture Indenture does not prohibit or limit the ability of the Corporation or its subsidiaries to incur additional debt or liabilities (including indebtedness obligations) or to make distributions, except in certain limited circumstances.

Structural Subordination of the Unsecured Debentures and Credit Risk

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The Corporation is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Corporation, holders of indebtedness of the Corporation (including Unsecured Debentures holders) may become subordinate to lenders to the subsidiaries of the Corporation.

Additional risks may be found under the heading "*Risk Factors*" in Management's Discussion and Analysis for the fiscal year ended January 31, 2017, which is incorporated herein by reference and may be found on SEDAR at www.sedar.com.

DESCRIPTION OF CAPITAL STRUCTURE

Share Structure

The Corporation is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares.

Class A Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are Canadians, and Class B Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are not Canadians. See "*Description of Capital Structure – Constraints*" below.

As of January 31, 2017 there were 79,286,721 Class A Shares and 2,710,754 Class B Shares issued and outstanding which reflects the number of Common Shares issued from treasury in connection with the 2014 Rights Offering, the Standby Commitment and the 2015 Rights Offering.

The holders of the Class A Shares are entitled to vote at all meetings of the shareholders of the Corporation (except meetings at which only holders of a specified class of shares are entitled to vote) and are entitled to one vote for each Class A Share held.

The holders of the Class B Shares are entitled to vote at all meetings of the shareholders of the Corporation (except meetings at which only holders of a specified class of shares are entitled to vote) and are entitled to one vote for each Class B Share held, provided that the Class B Shares as a class are entitled to exercise no greater than 25% of all votes attached to the Common Shares.

The holders of the Class A Shares and the holders of the Class B Shares are entitled to:

(a) receive equally, subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, any dividends declared by the Corporation, and

(b) receive equally, subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the remaining property of the Corporation upon the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary.

Following the Clairvest Share Purchase, the Clairvest Parties directly or indirectly own, or exercise direction or control over, 70,601,728 Common Shares of the Corporation, representing approximately 86.1% of the votes attaching to all of the Common Shares issued and outstanding. Accordingly, the Clairvest Parties have the ability to determine any matter coming before a vote of the shareholders of the Corporation and the Clairvest Parties alone may cause or prevent approval of any matter requiring shareholder approval, including the election of directors.

The Clairvest Parties may also be able to effect certain fundamental changes to the Corporation in accordance with the *Canada Business Corporations Act* because they would be able to, on their own, meet the applicable 66 $^{2}/_{3}$% voting threshold for shareholder approval to effect such changes. The interests of the Corporation's shareholders may not align with the interests of the Clairvest Parties. In addition, in exercising its voting rights with respect to the Common Shares controlled by it, the Clairvest Parties do not owe a fiduciary duty to other shareholders or the Corporation. Additionally, votes in respect of the Common Shares may be significantly influenced by a small group of shareholders of the Corporation, including in the context of "majority of the minority" approvals for certain related party transactions.

Unsecured Debentures

The Corporation's Unsecured Debentures, which are listed on the TSX under symbol "DA.DB.A", are governed by the terms of a convertible debenture indenture dated May 12, 2011 (the **"Unsecured Debenture Indenture"**).

The Unsecured Debentures accrue interest at the rate of 8.375% per annum payable on a semi-annual basis. The Unsecured Debentures are direct, unsecured obligations of the Corporation, subordinated to other indebtedness of the Corporation for borrowed money and rank equally with all other unsecured subordinated indebtedness. Holders of the Unsecured Debentures may elect, upon complying with certain procedures described in the Convertible Debenture Indenture concerning such Unsecured Debentures, to convert their respective holdings into Common Shares at any time prior to the maturity date at a prescribed conversion price (the "**Conversion Price**") of $5.07 per Common Share (or 6,804.7 Common Shares for each $1,000 principal amount of Unsecured Debentures), subject to adjustment in certain circumstances.

The Unsecured Debentures were not redeemable prior to June 30, 2014. From June 30, 2014 to the maturity date, the Corporation may, at its option, redeem the Unsecured Debentures, in whole or in part, at par plus accrued and unpaid interest, provided that the weighted average trading price of the Class A Shares on the TSX during a specified period prior to redemption is not less than 125% of the applicable conversion price. Further, if the Corporation undergoes a change of control (as defined in the Unsecured Debenture Indenture), the Corporation is required to offer to purchase all of the Unsecured Debentures.

Subject to certain conditions, the Corporation has the right to repay the outstanding principal amount of the Unsecured Debentures, on maturity or redemption, through the issuance of Common Shares. The

Corporation also has the option to satisfy its obligation to pay interest through the issuance and sale of additional Common Shares. Additionally, the Corporation has the option, subject to prior agreement of the holders of the Unsecured Debentures, to settle its obligations on conversion by way of a cash payment of equal value.

The Unsecured Debenture Indenture sets out details regarding conversion, redemption, interest payments, meetings of debenture holders and other matters.

A copy of the Convertible Debenture Indenture is available on SEDAR at www.sedar.com.

Secured Debentures

The Corporation issued the Secured Debentures pursuant to a private placement on September 23, 2011 to Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV Co-Investment Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (collectively, the "**Secured Debenture Holders**"). The terms of the Secured Debentures were subsequently amended on March 26, 2012, July 31, 2012, October 25, 2012, May 6, 2013, February 1, 2014, February 24, 2014, May 2, 2014, September 10, 2014, December 5, 2014, March 2, 2015, May 26, 2015, September 4, 2015, December 4, 2015, March 29, 2016, June 13, 2016, September 7, 2016, November 30, 2016, and December 7, 2016. The description below reflects those amendments.

The Secured Debentures have a maturity date of March 31, 2018 (originally March 22, 2017), subject to adjustment by the Secured Debenture Holders in the event that certain milestones are not achieved by the Corporation. The Secured Debentures accrue interest at the rate of 10.00% per annum, which is compounded annually and added to the adjusted principal amount of the Secured Debentures. The Secured Debentures are also convertible, in certain circumstances, into 8,375,570 Common Shares (originally 9,333,334 Common Shares, reduced to 9,291,824 Common Shares due to a partial repayment in July 2014, 8,814,148 Common Shares following a $5 million repayment with proceeds from the 2015 Rights Offering, and further reduced to 8,375,570 Common Shares due to a partial repayment in January 2017) for an initial effective issue price of $7.50 per Common Share, subject to certain adjustment provisions. The effective conversion price of the Secured Debentures increases at 10.00% per annum, and as a result, the face amount of the Secured Debentures plus all accrued interest will continue to be convertible into 8,375,570 Common Shares (subject to customary anti-dilution adjustments). Upon maturity or redemption, the Secured Debenture Holders may elect to either receive a lump-sum payment equal to the par value of the Secured Debentures, plus any accrued and unpaid interest thereon, or convert their Secured Debentures into Common Shares at the applicable conversion price.

The Secured Debentures have a first-lien security interest in all assets of the Corporation and its subsidiaries, except with respect to accounts receivable, certain inventory and certain equipment. The Corporation has the right to require the full subordination of the Secured Debenture Holders' security interest in respect of new indebtedness upon being awarded the CATS Contract (or an equivalent contract) on certain terms. To date, such a CATS Contract has not been awarded. In the absence of such an award, the Corporation is entitled to require subordination of the Secured Debentures Holders' security interest in assets or entities acquired by the Corporation or its subsidiaries after September 23, 2011 in an amount up to $50 million and in certain other assets of the Corporation and its subsidiaries.

The Corporation may redeem the Secured Debentures provided, among other things, that the Corporation has previously redeemed the Unsecured Debentures and the weighted average trading price of the Class A Shares exceeds 116% of the then-applicable conversion price of the Secured Debentures over a specified trading period prior to the issuance of the redemption notice. Further, if the Corporation undergoes a change of control (as defined in the Secured Debentures), the Corporation is required to offer to purchase all of the Secured Debentures.

The Secured Debentures were amended on March 26, 2012 to, among other things, facilitate the early repayment of certain indebtedness, change when and in what circumstances the Secured Debentures can adjust the maturity date, change when and in what circumstances the Corporation can early redeem the Secured Debentures, and require the consent of the Secured Debenture Holders before the Corporation can issue equity securities or securities convertible into equity securities at a price less than the applicable conversion price of the Secured Debentures.

The Secured Debentures were amended again on July 31, 2012 to facilitate the new committed operating facility that was secured on August 1, 2012. Among other things, this amendment confirms the Secured Debenture Holders' priority in relation to cash proceeds from their priority collateral and clarifies certain defined terms in the Secured Debentures. The Secured Debentures were amended once again on October 25, 2012 to, among other things, afford the Corporation greater flexibility with respect to the deployment of certain to international locations. The Secured Debentures were further amended on May 6, 2013 and February 1, 2014 to facilitate the sale, amalgamation and dissolution of certain non-material subsidiaries of the Corporation. The Secured Debentures were amended on May 26, 2015 to extend the maturity date to September 30, 2017 from March 22, 2017 and amended again on December 7, 2016 to extend the maturity date to March 31, 2018. Finally, the Secured Debentures were amended on February 24, 2014, May 2, 2014, September 10, 2014, December 5, 2014, March 2, 2015 , May 26, 2015, September 4, 2015, December 4, 205 March 29, 2016, June 13, 2016, September 7, 2016, and November 30, 2016 to waive or modify the ratios related to the PAR Covenant and Debt Leverage Covenant for the quarters ended April 30, 2014 through October 31, 2017 (the "**Covenant Amendments**").

In exchange for the Covenant Amendments, the Corporation agreed (i) to provide the holders of the Secured Debentures with a first charge against all of the real property owned by the Corporation and its subsidiaries in Canada, (ii) to refrain from granting or incurring liens (other than certain customary permitted liens) on any new assets that may be acquired by the Corporation or its subsidiaries prior to August 1, 2015 (unless during such period the Corporation is in compliance with the pledged asset ratio covenant without regard to the Covenant Amendments), and (iii) not to request or require the Secured Debenture Holders to subordinate their security in the Corporation's assets pursuant to the Secured Debentures prior to the later of December 31, 2016, and the date on which the Corporation is in compliance with the covenants (subject to certain exclusions) in the Secured Debentures for the eight quarters preceding the request. While the restriction described in (iii), above, is in effect the Secured Debenture holders are not permitted to convert any or all of the Secured Debentures into Common Shares, except in connection with the maturity of the Secured Debentures, or in connection with or following a change of control (as defined in the Secured Debentures). In addition, in connection with the amendment dated December 5, 2014, the Corporation agreed to apply 50% of the proceeds of an equity financing conducted prior to July 29, 2016, up to a maximum of $5.0 million, to repay the Secured Debentures. For further details, refer to the Covenant Amendments which are available on SEDAR at www.sedar.com.

In connection with the Secured Debentures, the Corporation entered into certain agreements, including: (i) an investor liquidity agreement which provides the Secured Debenture Holders with certain "demand" and "piggy back" registration rights should they wish to sell their Common Shares by way of prospectus, and (ii) a shareholders' agreement (the "**Shareholders Agreement**") among the Secured Debenture Holders and certain management shareholders of the Corporation. Among other things, the Shareholders Agreement provides the holders of the Secured Debentures with the right to have up to three nominees appointed to the Board and the benefit of certain negative covenants for so long as the holders of the Secured Debentures hold Common Shares representing at least 10% of the outstanding Common Shares (calculated on a fully-diluted basis, and assuming the conversion of the Secured Debentures).

The parties to the Shareholders Agreement also have certain "rights of first offer" and "rights of first refusal" in the event that the other parties to the Shareholders Agreement propose to transfer any of their

Common Shares. The Shareholders Agreement also provides "pre-emptive" rights and "liquidity rights" commencing after the fifth anniversary of the Shareholders Agreement.

Copies of the Secured Debentures and the Shareholders Agreement are available on SEDAR at www.sedar.com.

Constraints

The CTA requires holders of licences to operate a domestic air service to be "Canadian" within the meaning of the CTA. The Corporation's Articles of Continuance contain foreign ownership restrictions designed to ensure that the Corporation maintains its "Canadian" status under the CTA.

Specifically, Class A Shares may be beneficially owned and controlled, directly or indirectly, only by persons who are Canadians, and Class B Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are not Canadians.

For this purpose, "Canadian" has the meaning set forth in Subsection 55(1) of the CTA, which may be summarized as follows:

(a) a Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);
(b) a government in Canada or an agent thereof; and
(c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians (as defined in paragraph (a)) and of which at least 75% (or such lesser percentage as the Governor in Council may by regulation specify) of the voting interests are owned and controlled by Canadians (as defined in paragraph (a)).

Further, each issued and outstanding Class A Share will be converted into one Class B Share, automatically and without any further act of the Corporation or the holder, if such Class A Share is or becomes beneficially owned or controlled, directly or indirectly, by a person who is not a Canadian. Each issued and outstanding Class B Share will be converted into one Class A Share, automatically and without any further act on the part of the Corporation or of the holder, if such Class B Share is or becomes beneficially owned and controlled, directly or indirectly, by a Canadian.

In the event that an offer is made to purchase Class A Shares (the "**Offer**"), and the Offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class A Shares are then listed, to be made to all or substantially all of the holders of Class A Shares in a province of Canada to which the requirement applies, each Class B Share will become convertible at the option of the holder into one Class A Share at any time while the Offer is in effect until one day after the time prescribed or permitted by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the Offer. Such conversion may only be exercised for the purpose of depositing the resulting Class A Shares pursuant to the Offer and the voting rights attached thereto are deemed to remain subject to the restrictions applicable to the Class B Shares, notwithstanding their conversion. In the event that any Class B Shares converted into Class A Shares are not taken up and paid for pursuant to the Offer, the Class A Shares resulting from such conversion will be re-converted into Class B Shares. The above conversion rights apply, *mutatis mutandis*, if an offer is made to purchase Class B Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class B Shares are then listed, to be made to substantially all of the holders of Class B Shares. Further details are contained in the Corporation's Articles of Continuance.

The Corporation's Articles of Continuance also grant to the Board all powers necessary to give effect to the ownership restrictions. The Corporation may adopt various procedures and policies with respect to

the transfer of Common Shares of the Corporation to ensure that the 25% limitation on non-Canadian voting of Class B shares is complied with. In addition, the Corporation may adopt policies and procedures to monitor the number of Common Shares owned by Canadians to ensure that the provisions of the CTA are complied with.

In March 2009, the Government of Canada's Bill C-10, the *Budget Implementation Act, 2009*, received Royal Assent. Bill C-10 contains provisions that would amend the CTA to allow the Governor in Council to increase the foreign ownership limit contained in the CTA from the current 25% to a maximum of 49%. These provisions will come into force on a day to be fixed by order of the Governor in Council made on the recommendation of the Minister of Transport.

The Corporation's Articles of Continuance are available on SEDAR at www.sedar.com.

DIVIDENDS AND DISTRIBUTIONS

To date, the Corporation has not paid any cash dividends on its Class A Shares or its Class B Shares.

The Corporation is currently restricted by terms contained in the Secured Debentures and the Shareholders Agreement from paying dividends or making certain other distributions to shareholders. These restrictions will remain effective so long as the Secured Debenture Holders hold Common Shares representing at least 10% of the outstanding Common Shares (calculated on a fully-diluted basis and assuming the conversion of the Secured Debentures) or the aggregate principal amount of the Secured Debentures plus accrued and unpaid interest thereon is not less than $35 million.

Apart from the foregoing, the future payment of dividends will be dependent upon the financial requirements of the Corporation to fund future growth, the financial condition of the Corporation and other factors which the Board may consider relevant in the circumstances. It is unlikely that dividends will be paid in the foreseeable future.

The Corporation has paid interest on the Unsecured Debentures and accrued interest on the Secured Debentures, each in accordance with the terms and conditions governing those debentures. See *"Description of Capital Structure – Unsecured Debentures" and "Description of Capital Structure – Secured Debentures"* above.

MARKET FOR SECURITIES

Trading Price and Volume

Class A Shares

The Class A Shares are listed and posted for trading on the TSX. The trading symbol is DA.A. The following table shows the range of high and low closing market prices and trading volume of the Class A Shares from February 1, 2016 to January 31, 2017.

CLASS A SHARES			
MONTH	HIGH ($)	LOW ($)	TOTAL MONTHLY TRADING VOLUME
February 2016	0.21	0.20	5,893
March 2016	0.21	0.20	6,589
April 2016	0.22	0.21	3,965
May 2016	0.24	0.23	9,097
June 2016	0.22	0.22	6,079
July 2016	0.21	0.21	4,723
August 2016	0.24	0.23	7,303

CLASS A SHARES			
MONTH	HIGH ($)	LOW ($)	TOTAL MONTHLY TRADING VOLUME
September 2016	0.22	0.21	13,859
October 2016	0.21	0.20	10,303
November 2016	0.21	0.20	8,932
December 2016	0.19	0.18	16,323
January 2017	0.20	0.18	11,559

Class B Shares

The Corporation's Class B Shares are not listed or posted for trading on any exchange or market. As of January 31, 2017, there were 2,710,754 Class B Shares outstanding.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following table sets forth the number of securities of the Corporation which, to the best of its knowledge, are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class, as at January 31, 2017.

DESIGNATION OF CLASS	NUMBER OF SECURITIES WITH TRANSFER RESTRICTIONS	PERCENTAGE OF CLASS
Class A Shares	2,443,651(1)	3.08%

Note:

(1) 2,443,651 Class A Shares are subject to restrictions contained in the Shareholders Agreement, which can be found on SEDAR at www.sedar.com. Specifically, Common Shares owned or controlled by certain current and former management shareholders of the Corporation are subject to rights of first offer and rights of first refusal. Also see "*Description of Capital Structure – Secured Debentures*" above.

DIRECTORS AND OFFICERS

The following table sets forth the names, municipalities of residence, positions held with the Corporation and principal occupations of Discovery Air's directors (the "**Board**") as at the date of this Annual Information Form. The term of office of each director expires at the next annual meeting of shareholders or until their successors are elected or appointed or they otherwise cease to serve as directors. In accordance with the terms of the Shareholders Agreement referred to above under "Description of Capital Structure - Secured Debentures", the holders of the Secured Debentures are entitled to nominate up to three persons for election as directors of the Corporation.

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION LAST 5 YEARS
ALAIN S. BENEDETTI, FCPA, FCA Saint Anne des lacs, Quebec, Canada	Director since June 26, 2014 Chair of the Audit Committee	Corporate Director. Alain Benedetti is the retired Vice-Chairman of Ernst & Young LLP, where he worked for 34 years, most recently as the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montreal office. Mr. Benedetti currently serves as a director of Russell Metals Inc., and Dorel Industries Inc. He currently chairs the audit committee of Dorel Industries. Mr. Benedetti is past chair of the Canadian Institute of Chartered Accountants (2006-2008). He was awarded the Fellowship of Chartered Accountants (FCA) designation in Quebec in 1996 and in Ontario in 1998. He was also certified as a corporate director by the Institute of Corporate Directors (ICD.D) in 2005.
MICHAEL M. GRASTY Santiago, Chile	Director since July 8, 2013 Chair of the Human Resources Committee Member of the Audit Committee	Senior partner at the law firm of Grasty Quintana Majlis & Cia. Michael Grasty is a senior lawyer and businessman based in South America. He founded the law firm of Grasty Quintana Majlis & Cia in 1987 and is currently its Senior Partner. Principal Occupation: Lawyer at Grasty Quintana Majlis & Cia. Mr. Grasty acts as director and legal representative of numerous foreign companies doing business in Chile such as Oracle Corporation, Ericsson International, Nike International, D.C. Equipment, and many others. He does the same for certain Chilean companies such as David del Curto S.A., Sparta Deportes, Empresas Tattersall and others. He is a member of Fundación Meri, Fundación Caserta, Fundación Likandes, Councilor of the Bechheads Advisory Board, of the Chile California Council, of the Circulo Legal de Icare and Fundación Pais Digital.

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION LAST 5 YEARS
THOMAS ANDREW HICKEY Surrey, UK	Director since January 25, 2016.	Mr Hickey has been retired since November 2016. Mr. Hickey acted most recently as Managing Director, Head of Investment Banking in London for Scotiabank Europe plc and was a member of the London Executive Committee. Mr. Hickey focused on cross border M&A, capital raising and lending to global energy businesses (2006 - 2016). Previously, Mr Hickey worked at CIBC in Toronto in various Investment Banking roles including M&A, Head of Mid-Market Investment Banking and Mezzanine Lending. (1998 - 2006). Mr. Hickey has not acted as a director or officer with any other issuer in the past 10 years.
G. JOHN KREDIET Manalapan, Florida, U.S.A.	Director since October 14, 2011 Member of the Human Resources Committee	Chairman of C.F. Capital Management LLC. Mr. Krediet also serves as a director of Clairvest Group Inc. (since 2004), and the Chairman of Can-Eng Partners Ltd. and Can-Eng Furnaces International Ltd. (since 2007). Mr. Krediet was previously the Chairman of DS Waters (2005 to 2012) and TB Wood's, Incorporated (2006 to 2007), the Chairman and CEO of Sparkling Spring Water Holdings Ltd. (1993 to 2003), the Chairman and CEO of independent Pepsi bottling companies named Maritime Beverages and EastCan Beverages (1986 to 1992). Prior to 1986, Mr. Krediet worked in roles in Europe and the U.S.A. at GE Credit Corp., Citibank and Amro Bank.

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION LAST 5 YEARS
ADMIRAL MICHAEL G. MULLEN, USN (RET.) Annapolis, Maryland, U.S.A.	Director since May 9, 2014	President and CEO of MGM Consulting, LLC. Admiral Mullen served as the 17th Chairman of the Joint Chiefs of Staff of the United States of America (2007 - 2011). He was the principal military advisor to President George W. Bush and President Barack Obama. Admiral Mullen graduated from the U.S. Naval Academy in 1968. He commanded at every level in the Navy. His final four-star command was in Europe for NATO. His fleet experience culminated in his assignment as the Navy's highest ranking officer, the 28th Chief of Naval Operations (2005-2007). Admiral Mullen earned a Masters of Science degree in Operations Research from the Naval Postgraduate School and completed the Advanced Management Program at the Harvard Business School. Admiral Mullen currently serves as a director of General Motors and Sprint. He is a member of the Risk (Chair) and Audit Committees at General Motors. He is a member of the Compensation Committee at Sprint. He is also an adjunct Professor at Princeton University.
ADRIAN PASRICHA Toronto, Ontario, Canada	Director since June 26, 2014	Principal at Clairvest Group Inc. Mr. Pasricha joined Clairvest in 2010 and participates in all areas of the investment process. Prior to joining Clairvest, he worked in the energy group of Warburg Pincus LLC, a venture capital firm based in New York. Mr. Pasricha also previously worked at the Boston Consulting Group in New York and IB Partners, a boutique investment bank based in Santiago, Chile. Mr. Pasricha also serves on the board of County Waste of Virginia, LLC.

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION LAST 5 YEARS
ROD PHILLIPS Toronto, Ontario, Canada	Director since June 26, 2014 Lead Director since July 3, 2014 Member of the Audit Committee	Global Head of Client Services at Afiniti and Chair of the Board of Directors of Postmedia Network Canada Corp. and its subsidiary Postmedia. Mr. Phillips is the Global Head of Client Services and Country Lead for Canada at Afiniti and Chair of the Board of Directors of Postmedia Network Canada Corp. and its subsidiary Postmedia. Mr. Phillips is a director of INFOR Acquisition Corp. and is a member of its Audit Committee. From 2011 to 2014 Mr. Phillips was President and Chief Executive Officer of the Ontario Lottery and Gaming Corporation (OLG). Prior to leading OLG, Mr. Phillips was President and Chief Executive Officer of Shepell.fgi. Mr. Phillips is Chair of the Boards of the Greater Toronto Civic Action Alliance and Telus Toronto Community Board, as well as a member of the board of the Toronto International Film Festival. Before joining Shepell.fgi, Mr. Phillips was Chief of Staff to Mayor Mel Lastman during his first term as the leader of the newly amalgamated City of Toronto from 1997 to 2000.
KENNETH B. ROTMAN [(1)] Toronto, Ontario, Canada	Director since October 14, 2011 Member of the Human Resources Committee	Co-CEO, Managing Director and a director of Clairvest Group Inc. Mr. Rotman joined Clairvest Group Inc. in 1993 and has been the Co-CEO, Managing Director and a director of Clairvest since June 2000. President, Amaranth Resources Ltd. Chairman, Wellington Financial. Mr. Rotman also serves as a director of MAG Aerospace and has previously been a director of a number of public, private & not-for-profit entities such as PEER 1 Networks, Light Tower Rentals, Hudson Valley Waste, Van-Rob, Shepell-fgi and The University Health Network.

Note:

(1) Mr. Rotman served as a director of Integral Orthopedics Inc. ("**IOI**") until July 18, 2008 when a receiver was appointed under the *Bankruptcy and Insolvency Act* to sell the assets of IOI. Mr. Rotman served as a director of Nexient Learning Inc. ("**Nexient**") until June 5, 2009; on June 29, 2009, Nexient applied for creditor protection under the CCAA. Mr. Rotman served as a director of Landauer Metropolitan Inc. and Landauer Healthcare Holdings, Inc. when on August 16, 2013 each of these companies filed for bankruptcy protection under Chapter 11 of the US Bankruptcy Code.

Finally, Mr. Rotman served as a director of Light Tower Rentals, Inc. when on September 13, 2016 it filed for bankruptcy protection under Chapter 11 of the US Bankruptcy Code.

The following table sets out the names, municipalities of residence, positions and principal occupations over the last five years of the officers of Discovery Air, as at the date of this Annual Information Form.

OFFICERS		
NAME	OFFICE HELD & CURRENT PRINCIPAL OCCUPATION[(2)]	PRINCIPAL OCCUPATION LAST 5 YEARS
JACOB (KOBY) SHAVIT New York, U.S.A.	President and Chief Executive Officer	December 13, 2012 to Present: President and Chief Executive Officer of the Corporation.
PAUL BERNARDS [(1)] Toronto, Ontario, Canada	Chief Financial Officer	April 2014 to Present: Chief Financial Officer of the Corporation. September 2011 to April 2014: Vice President Finance, Operations of JELD-WEN Inc.
BRIAN MERKER Mississauga, Ontario, Canada	Vice President Finance	December 5, 2014 to Present: Vice President, Finance of the Corporation. May 1, 2013 to Present: Chief Financial Officer of GSH. January 1, 2008 to April 30, 2013: Vice President, Finance of Score Media Inc.
DAVID KLEIMAN Toronto, Ontario, Canada	Vice President, General Counsel and Corporate Secretary	May 30, 2014 to Present: Vice-President, General Counsel and Corporate Secretary of the Corporation. Prior to this, Mr. Kleiman was Executive Vice President, General Counsel and Secretary at EXP Global Inc.
DIDIER TOUSSAINT Pointe-Claire, Quebec, Canada	Group President, Government Services	March 12, 2013 to Present: Group President, Government Services of the Corporation.
SHEILA VENMAN Ottawa, Ontario, Canada	Vice President, Human Resources and Communications	April 2011 to Present: Vice President, Human Resources and Communications of the Corporation.

Notes:

(1) Paul Bernards was previously the Chief Financial Officer of Trade Secrets, Inc. and certain of its subsidiaries (Trade Secrets Beauty, Inc., Trade Secrets Exclusive, Inc., Trade Secrets Luxury, Inc., Pure Beauty, Inc. and Beauty First, Inc.). Mr. Bernards ceased serving as the Chief Financial Officer of these entities in June 2010, and in August 2010, these entities were declared bankrupt.

(2) The Corporation has a number of employees who hold the title of "Vice President" but are not appointed as officers of the Corporation by the Board. Those employees are not listed above as they are not recognized as executive officers of the Corporation.

As of January 31, 2017, there were 79,286,721 Class A Shares and 2,710,754 Class B Shares issued and outstanding. At that date, the directors and executive officers of the Corporation listed above, as a group, beneficially owned, or controlled or directed, directly or indirectly, 71,697,908 Class A Shares and 2,665,990 Class B Shares, representing approximately 91% of the total number of Common Shares issued and outstanding.

CONFLICTS OF INTEREST

Kenneth B. Rotman is a director of the Corporation, as well as the Co-CEO and Managing Director of Clairvest. Mr. Rotman, together with certain of his family members, controls approximately 50.2% of Clairvest's voting shares. G. John Krediet is also a director of Clairvest. Adrian Pasricha is a Principal of Clairvest.

To the best of the Corporation's knowledge, the Clairvest Parties currently own, or exercise control or direction over, 68,718,415 Class A Shares and 1,883,313 Class B Shares, representing approximately 86.1% of the votes attaching to all of the Common Shares issued and outstanding.

The Clairvest Parties have the ability to determine any matter coming before a vote of the Corporation's shareholders, and the Clairvest Parties alone may cause or prevent the approval of any matter requiring shareholder approval, including the election of directors. The Clairvest Parties may also be able to effect certain fundamental changes to the Corporation in accordance with the *Canada Business Corporations Act* because they would be able to, on their own, meet the applicable 66 $^{2}/_{3}$% voting threshold for shareholder approval to effect such changes. The interests of the Corporation's shareholders may not align with the interests of the Clairvest Parties. In addition, in exercising their voting rights with respect to the Common Shares controlled by them, the Clairvest Parties do not owe a fiduciary duty to other shareholders or the Corporation. Votes in respect of the Common Shares may be significantly influenced by a small group of shareholders, including in the context of "majority of the minority" approvals for certain related party transactions.

In addition to the forgoing, the Clairvest Parties own or exercise control or direction over the rights attaching to approximately $68 million original principal amount of Secured Debentures, effectively giving Clairvest the ability to exercise control or direction over the rights attaching to all of the Secured Debentures.

Mr. Krediet also holds approximately $2 million original principal amount of Secured Debentures and 1,883,313 Class B Shares as of January 31, 2017.

As a result, Mr. Rotman and Mr. Krediet are considered to have an interest in material contracts with the Corporation, namely, the Secured Debentures, the Shareholders Agreement, the Letter Agreement, the Transaction Agreement entered into in respect of the DAFS Disposition, and the New Clairvest Loan.

Due to these interests, it is possible that, from time to time, Mr. Rotman, Mr. Krediet, or Mr. Pasricha, or any of them, may be considered to have a potential or actual conflict of interest in relation to one or more matters to be voted upon by the Board. In such circumstances, Mr. Rotman, Mr. Krediet, or Mr. Pasricha, or any of them, may choose or be required to abstain from participating in the Board's decision.

LEGAL PROCEEDINGS

On October 4, 2011, an Air Tindi aircraft crashed in Lutsel K'e, Northwest Territories with four people on board. Two people (the pilot and one passenger) died as a result of the accident, and two passengers survived. The Transportation Safety Board of Canada released its accident investigation report on March 20, 2013 (Report Number A11W0151). The surviving passengers and the estate of the deceased passenger filed statements of claim against Air Tindi on or about September 27, 2013. Each plaintiff's statement of claim was filed in the Supreme Court of the Northwest Territories under Court File Nos. S-1-CV-2013-000155 and S-1-CV-2013-000156. Air Tindi has filed statements of defence in each of the actions and is disputing all claims. The amounts claimed by the surviving passengers are approximately $11.5 million in the aggregate (before interest, costs and other amounts that may be awarded by the court). The claim by the estate of the deceased passenger does not state the amount claimed. The parties are currently engaged in settlement negotiations. The Corporation's management believes it has adequate insurance to cover any amounts for which Air Tindi may be liable under these claims.

On November 20, 2014, Air Tindi was transporting certain passengers from Yellowknife to Fort Simpson. The original flight had been scheduled for November 19, 2014 was re-scheduled for November 20, 2014. During the climb, the aircraft encountered icing conditions necessitating the return to Yellowknife. On the return the aircraft was unable to maintain altitude and hit the frozen surface of the north arm of Great Slave Lake and continued moving for 2,300 feet before it struck a rock outcropping with the nose and left main landing gear. The passengers filed a statement of claim and notice to defendant on or about March 2, 2017, which was filed in the Supreme Court of the Northwest Territories under Court File No. S-1-CV-2016-000291. The claim asserts a number of failures on the part of the pilot and Air Tindi. The Corporation's management has not yet received any request for information, documents or records. The Corporation's management believes it has adequate insurance to cover any amounts for which Air Tindi may be liable under this claim.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Each of Kenneth B. Rotman and G. John Krediet are directors of the Corporation and directors of Clairvest. Mr. Rotman, together with certain of his family members, controls approximately 50.2% of Clairvest's voting shares.

The Secured Debentures may be converted into Common Shares at a price per Common Share that is approximately $12.53 (as at January 31, 2017) under certain circumstances. The Common Shares issuable on the conversion of the Secured Debentures held by the Clairvest Parties would, on an "as converted basis", represent, as at January 31, 2017, approximately 9% of the issued and outstanding Common Shares.

In addition, the Corporation entered into a certain Letter Agreement dated September 23, 2011 with Clairvest whereby the Corporation has retained Clairvest for the purpose of providing certain advisory services (the "**Letter Agreement**"). The annual retainer payable to Clairvest for such services is equal to $250,000. The Letter Agreement contemplates a term of up 10 years, subject to earlier termination if (i) the Clairvest Parties collectively hold less than 10% of the Common Shares (on a fully-diluted and converted basis), or (ii) after September 23, 2013, the Corporation elects to terminate the Letter Agreement upon meeting certain conditions.

Finally, On December 20, 2016, the Corporation, through its subsidiary, DA Defence, entered into the New Clairvest Loan providing for a revolving credit facility in the aggregate principal amount of $25 million. The borrowings under the New Clairvest Loan are secured, bear interest at a rate of 12% per annum and mature on June 30, 2017. The New Clairvest Loan also contains an optional conversion feature, which provides the Clairvest Parties an option, subject to certain conditions, to convert the

outstanding balance under the New Clairvest Loan into common shares of DA Defence at a conversion price to be determined on the basis of the value of the DA Defence business after the application of certain agreed upon adjustments, as determined by an independent and qualified valuator. The Corporation filed a Material Change Report and Material Contracts in connection with the New Clairvest Loan on December 23, 2016, copies of which are available on SEDAR at www.sedar.com. For additional information on the New Clairvest Loan, please see below under the heading "*Risk Factors*".

See *"Conflicts of Interest"* for further details respecting the interests of Mr. Rotman, Mr. Krediet and Mr. Pasricha in Clairvest, and *"Description of Capital Structure – Secured Debentures"* for details regarding the terms and conditions of the Secured Debentures.

AUDIT COMMITTEE INFORMATION

The Charter of the Audit Committee of the Corporation is attached to this Annual Information Form as Exhibit "A".

The members of the Audit Committee are: Alain S. Benedetti (Chair), Michael M. Grasty and Rod Philips. Each member of the Audit Committee is both independent and financially literate, as such terms are defined in *National Instrument 52-110 - Audit Committees*.

Mr. Benedetti is the Chair of the Audit Committee. He has over 34 years of experience in public accounting. Mr. Benedetti is the retired Vice-Chairman of Ernst & Young LLP, where he worked for 34 years, most recently as the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montreal office. Mr. Benedetti is past chair of the Canadian Institute of Chartered Accountants (2006-2008). He was awarded the Fellowship of Chartered Accountants (FCA) designation in Quebec in 1996 and in Ontario in 1998. He is also certified as a corporate director by the Institute of Corporate Directors (2005).

Michael M. Grasty founded the law firm of Grasty Quintana Majlis & Cia., located in Santiago, Chile in 1987 and is currently its Senior Partner. Mr. Grasty acts as director and legal representative of numerous foreign companies doing business in Chile such as Oracle Corporation, Ericsson International, Nike International, D.C. Equipment, and many others. He does the same for certain Chilean companies such as David del Curto S.A., Sparta Deportes, Empresas Tattersall and others. He is a member of Fundación Meri, Fundación Caserta, Fundación Likandes, Councilor of the Bechheads Advisory Board, of the Chile California Council, of the Circulo Legal de Icare and Fundación Pais Digital.

Mr. Phillips is the Global Head of Client Services at Afiniti and Chair of the Board of Directors of Postmedia Network Canada Corp. and its subsidiary Postmedia. He is also a director of INFOR Acquisition Corp. and is a member of its Audit Committee. From 2011 to 2014, Mr. Phillips was President and Chief Executive Officer of the Ontario Lottery and Gaming Corporation (OLG). Prior to leading OLG, Mr. Phillips was President and Chief Executive Officer of Shepell.fgi. Mr. Phillips is Chair of the Boards of the Greater Toronto Civic Action Alliance and Telus Toronto Community Board, as well as a member of the board of the Toronto International Film Festival. Before joining Shepell.fgi, Mr. Phillips was Chief of Staff to Mayor Mel Lastman during his first term as the leader of the newly amalgamated City of Toronto from 1997 to 2000.

The Board has approved an Audit Services Policy which provides that the Audit Committee shall pre-approve, on a case-by-case basis, (i) non-audit services (and related fees) to be provided by the external auditor, and (ii) audit-related fees charged by the external auditor.

Audit Fees

Fees billed by KPMG LLP for audit services in the 12 month period ended January 31, 2017 were $385,500 (2016 - $298,000). These fees relate to audit services provided in connection with performing quarterly reviews, and the Company's annual audits.

Tax Fees

Fees billed by KPMG LLP for tax services in the 12 month period ended January 31, 2017 were $67,000 (2016 - $44,000). These services included preparation of corporate tax returns and tax advisory services.

All Other Fees

There were no fees billed by KPMG for other services in the 12 month period ended January 31, 2017. (2016 - $0).

MATERIAL CONTRACTS

The following are contracts, other than contracts entered into in the ordinary course of business, material to the Corporation and entered into within and since the end of the fiscal period ended January 31, 2016 or entered into prior to that period and still in effect. The wholly-owned subsidiaries of the Corporation are parties to additional material contracts which have been determined by the Corporation to have been entered into in the ordinary course of business and which are, therefore, not listed below:

1. the Convertible Debenture Indenture dated May 12, 2011 between Computershare Trust Company of Canada and the Corporation in respect of the Unsecured Debentures; see *"Description of Capital Structure – Unsecured Debentures"* for a description of the Unsecured Debentures; the Convertible Debenture Indenture is available on SEDAR at www.sedar.com;
2. the Secured Debentures issued by the Corporation on September 23, 2011 to Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV Co-Investment Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (including the amendments to such Secured Debentures dated March 26, 2012, July 31, 2012, October 25, 2012, May 6, 2013, February 1, 2014, February 24, 2014, May 2, 2014, September 10, 2014, December 5, 2014, and March 2, 2015); see *"Description of Capital Structure – Secured Debentures"*; the Secured Debentures and the amendments thereto are available on SEDAR at www.sedar.com;
3. the Shareholders Agreement entered into on September 23, 2011; see *"Description of Capital Structure – Secured Debentures"*; the Shareholders Agreement is available on SEDAR at www.sedar.com;
4. DAFS Disposition:
   a) the Transaction Agreement entered into on September 8, 2016, see *"Intercorporate Relationships"*; the transaction agreement is available on SEDAR at www.sedar.com;
   b) the Voting and Support Agreement entered into with MAG Holdings Canada Corp., 2531599 Ontario Limited; Discovery Air Inc. and Paul Bernards on September 8, 2016; the Voting and Support Agreement is available on SEDAR at www.sedar.com;
   c) the Voting and Support Agreement entered into with MAG Holdings Canada Corp., 2531599 Ontario Limited; Discovery Air Inc. and David Kleiman on September 8, 2016; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

d) the Voting and Support Agreement entered into with MAG Holdings Canada Corp., 2531599 Ontario Limited; Discovery Air Inc. and Brian Merker on September 8, 2016; the Voting an d Support Agreement is available on SEDAR at www.sedar.com;

e) the Voting and Support Agreement entered into with MAG Holdings Canada Corp., 2531599 Ontario Limited; Discovery Air Inc. and New Horizon Holdings Canada Inc. on September 8, 2016; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

f) the Voting and Support Agreement entered into with MAG Holdings Canada Corp., 2531599 Ontario Limited; Discovery Air Inc. and Jacob Shavit on September 8, 2016; the Voting and Support Agreement is available on SEDAR at www.sedar.com; and

g) the Voting and Support Agreement entered into with MAG Holdings Canada Corp., 2531599 Ontario Limited; Discovery Air Inc. and Sheila Venman on September 8, 2016; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

h) the Assignment and Amending Agreement entered into on January 31, 2017; the Assignment and Amending Agreement is available on SEDAR at www.sedar.com.

5. New Clairvest Loan:

a) the Credit Agreement entered into December 20, 2016; see "Corporate Finance Activities"; the Credit Agreement is available on SEDAR at www.sedar.com;

b) the Voting and Support Agreement entered into with Clairvest GP Manageco Inc., Discovery Air Inc. and Paul Bernards on January 17, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

c) the Voting and Support Agreement entered into with Clairvest GP Manageco Inc., Discovery Air Inc. and Paul Bouchard on January 17, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

d) the Voting and Support Agreement entered into with Clairvest GP Manageco Inc., Discovery Air Inc. and David Kleiman on January 17, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

e) the Voting and Support Agreement entered into with Clairvest GP Manageco Inc., Discovery Air Inc. and Jacob Shavit on January 17, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com; and

f) the Voting and Support Agreement entered into with Clairvest GP Manageco Inc., Discovery Air Inc. and Didier Toussaint on January 17, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com.

6. Going Private Transaction:

a) the Arrangement Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc. and Discovery Air Inc. on March 24, 2017; the Arrangement Agreement is available on SEDAR at www.sedar.com;

b) the Voting and Support Agreement entered into with Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and G. John Krediet on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

c) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and Paul Bernards on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

d) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and Paul Bouchard on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

e) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and Long Creek Holdings Inc. on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

f) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and Jacob Shavit on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

g) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and New Horizon Holdings Canada Inc. on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

h) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and Clairvest Group Inc. on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com;

i) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and DA Holdings Limited Partnership on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com; and

j) the Voting and Support Agreement entered into with Clarivest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, CEP IV Co-Investment Limited Partnership, 10123200 Canada Inc.; Discovery Air Inc. and David Kleiman on March 24, 2017; the Voting and Support Agreement is available on SEDAR at www.sedar.com.

TRANSFER AGENT

The Corporation's registrar and transfer agent is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario, M5J 2Y1.

EXPERTS

Name of Experts

The Corporation's auditors are KPMG LLP, 100 New Park Place, Suite 1400, Vaughan, Ontario L4K 0J3.

Interests of Experts

KPMG LLP have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans are contained in the Corporation's Management Proxy Circular, available on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's financial statements and the related Management's Discussion and Analysis for the fiscal year ended January 31, 2017 filed on SEDAR at www.sedar.com.

All documents incorporated herein by reference (and available on SEDAR) are also available upon request and will be provided by the Corporation free of charge. All such requests should be submitted to the attention of the Corporation Secretary at 170 Attwell Drive, Suite 370, Toronto, Ontario, M9W 5Z5.

DISCOVERY AIR

Exhibit "A"

AUDIT COMMITTEE CHARTER
DISCOVERY AIR INC.

Board Approved:
September 7, 2012

1. PURPOSE

The Board of Directors (the "Board") is responsible for the stewardship of Discovery Air Inc. (the "Corporation"). That stewardship consists primarily of the duty to supervise the management of the business and affairs of the Corporation. To discharge that duty, the Board must supervise all significant aspects of the management of the business and affairs of the Corporation and its subsidiaries.

A. Corporate Obligations to Be Supervised. The following obligations of the senior officers of the Corporation ("Management"), the Board and the Corporation (the "Financial Obligations") are, amongst others, significant aspects of the management of the business and affairs of the Corporation:

(a) financial reporting and disclosure in compliance with applicable law;
(b) the appointment by the shareholders of the Corporation of a firm of chartered accountants as the external auditor of the Corporation (the "External Auditor");
(c) monitoring the work of the External Auditor;
(d) maintenance by Management of effective controls over the Corporation's financial reporting and disclosure;
(e) maintenance by Management of effective policies and guidelines related to the management of the risks (the "Financial Risks") associated with Management, the Board and the Corporation meeting the Financial Obligations; and
(f) effective management of the Corporation's financial resources, assets and obligations.

B. Authority. The fundamental duty of the Board in supervising efforts to meet the Financial Obligations is to gain and maintain reasonable assurance that the Financial Obligations are being met. The Board believes its duty in this regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required:

(a) to take all actions (the "Diligent Actions") which, in the opinion of the Board or the committee, are necessary or desirable for the committee to gain and maintain reasonable assurance that the Financial Obligations are being met, and
(b) to report to the Board the conclusions reached by the committee as a result of taking the Diligent Actions.

2. ESTABLISHMENT/CONTINUATION OF AUDIT COMMITTEE

The Board has established and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee"). The Committee is hereby empowered and required to

take the Diligent Actions and to report to the Board the conclusions reached by the Committee as a result of taking the Diligent Actions.

3. COMPOSITION

A. Composition. The Committee shall consist of at least three directors of the Corporation (collectively, the "Members"), one of whom shall serve as the Chair of the Committee (the "Committee Chair"). All members shall be Independent (as that term is defined herein) and Financially Literate (as that term is defined herein).

B. Appointment and Removal. The Board shall appoint, and may remove, any of the Members and the Committee Chair at any time and from time to time.

C. Definitions. For the purpose of this Charter

(a) a member is "Independent" if

i. the Member has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Member's independent judgment; and

ii. the Member is not an individual who is considered to have a material relationship with the Corporation under section 1.4 or 1.5 of *National Instrument 52-110 - Audit Committees*, and

(b) the term "Financially Literate" means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

4. RELIANCE ON EXPERTS

In contributing to the Committee's discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

(a) financial statements of the Corporation represented to the Member by an officer of the Corporation or in a written report of the auditor of the Corporation to fairly reflect the financial condition of the Corporation, or
(b) a report of a person whose profession lends credibility to a statement made by that person.

5. STANDARD OF CARE

In contributing to the Committee's discharge of its duties under this Charter, each Member shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of a Member's duties is supervising and taking Diligent Actions to gain and maintain reasonable assurance that the Financial Obligations are being met by the Corporation and to enable the Committee to report thereon to the Board.

6. OPERATING PROCEDURES

A. Frequency of Meetings. The Committee shall meet four times annually or more frequently as circumstances dictate. Regular meetings of the Committee shall be held in accordance with a

schedule prepared by the Corporate Secretary in consultation with the Chair of the Board of Directors of the Corporation (the "Board Chair") and the Committee Chair. Additional meetings of the Committee may be called at any time by the Board Chair, the Committee Chair, any Member or at the request of the External Auditor.

B. Notice of Meetings. Notice of the time and place of each meeting of the Committee shall be given to each Member not less than 48 hours before the time when the meeting is to be held. Notwithstanding the foregoing, in the event that the Board or the Committee fixes by resolution the time and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meeting(s) whose times and places are so fixed.

C. Meeting Agendas. Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Board Chair, the Committee Chair, the Corporation's President and Chief Executive Officer (the "CEO"), the Corporation's Chief Financial Officer (the "CFO") and the External Auditor, in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board, the Committee or the External Auditor.

D. Transaction of Business. The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.

E. Meetings by Telephone or Electronic Means. If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.

F. Quorum. A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.

G. Votes to Govern. At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.

H. Attendance by Other Directors. Any director of the Corporation (a "Director"), whether or not he or she is a Member, shall be entitled to be present at and to participate in all meetings of the Committee as a non-voting participant.

I. Secretary of Meetings. Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as secretary of all meetings of the Committee.

J. Chair of Meetings. The Committee Chair shall act as chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting chair at the meeting.

K. In Camera Sessions. At each meeting of the Committee, the Committee shall meet in separate *in camera* sessions with each of the External Auditor, the CEO and the CFO. The Committee shall also be entitled to meet in private or, at the option of the Committee, with one or more other officers or employees of the Corporation or its subsidiaries.

L. Circulation of Minutes. A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any Director upon request.

M. Reports to the Board. The chair of each meeting of the Committee shall report on the matters considered at that meeting to the next-following regularly-scheduled meeting of the Board.

N. Retention of External Advisors. To assist the Committee in discharging its responsibilities, the Committee is authorized to:

(a) engage any advisors (including independent counsel) as it determines necessary to carry out its duties,
(b) set and pay, at the expense of the Corporation, the compensation for any advisors engaged by the Committee, and
(c) communicate directly and privately with the External Auditor and any other advisor engaged by the Committee.

7. DILIGENT ACTIONS

Without limiting the nature or scope of the Diligent Actions, the Committee shall, as part of the Diligent Actions:

A. General. for the purpose of gaining and maintaining reasonable assurance that Management, the Board and the Corporation meet the Financial Obligations,

(a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee
    (i) a written report listing the Financial Obligations,
    (ii) prompt written updates to the report referred to in paragraph (i) above describing any proposed or actual change to the Obligations, and
    (iii) at each meeting of the Committee, written assurance that Management and the Corporation have, since the last preceding meeting of the Committee, complied fully with the Financial Obligations;
(b) make regular assessments of the integrity, comprehensiveness and effectiveness of internal controls which support Management, the Board and the Corporation in meeting the Financial Obligations ("Internal Financial Controls"), including (1) the Corporation's disclosure controls and procedures ("Disclosure Controls"), and (2) the Corporation's internal controls over financial reporting ("Reporting Controls"), as those terms are defined in *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"); in making each such assessment, the Committee shall obtain from the CEO and the CFO a report setting out:
    (i) the overall approach taken by the CEO and the CFO to the process by which they provide certification as required by NI 52-109,
    (ii) the issues that were raised by such overall approach,
    (iii) the approach taken by the CEO and the CFO to the evaluation of the Disclosure Controls and the Reporting Controls,
    (iv) the results of the evaluation of the Disclosure Controls and the Reporting Controls made by the CEO and the CFO, and
    (v) the conclusions reached by the CEO and the CFO as to the effectiveness of the Disclosure Controls and the Reporting Controls;
(c) annually assess the quality and sufficiency of the Corporation's accounting and financial personnel;
(d) review the effectiveness of the Corporation's policies that require significant new actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;

(e) review reports to Management by the External Auditor with respect to weaknesses or deficiencies in Internal Financial Controls, and review the adequacy and appropriateness of Management's responses to recommendations relating to such weaknesses or deficiencies made by the External Auditor, including the implementation thereof;
(f) oversee and regularly assess the quality of the work of the External Auditor in preparing or issuing an audit or other report in respect of the Corporation's financial statements and performing other audit, review or attest services for the Corporation;
(g) use its best efforts to resolve disagreements between Management and the External Auditor regarding financial reporting;
(h) receive at least annually reports from each of Management and the External Auditor with respect to the effectiveness of the records and procedures established by Management to initiate, record, process and report the Corporation's transactions;
(i) review the plans of Management and the External Auditor to gain reasonable assurance that the combined evaluation and testing of Internal Financial Controls is comprehensive, coordinated and effective;
(j) receive timely reports from Management, the External Auditor and the Corporation's legal department on any indication or detection of fraud and the corrective activity undertaken in respect thereto;
(k) before the Committee recommends a proposed External Auditor for nomination by the Board, be reasonably assured that any such proposed External Auditor of the Corporation possesses and will make available to the Corporation the personnel required to efficiently, cost-effectively and expertly prepare or issue an audit or other report in respect of the Corporation's financial statements or perform other audit, review or attest services for the Corporation;
(l) in advance of the External Auditor's commencement of each audit of the Corporation's financial statements, review with the External Auditor the proposed scope of the audit, the proposed areas of special emphasis to be addressed in the audit and the materiality levels which the External Auditor proposes to employ;
(m) satisfy itself that Management has placed no restrictions on the scope or extent of the External Auditor's audit examinations or reviews or the External Auditor's reporting of its findings to the Board or the Committee;
(n) review and approve in advance any proposed appointment of a member of Management whose duties relate significantly to Financial Obligations;
(o) review quarterly a progress report by the External Auditor on the status of its annual audit of the Corporation's annual financial statements, including the External Auditor's findings and the implications of those findings; and
(p) discuss with the External Auditor (i) whether its reports to Management on errors detected by the External Auditor in the course of an audit or other audit findings suggest weaknesses or deficiencies in Internal Financial Controls, and (ii) whether, in the opinion of the External Auditor, Management has appropriately addressed any such errors or other audit findings;

B. Audited Financial Statements. for the purpose of gaining reasonable assurance as to whether each audited financial statement of the Corporation presents fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with IFRS,

(a) review with Management and the External Auditor the comparative financial statements of the Corporation relating separately to each financial year of the Corporation (the "Current

Year") and the financial year of the Corporation next preceding the Current Year (the "Preceding Year");

(b) assess the reasonableness, and the effect upon the Corporation's financial position and the results of the Corporation's operations, of
   (i) each significant estimate, accrual, reserve and provision employed by Management in preparing the comparative financial statements of the Corporation for the Current Year (the "Current Annual Statement"), as well as all changes to each significant estimate, accrual, reserve and provision made since the end of the third quarter of the Current Year, and
   (ii) the aggregate amount of all estimates, accruals, reserves and provisions employed by Management in preparing the Current Annual Statement, as well as the change (if any) in such aggregate amount made since the end of the third quarter of the Current Year;

(c) review all unresolved items identified by the External Auditor in conducting its audit of the Current Annual Statement;

(d) obtain the written opinion of the External Auditor as to whether:
   (i) any of the accounting principles, policies, practices or methods employed by Management in preparing the Corporation's financial statements for the Preceding Year were significantly changed or augmented in preparing the Current Annual Statement,
   (ii) the Current Annual Statement is materially different from that which the External Auditor would have expected from reviewing the Corporation's quarterly financial statements for the Current Year,
   (iii) the accounting principles, policies and disclosure practices employed in preparing the Current Annual Statement are materially different from the accounting principles, policies and disclosure practices generally employed by others engaged in the industries or businesses in which the Corporation is engaged,
   (iv) any of the accounting policies, practices, estimates, judgments or disclosure practices employed in preparing the Current Annual Statement could be described as "aggressive", "inadequate" or "not the most appropriate",
   (v) in the Current Annual Statement, any immaterial items are treated in a manner which would have to be changed if such items became material in future years, or
   (vi) there is any accounting principle, policy, practice, estimate, judgment or disclosure practice employed in preparing the Current Annual Statement which is not in accordance with IFRS but the use of which is justified on the basis of immateriality;

(e) obtain a written report from the External Auditor comparing (i) the extent of the External Auditor's reliance on Internal Financial Controls in auditing the Current Annual Statement to (ii) the extent of the External Auditor's reliance on Internal Financial Controls in auditing the Preceding Year's financial statements;

(f) review at least annually with Management, the External Auditor and the Corporation's legal counsel all legal claims or other contingencies affecting the Corporation to gain reasonable assurance that all such claims and contingencies which could have a material effect on the financial position or results of operations of the Corporation have been disclosed (if appropriate) in the Current Annual Statement;

(g) review with Management and the External Auditor the annual financial statements of the Corporation's significant subsidiaries; and

(h) obtain from Management a representation letter addressed to the Committee relating to the Current Annual Statement comparable in content to the representation letter provided by Management to the External Auditor relating to the Current Annual Statement;

C. Interim Financial Statements. for the purpose for gaining reasonable assurance as to whether each interim financial statement of the Corporation presents fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with IFRS,

(a) review with Management and the External Auditor the comparative interim financial statement of the Corporation relating separately to each of the three-month, six-month and nine-month periods of the Current Year and the Preceding Year;

(b) assess the reasonableness, and the effect upon the Corporation's financial position and the results of the Corporation's operations, of

(i) each significant estimate, accrual, reserve and provision employed by Management in preparing each comparative interim financial statement specified in subparagraph (a) above (the "Current Quarterly Statement"), as well as all changes to each significant estimate, accrual, reserve and provision made at or since the beginning of the period to which the Current Quarterly Statement relates (the "Current Quarter"), and

(ii) the aggregate amount of all estimates, accruals, reserves and provisions employed by Management in preparing the Current Quarterly Statement, as well as the change (if any) in such aggregate amount made at or since the beginning of the Current Quarter;

(c) review all unresolved items identified by the External Auditor in preparing its report on the Current Quarterly Statement;

(d) obtain a written report from the External Auditor as to whether it is aware of any material modification that needs to be made for the Current Quarterly Statement to be in accordance with IFRS; and

(e) obtain a written report of the External Auditor as to whether the External Auditor, in the course of reviewing the Current Quarterly Statement, became aware that

(i) any of the accounting principles, policies, practices or methods employed by Management in preparing the Corporation's financial statements for the financial accounting period ended immediately prior to the beginning of the Current Quarter were significantly changed or augmented in preparing the Current Quarterly Statement,

(ii) the Current Quarterly Statement is materially different from that which the External Auditor would have expected from reviewing the Corporations' financial statements for the earlier financial quarters (if any) falling within the financial year of the Corporation encompassing the Current Quarter,

(iii) the accounting principles, policies, and disclosure practices employed in preparing the Current Quarterly Statement are materially different from the accounting principles, policies and disclosure practices generally employed by others engaged in the industries or businesses in which the Corporation is engaged,

(iv) any of the accounting principles, policies, practices, estimates, judgments or disclosure practices employed in preparing the Current Quarterly Statement could be described as "aggressive", "inadequate" or "not the most appropriate",

(v) in the Current Quarterly Statement, any immaterial items are treated in a manner which would have to be changed if such items became material in a future financial accounting period, or

(vi) there is any accounting principle, policy, practice, estimate, judgment or disclosure practice employed in preparing the Current Quarterly Statement which is not in accordance with IFRS but the use of which is justified on the basis of immateriality;

D. Financial Statements and MD&A. for the purpose of gaining reasonable assurance that each Current Annual Statement and each Current Quarterly Statement (a "Current Financial Statement"), the related Management's Discussion & Analysis (as defined in *National Instrument 51-102 –*

Continuous Disclosure Obligations) ("MD&A") and any related press releases have been made up and certified as required by the laws, regulations, rules, policies and other requirements relating to financial reporting and disclosure (collectively the "Financial Reporting Rules") promulgated by governments, securities commissions, stock exchanges and other agencies and instrumentalities having jurisdiction over the Corporation (collectively the "Regulators"),

(a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee (1) a written report setting out the applicable Financial Reporting Rules, and (2) prompt written updates to that report describing any proposed or actual change to the applicable Financial Reporting Rules;
(b) before the Corporation publicly discloses such information, review each Current Financial Statement, the related MD&A and any related press releases with Management and the External Auditor in light of the written report (as updated from time to time) referred to in subsection (a) above;
(c) review each MD&A to gain reasonable assurance that the statements and disclosures made therein are consistent with the Committee's knowledge of the Corporation's operations, financial condition and performance;
(d) obtain from the External Auditor a report on (i) whether the financial information included in each MD&A is consistent with the related Current Financial Statement, and (ii) whether the selection or presentation of that financial information in such MD&A could reasonably be expected to cause a reader to misinterpret the Corporation's financial condition or performance;
(e) obtain from Management at least annually a list of the most important performance measures or indicators that Management uses to manage the Corporation's business and assess the Corporation's performance; and
(f) gain reasonable assurance that such performance measures and indicators are presented fairly in each MD&A;

E. External Auditor's Report. for the purpose of gaining reasonable assurance that each Current Annual Statement is accompanied by a report thereon prepared by the External Auditor in accordance with the Financial Reporting Rules (the "Required Report"),

(a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee (1) a written report specifying all of the contents and characteristics of a Required Report, and (2) prompt written updates to that report describing any proposed or actual changes to the content or characteristics of a Required Report; and
(b) review each Required Report with Management and the External Auditor in light of the written report (as updated from time to time) referred to in subsection (a) above;

F. Independence of External Auditor. for the purpose of gaining and maintaining reasonable assurance that an existing or proposed External Auditor (an "Auditor") is objective and independent,

(a) obtain annually from the Auditor a written opinion of the Auditor that it is objective within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario;
(b) obtain annually from the Auditor a written report of the Auditor listing in detail
    (i) all fees paid by the Corporation or any affiliate of the Corporation to the Auditor or any affiliate of the Auditor in the last financial year of the Corporation ended prior to the date of such report, and

(ii) all relationships of any kind which existed between the Auditor or any affiliate of the Auditor and the Corporation or any affiliate of the Corporation at any time in the last financial year of the Corporation ended prior to the date of such report; and

(c) obtain annually from the External Auditor an acknowledgement in writing that the Board and the Committee, and not Management, are the External Auditor's clients;

G. Filing and Sending Financial Statement and MD&A. for the purpose of gaining reasonable assurance that each Current Financial Statement and the related MD&A are filed with all Regulators and sent to holders of the Corporation's securities (including each shareholder of the Corporation) in compliance with the Financial Reporting Rules, prior to the date specified by the Financial Reporting Rules by which the Current Financial Statement and the related MD&A must be so filed and sent, obtain from Management written assurance that the Current Financial Statement and the related MD&A have been so filed and sent;

H. Dissemination of Financial and Material Information. for the purpose of gaining reasonable assurance (1) that where a material change (as defined in the Financial Reporting Rules) occurs in the affairs of the Corporation, the Corporation (A) forthwith issues a news release authorized by a member of Management disclosing the nature and substance of the material change (a "Material Change News Release"), and (B) files a report of such material change (a "Material Change Report") as soon as practicable (and in any event within ten days of the date on which the material change occurs), all in compliance with the Financial Reporting Rules, and (2) that all material information concerning the Corporation which is disseminated to the public by or on behalf of the Corporation is accurate, complete and fairly presented,

(a) prior to the date specified by the Financial Reporting Rules by which any such Material Change News Release and any such Material Change Report must be issued and filed, obtain from Management written assurance that such Material Change News Release and Material Change Report have been so issued and filed;

(b) review with Management and, if the Committee so desires, with the External Auditor, all news releases and reports proposed to be issued or filed by the Corporation which contain significant financial information concerning the Corporation, including all news releases and reports concerning a Current Financial Statement; in circumstances where events render it impractical for the Committee to review such news releases or reports with Management prior to issuing or filing such news releases or reports, authority to review and approve such news releases or reports may be exercised by the Committee Chair and the Board Chair, acting together;

(c) review with Management and, if the Committee so desires, with the External Auditor, all prospectuses, Material Change News Releases, Material Change Reports, MD&A, annual information forms and other core documents (as defined under applicable securities laws);

(d) periodically assess the adequacy of the Corporation's procedures, resources, systems and tasks for the review of (i) the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, (ii) presentations or other documents used or intended for use with investors, analysts or other members of the investment community, and (ii) all other information that is generally disseminated by the Corporation and its subsidiaries, including non-material news releases and information published on the website(s) of the Corporation and its subsidiaries;

I. Tax and Statutory Remittance Obligations. for the purpose of gaining and maintaining reasonable assurance that the Corporation is in compliance with its obligations under tax, employment and similar laws and regulations relating to the collection and remittance of taxes and other statutory amounts, obtain quarterly reports from Management as to such compliance;

J. Non-Audit Services. pre-approve all non-audit services proposed to be provided to the Corporation or to any of its subsidiaries by the External Auditor; prior to the Committee pre-approving any non-audit services proposed to be provided to the Corporation or to any of its subsidiaries by the External Auditor, gain reasonable assurance that the provision of such services by the External Auditor could not reasonably be expected to impair the objectivity or independence of the External Auditor; for purposes of this Charter,

(a) "audit services" means the professional services rendered by the External Auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the External Auditor in connection with statutory and regulatory filings or engagements, and
(b) "non-audit services" means services other than audit services;

K. Hiring from External Auditor. review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former External Auditor;

L. Complaint Processes. establish procedures for

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, Internal Financial Controls, Disclosure Controls, Financial Reporting Rules or auditing matters,
(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, and
(c) the reporting to the Committee of all such complaints and submissions;

M. Recommendation of Auditor. recommend to the Board

(a) a proposed External Auditor to be nominated by the Board for appointment as the External Auditor by the holders of common shares of the Corporation, and
(b) the compensation of the External Auditor **;**

N. Oversight of Financial Risks. for the purpose of gaining and maintaining reasonable assurance that Management is directly and effectively assessing, monitoring and managing Financial Risks,

(a) prior to the Board's approval of each MD&A, obtain from Management a report containing Management's assessment of the principal risks to the Corporation's business and identifying which of such risks are principal Financial Risks;
(b) at least semi-annually, obtain from Management a report specifying the process by which Management is assessing, monitoring and managing Financial Risks;
(c) review all reports of the External Auditor with respect to any weaknesses or deficiencies in Internal Controls relating to Financial Risks, and review the adequacy and appropriateness of Management's responses to recommendations relating to any such weaknesses or deficiencies made by the External Auditor, including Management's implementation of such recommendations;
(d) gain reasonable assurance that the principal Financial Risks are fairly presented in each MD&A and in the Corporation's Annual Information Form; and
(e) prepare and present annually to the Board a report of the Committee setting out the Committee's conclusions resulting from the Committee's oversight of Management's assessment, monitoring and management of Financial Risks;

O. Financial Resources, Assets and Obligations. for the purpose of gaining and maintaining reasonable assurance that Management is effectively managing the financial resources, assets and obligations of the Corporation,

(a) at least annually review the Corporation's financing strategy, capital structure, annual cash flow targets and operating plans;
(b) obtain quarterly from Management reports on the Corporation's cash flow and working capital management, compliance with debt covenants and other matters that could impact the financial condition of the Corporation, and gain reasonable assurance that such matters are fairly and appropriately disclosed in the Current Financial Statements and/or the related MD&A; and
(c) satisfy itself that the safeguarding of financial assets and the proper recording of financial assets and obligations are effectively addressed in the certification of Internal Financial Controls by the CEO and the CFO; and

P. Other Diligent Actions. perform such other Diligent Actions as the Board may reasonably specify from time to time.