



**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 *Companies' 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 order¹:
 - 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.

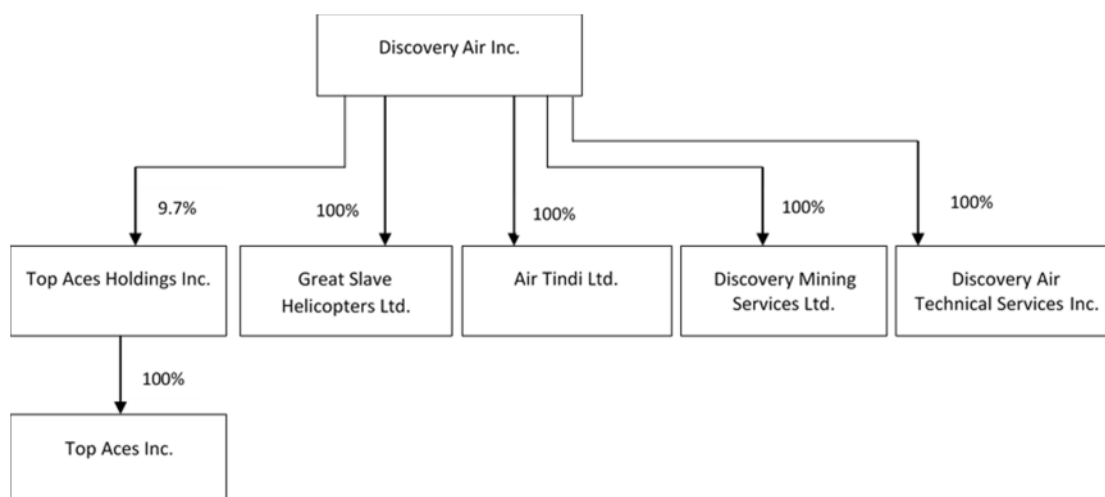
¹ Terms not defined in this section have the meanings provided to them in the APAs.

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 below².



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 Acknowledgment, 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 business³. 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 APA⁴

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 APAs⁵

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	<p>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 Liabilities⁶.</p> <p>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).</p>		
Assumed Liabilities	<p>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:</p> <ul style="list-style-type: none"> 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, <i>inter alia</i>, 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, <i>inter alia</i>, 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, <i>inter alia</i> , 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 otherwise⁸;
 - 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”

**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 COURT 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.

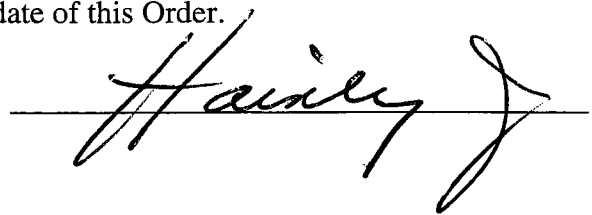
58. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

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.

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

Court File No.:

CV-18-594380-COCL

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

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#: •)
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 “B”

**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, 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:

*the Supplement to the
First Report of
the Monitor, dated
April 3, 2018,*

GH

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).

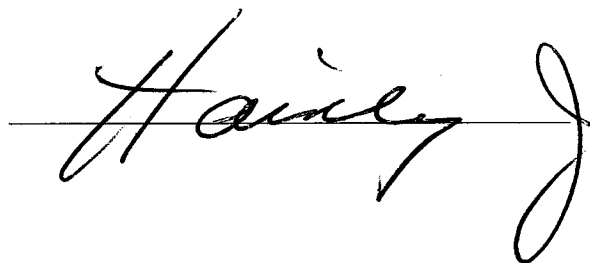
GENERAL

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
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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

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

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

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**

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Per: David Sieradzki

DS:rk

c.c. Jennifer Stam/Mario Forte (Goldman Sloan Nash & Haber LLP)

Appendix “F”



David Sieradzki
kvs advisory inc.

150 King Street West, Suite 2308
Toronto, Ontario, M5H 1J9
T +1 416 932 6030
F +1 416 932 6266
dsieradzki@kvsadvisory.com

kvsadvisory.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; CS)

	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
<i>Receipts</i>																	
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
<i>Disbursements</i>																	
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)
<i>DIP Funding Requirement</i>																	
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	

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 *Companies' 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

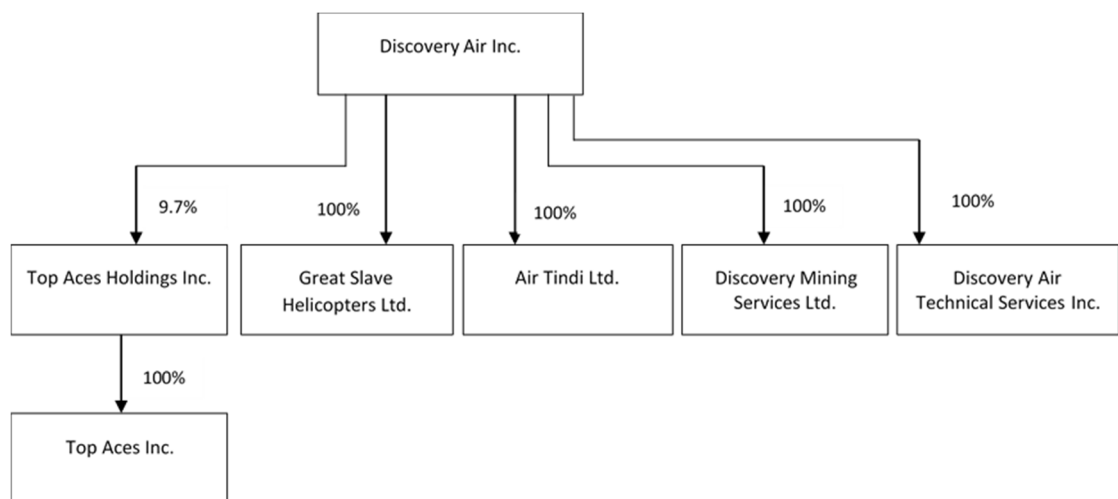
1. In preparing this Report, the Monitor has relied upon the Company's books and records and discussions with the Company's management. The Monitor has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance 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 creditors¹;
 - 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.

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,

A handwritten signature in blue ink that reads "KSV Kofman Inc". The signature is written in a cursive, flowing style.

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