



**Supplement to the
First Report of
KSV Kofman Inc.
as CCAA Monitor of
Discovery Air Inc.**

April 3, 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.**

**SUPPLEMENT TO THE FIRST REPORT OF
KSV KOFMAN INC. AS MONITOR**

April 3, 2018

1.0 Introduction

1. This report ("Supplemental Report") supplements the Monitor's first report to Court dated March 29, 2018 ("First Report").
2. Unless otherwise stated, capitalized terms used in this Supplemental Report have the meanings provided to them in the First Report.

1.1 Purposes of this Report

1. The purpose of this Supplemental Report is to provide the Court with an update on the Company's cash flow variances since the filing of the First Report, which should be considered in the context of the Company's motion returnable tomorrow and the request for an adjournment which the Monitor has been advised will be made by an Ad Hoc Committee of Holders of Unsecured Debentures.

1.2 Restrictions

1. This Supplemental Report is subject to the restrictions set out in the First Report.

1.3 Currency

1. All currency references in this Report are to Canadian dollars.

2.0 Cash Flow Forecast

1. As of the date of this Supplemental Report, the Company has drawn \$6.2 million under the DIP Facility, which exceeds, by \$100,000, the amount which the Cash Flow Forecast had projected for the three-week period ended April 8, 2018.
2. The DIP Facility requires, *inter alia*, that the Company provide, on a weekly basis, an updated Cash Flow Forecast by 5:00 pm on Tuesday of each week.
3. While preparing the current week's updated Cash Flow Forecast, the Company identified further negative variances that are now projected to arise in the period ending June 30, 2018.
4. The Company is presently working to review and recast the Cash Flow Forecast for the DIP Lender. On April 3, 2018, the DIP Lender provided the Company with an extension until 5:00 pm on April 5, 2018 to submit its weekly forecast. While it appears that the cash flow issues will be resolved, the Monitor is cognizant of concerns previously expressed to it about the Company's historical challenges in accurately forecasting its funding requirements.
5. Based on the cash flow results to-date in these proceedings, it appears that there is a significant risk that additional funding will be required from the DIP Lender at some point in these proceedings. The Monitor is concerned that delays in implementing the SSP will extend the SSP beyond the end of June, 2018, being the present deadline to identify Successful Bidders, which could require even further funding.
6. These proceedings are complex given the capital structure of the Group. The proceedings were designed to stabilize the business while the SSP is carried out. In this regard, the DIP Facility provides the funding necessary to continue the Group's operations without disruption during the SSP, and to provide assurances to stakeholders that the SSP will result in going-concern sales of each of the businesses. Delays in executing the SSP, and the potential further negative cash flow variances that could result from such delays, undermine the present operational stability and increase stakeholder uncertainty, all of which is detrimental to value preservation.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
IN ITS CAPACITY AS MONITOR OF
DISCOVERY AIR INC.
AND NOT IN ITS PERSONAL CAPACITY**