



**Pre-Filing Report to Court of
KSV Restructuring Inc. as
Proposed Monitor of
Skylink Express Inc.**

March 8, 2024

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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 SKYLINK EXPRESS INC.

PRE-FILING REPORT OF KSV RESTRUCTURING INC.
AS PROPOSED MONITOR

MARCH 8, 2024

1.0 Introduction

1. KSV Restructuring Inc. (“**KSV**”) understands that Skylink Express Inc. (the “**Company**”) intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), for an initial order (the “**Initial Order**”) granting the Company protection under the CCAA, and appointing KSV as monitor in these proceedings (the “**Monitor**”).
2. The principal purpose of these proceedings is to create a stabilized environment to provide the Company the best opportunity to address its liquidity challenges and various inefficiencies, including the opportunity to address certain key contracts to which the Company is a party.
3. Pursuant to the terms of the proposed Initial Order, the Company is seeking, among other things:
 - a) a Court-ordered Administration Charge, a DIP Lender’s Charge and a Directors’ Charge (as each term is defined below); and
 - b) a stay of proceedings pending a further hearing to be heard on a date no later than ten days after the granting of the Initial Order (the “**Comeback Motion**”).
4. KSV understands that at the Comeback Motion, the Company intends to seek, among other things, the following relief:
 - a) an extension of the stay of proceedings (the “**Stay**”);
 - b) increases in the Administration Charge and the Directors’ Charge;

- c) an increase in the amount that the Company may borrow under the DIP Facility (as defined below), as more fully discussed herein; and
 - d) such other relief as the Company believes will assist it to preserve and protect its business and assets.
5. The Affidavit of Kyle Dennhardt, the Company's CFO, sworn March 8, 2024 in support of the CCAA application (the "**Dennhardt Affidavit**"), provides, *inter alia*, background information concerning the Company and its business, as well as the reasons for the commencement of these proceedings.
6. If the Court grants the relief set out in the proposed Initial Order, the Court materials filed in these proceedings will be made available by KSV on its case website at www.ksvadvisory.com/experience/case/skylink.
7. KSV is filing this report (the "**Pre-filing Report**") as proposed Monitor. If the Initial Order is granted by the Court, the Monitor will file a report in respect of the relief to be sought by the Company at the Comeback Motion and an update on the status of the CCAA proceedings from the date of the Initial Order (the "**Filing Date**").

1.1 Purposes of this Report

1. The purposes of this Pre-filing Report are to:
 - a) provide KSV's qualifications to act as Monitor;
 - b) provide background information about the Company;
 - c) report on the Company's cash flow projection for the period March 2, 2024 to April 26, 2024 (the "**Cash Flow Forecast**");
 - d) summarize: (i) the terms of a proposed interim financing credit facility (the "**DIP Facility**") in the maximum principal amount of \$2.5 million to be made available to the Company by the Company's 100% shareholder, Momentum Decisive Solutions Canada Inc. ("**Momentum**" and, in such capacity, the "**DIP Lender**"), pursuant to an interim financing term sheet (the "**DIP Term Sheet**"), and (ii) the Company's need for up to \$1.35 million of funding under the DIP Facility prior to the Comeback Motion (the "**Interim Advance**");
 - e) discuss the rationale for the following provisions in the Initial Order:
 - a charge in the amount of \$350,000 (the "**Administration Charge**") on the Company's current and future property, assets and undertaking (collectively, the "**Property**") to secure the fees and disbursements of the Monitor, its legal counsel (Cassels Brock & Blackwell LLP), and the Company's counsel (Norton Rose Fulbright Canada LLP);

- a charge on the Property in favour of the DIP Lender (the “**DIP Lender’s Charge**”) to secure the advances made under the DIP Facility. Until the Comeback Motion, advances are to be limited to the Interim Advance, which is projected to provide the Company with the liquidity it requires to fund its operating costs (including payroll) and vendors integral to the Company’s operations;
 - a charge on the Property in the amount of \$480,000 in favour of the directors and officers of the Company (the “**Directors’ Charge**”, and collectively with the DIP Lender’s Charge and the Administration Charge, the “**Charges**”);
 - the proposed priority of the Charges; and
 - a provision permitting the Company to pay American Express and Visa credit cards, subject to first obtaining the Monitor’s consent; and
- f) provide the proposed Monitor’s recommendations regarding the relief sought by the Company in its application materials.

1.2 Restrictions

1. In preparing this Pre-Filing Report, KSV has relied upon the Company’s unaudited financial information, books and records and discussions with the Company’s management and legal counsel.
2. KSV has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied upon to prepare this Pre-filing Report in a manner that complies with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, KSV expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Company’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency

1. All currency references in this Pre-Filing Report are in Canadian dollars.

1.4 KSV's Qualifications to Act as Monitor

1. KSV is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA.
2. KSV has consented to act as monitor in these proceedings should the Initial Order be granted. A copy of KSV's consent to act as Monitor is attached as Appendix "A".
3. KSV has experience acting as CCAA monitor and other court-officer capacities in insolvency proceedings in the aviation industry. KSV has been working with the Company to assist it to prepare for these proceedings and during that time has obtained an understanding of the Company's financial and operational challenges. KSV was retained by the Company pursuant to an engagement letter dated February 2, 2024 for the primary purpose of considering issues relevant to a potential strategic process involving the Company. KSV is of the view that its prior mandate will assist the Company to efficiently advance these proceedings.
4. Neither KSV nor any of its representatives or affiliates has at any time in the past two years been: (a) a director, officer or employee of any member of the Company; (b) related to any member of the Company, or to any director or officer of any member of the Company; or (c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of any member of the Company.

2.0 Background

1. The Company is an Ontario corporation and has operated for over 25 years providing regional air cargo services throughout North America. Currently, the Company is one of Canada's largest air cargo operators, specializing in regional courier feeder operations and time-sensitive, cost effective, air cargo charters throughout North America. The Company's focus is to provide "last mile" services for major delivery servicers to secondary (remote) locations, primarily in Canada. The Company operates from hangars in Vancouver, Winnipeg, Hamilton, Montreal-Mirabel and Québec City. Momentum is the Company's sole shareholder.
2. The Company has a fleet of 16 aircraft, comprised of 208B (4), 1900C (10) and 1900D (2) all-cargo aircraft, of which 14 are owned by the Company. The two 1900D aircraft were acquired by Momentum at the request of and for the use of the Company and require work to be converted to cargo planes before they can be flown by the Company. Conversion on one of the 1900D aircraft has started but has been paused given these proposed proceedings. Conversion has not started on the other 1900D aircraft. Currently, the 14 Company-owned aircraft are operational.
3. The Company's primary customer is United Parcel Service Canada Ltd. ("**UPS**"). The Company and UPS are party to a long-term feeder aircraft charter agreement (the "**UPS Contract**") pursuant to which the Applicant provides charter services for UPS throughout Canada. Presently, the Applicant generates a large majority of its revenue from the UPS Contract. The UPS Contract expires in 2027.
4. The Company's registered office is located at 55 St. Clair Avenue West, Suite 210, Toronto, Ontario.

5. The Company employs 79 full-time employees, seven part-time employees and 11 independent contractors. The Company's pilots (37) are members of UNIFOR. The Company does not maintain any registered pension plans.
6. Momentum acquired the Company in 2020. At that time, the Company was performing well and forecasting significant growth. Since acquisition, Momentum has provided significant financial and other support, including injecting working capital of \$7 million on acquisition, funding recent expenses of \$1 million and, as noted, making certain of its aircraft available to the Company at no cost. Momentum employees also support the Company's business with no overhead or management fee charged to the Company.
7. The Company started to experience liquidity issues in late 2022. It was impacted by higher-than-expected capital expenditure requirements and, in 2023, the loss of a material customer. The Company is presently operating on a cash flow negative basis as a result of several factors, such as i) a reduction in demand for cargo delivery services; ii) increased turnover in the Company's staff, notably for aircraft maintenance engineers and pilots due to regulatory changes, labour shortages and the recent unionization of the Company's pilot group; iii) increase in the cost and decrease in availability of aircraft parts; and iv) material increases in capital expenditures due to, among other things, regulatory changes.
8. The UPS Contract does not include any revenue escalation provisions to compensate the Company for its cost increases and, accordingly, the Company is unable to generate revenue sufficient to cover all costs. The Company requires a restructuring of the UPS Contract to remain viable.
9. In September 2023, the Company retained a financial advisor with experience selling aviation assets to solicit interest in the Company's aircraft. The Company has not received any offers as of the date of this Report.
10. Additional background information about the Company is provided in the Dennhardt Affidavit¹.

2.1 Liquidity

1. As discussed in greater detail in the Dennhardt Affidavit, notwithstanding steps taken by the Company to significantly reduce costs and address operational issues, the Company is facing an imminent and significant liquidity crisis. The Company has a \$500,000 operating line facility with TD Bank, of which approximately \$304,000 is expected to be drawn on March 8, 2024. The TD Bank operating line is not sufficient to fund the Company's projected cash requirements during these proceedings, as reflected in the Cash Flow Forecast. Subject to Court approval of the DIP Facility at the Initial Application, Momentum is prepared to provide the Company with funding during these proceedings.

¹ Capitalized terms not otherwise defined in this Pre-Filing Report have the meanings ascribed to them in the Dennhardt Affidavit.

- Momentum has advised the Company that it is only prepared to continue to provide the Company with financial support if the Company is granted CCAA proceedings and in accordance with, and as contemplated by, the DIP Term Sheet.

2.2 Financial Position

- The Company's unaudited balance sheet as at December 31, 2023 is provided below.

Description	Book Value (CDN\$)
Cash	59,635
Accounts receivable	2,432,218
Inventory	5,421,535
Prepaid expenses and deposits	408,970
Total Current Assets	8,322,358
Capital assets	22,470,107
Goodwill	5,617,356
Total Assets	36,409,821
Current liabilities	7,092,045
Deferred Tax Liabilities	5,577,360
Long-term portion of Loan Payable	11,371,003
Total Liabilities	24,040,408
Equity	12,369,413
Total Liabilities & Equity	36,409,821

Cash: as noted, approximately \$304,000 is expected to be drawn on the TD Bank operating line on March 8, 2024.

Accounts receivable: comprised largely of amounts owing from UPS.

Inventory: comprised largely of aircraft parts.

Capital Assets: represents the net book value of the aircraft.

Loans payable: represents amounts owing to TD under a secured term loan facility (the "**TD Term Loan Facility**"), which TD also provides to the Company.

2.3 Secured Creditors

- TD is the only party with a registration against the Company's personal property and the Monitor understands it is the Company's only secured creditor. TD has security over all of the Company's assets pursuant to a general security agreement, aircraft security, assignment of insurance and hypothec (the "**TD Loan Security**"). Momentum has also provided a limited recourse guarantee of the TD Loan Facility and provided security in connection with its guarantee. As at the date of the Pre-filing Report, the balance on the TD Loan Facility was approximately \$13.8 million. A review of TD's security will be completed in due course.

2.4 Unsecured Creditors

1. Based on the Company's books and records, as of March 6, 2024, the Company's unsecured creditors were owed approximately \$1.7 million. Unsecured obligations are primarily comprised of amounts owing to parts and fuel suppliers. The Company also has off-balance sheet obligations owing to employees (for severance and termination) and amounts owing to landlords under leases, particularly for its hangers.

3.0 Cash Flow Forecast

1. The Company has prepared a Cash Flow Forecast for the period March 2, 2024 to the week ending April 26, 2024 (the "**Initial Forecast Period**"). The Cash Flow Forecast and the Company's statutory report thereon pursuant to Section 10(2)(b) of the CCAA are attached as Appendix "B".
2. The Cash Flow Forecast reflects that the Company requires funding of \$1.35 million prior to the Comeback Motion so that the Company can fund its business until the Comeback Date.
3. Based on KSV's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "C".
4. The Cash Flow Forecast has also been reviewed by Momentum, as the Company's proposed DIP Lender. KSV understands that the DIP Lender is prepared to fund the proposed Interim Advance until the Comeback Motion, subject to: (a) the approval of the Initial Order and the granting of the DIP Lender's Charge, and (b) the Company meeting the other terms and conditions set out in the DIP Term Sheet.
5. The Company will file an updated cash flow forecast prior to the Comeback Motion, if necessary.

4.0 DIP Facility²

1. The terms of the DIP Facility are set out in the DIP Term Sheet. A copy of the DIP Term Sheet is attached to the Dennhardt Affidavit. A summary of the significant terms of the DIP Facility is outlined below.
 - a) Lender: Momentum
 - b) Loan Amount: up to a maximum of \$2.5 million, of which up to \$1.35 million is projected to be required as an Interim Advance prior to the Comeback Motion.
 - c) Maturity date: the Company is required to repay all of obligations under the DIP Facility in full, on the earlier of:
 - i. April 30, 2024;

² Capitalized terms not otherwise defined in this Report have the meanings ascribed to them in the DIP Term Sheet.

- ii. the closing of a sale or investment transaction for all or substantially all of the assets or shares of the Company, which transaction has been approved by an order of the Court;
 - iii. the implementation of a plan of compromise or arrangement within the CCAA proceedings which has been approved by the requisite majority of the Company's creditors and by an order of the Court;
 - iv. the date the CCAA proceedings are terminated or converted into a proceeding under the BIA; and
 - v. the occurrence of any Event of Default (as defined in the DIP Term Sheet) which is not cured within five business days.
- d) Interest rate: 15% per annum;
- e) Fees: none
- f) Recoverable Expenses: Company to pay Lender's fees and expenses in connection with the preparation, registration and ongoing administration of the Term Sheet, the DIP Facility, the Initial Order, the ARIO, the DIP Lender's Charge including the fees and expenses incurred in connection with the CCAA proceedings.
- g) Security: all draws on the DIP Facility shall be secured by the DIP Lender's Charge;
- h) Conditions to each Interim Advance include:
 - i. the Court shall have issued the Initial Order approving, among other things, the DIP Facility and granting the DIP Lender's Charge in favour of the DIP Lender;
 - ii. the Initial Order containing provisions restricting the granting of any additional liens or encumbrances on the assets of the Company, other than as permitted in the DIP Term Sheet and the DIP Lender's Charge; and
 - iii. no Event of Default (as terms are defined in the DIP Term Sheet) shall have occurred.
- i) Events of Default: Events of default include:
 - i. the Initial Order not being obtained by March 11, 2024;
 - ii. the ARIO not being obtained by March 21, 2024;
 - iii. issuance of a Court order lifting or terminating the CCAA proceedings;
 - iv. enforcement by TD on any of the security granted by the Company to TD; and
 - v. the actual cumulative variance for disbursements is more than 115% of the budgeted disbursements.

4.1 DIP Facility Recommendation

1. When reviewing the reasonableness of the DIP Facility, KSV considered the factors set out in Section 11.2 of the CCAA and notes, in particular, the following:
 - a) the Company is facing an imminent liquidity crisis and the proposed Interim Advance under the DIP Facility is the only financing source available to the Company to fund its immediate cash requirements;
 - b) without the cash to be provided under the DIP Facility, the Company will be unable to continue operating and, consequently, advance its restructuring process;
 - c) on the application for the Initial Order, the Company is seeking approval to borrow, and secure under the proposed DIP Lender's Charge, only the amount of the Interim Advance;
 - d) KSV has compared the terms of the DIP Facility to other interim financing facilities approved by Canadian courts in recent CCAA proceedings. The comparison is attached hereto as Appendix "D". Based on KSV's review, the cost of the proposed DIP Facility is within the range of similar facilities recently approved by the Court and other Canadian courts in CCAA and other restructuring proceedings;
 - e) the DIP Facility is contemplated to rank subordinate to the TD Bank facilities;
 - f) KSV believes it is unlikely any other lender would provide DIP funding on a subordinated basis to TD; and
 - g) there are no structuring, facility, standby or other fees being charged by the DIP Lender under the DIP Facility.
2. Based on the foregoing factors, KSV believes that the terms of the DIP Facility are appropriate and reasonable, and that the facility and the DIP Lender Charge are necessary and in the best interest of the Company and its stakeholders.
3. KSV has been advised that the Company will seek to increase the authorised amount that may be drawn under the DIP Facility at the Comeback Motion. KSV has reviewed the Company's cash flow and is of the view that the amount of the DIP Facility should be sufficient to fund the Company's business and operations through to the end of the Initial Forecast Period, assuming the Company can continue to operate in the ordinary course.

5.0 Court Ordered Charges

5.1 Administration Charge

1. The Company is seeking an Administration Charge of \$350,000 to secure the fees and expenses of the Monitor, its counsel and the Company's counsel. Each of the professional firms involved has incurred significant fees preparing for these proceedings and none of them has received a retainer. Significant fees and costs will continue to be incurred by these professionals before the Comeback Motion.

2. The Administration Charge is a customary provision in an initial order in a CCAA proceeding; it is required to provide security to the professionals engaged to assist a debtor company and to protect them if the debtor company is unable to pay professional fees and costs during the CCAA process.
3. The Company has worked with its legal counsel and KSV to estimate the proposed amount of the Administration Charge.
4. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexity of the Company's proceedings and the Company's illiquidity. Accordingly, the professionals require the benefit of the Administration Charge to protect them for their pre-filing fees related to preparing for these proceedings, as well as for their fees and costs that will be incurred during these proceedings. Without such protection, the professionals are unlikely to be prepared to continue to provide services in these proceedings.

5.2 Directors' Charge

1. The Company is seeking a Directors' Charge of \$480,000 until the Comeback Motion. The amount of the Directors' Charge was estimated by the Company in consultation with KSV, taking into consideration the payroll and vacation pay obligations of the Company. If unpaid, the Company's directors and officers could be liable for these obligations. The Company is usually in a refundable position in respect of GST and/or HST and accordingly, no provision was made for unpaid sales taxes in the Directors' Charge.
2. The amount of the Directors' Charge represents the sum of one payroll cycle plus the estimated amount of the Company's vacation pay owing to retained employees. KSV understands that the Company is current on its normal course payroll obligations, including the remittance of employee withholding taxes.
3. The Cash Flow Forecast contemplates payroll and sales taxes, if any, will continue to be paid in the ordinary course.
4. The proposed Directors' Charge provides protection for the Company's directors and officers should the Company fail to pay certain obligations which may give rise to liability for directors and officers. The directors and officers of the Company have advised that they require the benefit of the Directors' Charge to continue to act in those capacities.
5. It is proposed that the Company's directors and officers would only be entitled to the benefit of the Directors' Charge to the extent that: (a) they do not have coverage under their existing insurance policies; (b) such coverage is insufficient to pay the Company's indemnity obligations; or (c) such coverage is denied by the insurance provider or expires. The directors and officers currently have insurance policies in place that provide for \$5 million in coverage.
6. The Company expects that it will be necessary to increase the Directors' Charge at the Comeback Motion. The Company's employees are subject to the Canada Labour Code which provides that directors may also be liable for severance and termination amounts for employees who are terminated (along with any unpaid wages and vacation pay).

7. KSV is of the view that the Directors' Charge is reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Company and the advancement of these proceedings.

5.3 Priority of Charges

1. The Company proposes the Charges have the following priority:
 - a) First, the Administration Charge;
 - b) Second, the DIP Lender's Charge; and
 - c) Third, the Directors' Charge.
2. The Administration Charge is proposed to rank in priority to the TD Loan Security. The TD Loan Security is to rank in priority to the DIP Lender's Charge and the Directors' Charge.

6.0 Proposed Payment of Certain Pre-Filing Obligations

1. The Company's pilots use American Express and VISA credit cards to pay their costs while travelling. As the Company intends to continue to operate during these proceedings, it would be highly disruptive if the pilots were unable to use these cards.
2. The Initial Order provides the Company with the discretion to pay amounts owing to American Express and Visa prior to the commencement of its CCAA proceedings, with the consent of the Monitor.
3. Courts have issued Initial Orders with similar provisions in order to facilitate the uninterrupted operations of a debtor company. In KSV's view, such payments should be a limited exception to the general rule prohibiting payment of pre-filing obligations. However, it is also recognized that in certain exceptional circumstances, such payments to specific post-filing suppliers are required to avoid operational disruption. KSV is aware that the Company's staff, notably its pilots, require credit cards to pay expenses when traveling for work purposes. The Company is of the view that its pilots may not be prepared to continue to work if they are required to fund their travel cost and wait for reimbursement by the Company.
4. KSV concurs with the Company's view that the continued use of the credit cards by the pilots will be operationally helpful. Accordingly, KSV recommends that the Court authorize the Company to pay the amounts owing to American Express and Visa as of the date of the Initial Order, subject to the consent of the Monitor.

7.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:
 - a) publish, without delay, a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and

- b) within five days of the granting of the Initial Order to:
 - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Company of more than \$1,000 advising that the order is publicly available; and
 - iii. prepare a list, showing the names and addresses of those creditors, and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
- 2. If appointed Monitor, KSV will also post the Initial Order and all motion materials on a its case website.

8.0 Conclusion and Recommendation

- 1. Based on the foregoing, KSV respectfully recommends that this Honourable Court grant an initial order under the CCAA on the terms of the draft Initial Order set out in the Company's application materials.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS PROPOSED MONITOR IN THE CCAA PROCEEDINGS OF
SKYLINK EXPRESS INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

**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 SKYLINK EXPRESS INC. (the "**Applicant**")

CONSENT

KSV RESTRUCTURING INC. hereby consents to act as the court-appointed monitor of the Applicant in connection with its proceedings pursuant to the *Companies' Creditors Arrangement Act* and pursuant to the terms of an order substantially in the form filed.

DATED AT TORONTO, ONTARIO this 5th day of March, 2024.

KSV RESTRUCTURING INC.

Per: 

Name: Bobby Kofman

Title: President and Managing Director

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
SKYLINK EXPRESS INC.

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

CONSENT

NORTON ROSE FULBRIGHT CANADA LLP

222 Bay Street, Suite 3000
Toronto, ON M5K 1E7
Fax: 416.216.3930

Jennifer Stam LSO#: 46735J

Tel: 416.202.6707
jennifer.stam@nortonrosefulbright.com

Lawyers for the Applicant

Appendix “B”

Skylink Express Inc. (the "Company")

Projected Statement of Cash Flow

For the Period ended April 26, 2024

(Unaudited; \$C)

Week	Notes	For the weeks ending								Total	
		08-Mar-24	15-Mar-24	22-Mar-24	29-Mar-24	05-Apr-24	12-Apr-24	19-Apr-24	26-Apr-24		
		1	2	3	4	5	6	7	8		
<i>Receipts</i>											
	UPS revenues	1	417,864	475,864	372,864	475,864	475,864	475,864	475,864	475,864	3,645,909
	GST/HST/QST returns	4	-	-	-	-	110,738	-	-	-	110,738
	DIP loan	2	-	900,000	450,000	450,000	300,000	-	-	400,000	2,500,000
	Total Receipts		417,864	1,375,864	822,864	925,864	886,602	475,864	475,864	875,864	6,256,647
<i>Disbursements</i>											
	Payroll	5	-	264,755	-	264,755	-	264,755	-	264,755	1,059,021
	Capital expenditures	6	60,500	134,841	-	-	182,423	-	74,250	-	452,014
	Leases	7	-	-	-	-	117,838	-	-	-	117,838
	Insurance	8	-	-	78,073	-	-	-	-	-	78,073
	Maintenance	9	57,129	57,129	57,129	57,129	57,129	57,129	57,129	57,129	457,030
	Aircraft operating expenses	10	198,420	198,420	198,420	198,420	170,959	170,959	170,959	170,959	1,477,517
	Other general expenses	11	31,420	309,920	331,420	9,920	26,045	9,920	9,920	9,920	738,483
	GST/HST/QST on expenditures	4	34,747	70,031	66,504	26,547	55,439	23,801	31,226	23,801	332,095
	TD Loan - Principal Repayment	12	244,830	-	-	-	244,830	-	-	-	489,660
	TD Loan - Interest	12	-	-	96,458	-	-	-	-	101,301	197,759
	Total Disbursements		627,046	1,035,096	828,004	556,771	854,663	526,563	343,483	627,864	5,399,490
	<i>Net cash flow before the undernoted</i>		(209,182)	340,768	(5,140)	369,093	31,938	(50,700)	132,381	247,999	857,157
	Professional fees	3	-	-	-	350,000	-	-	-	375,000	725,000
	Net cash flow		(209,182)	340,768	(5,140)	19,093	31,938	(50,700)	132,381	(127,001)	132,157
	Opening Cash Balance (line of credit)		(94,757)	(303,939)	36,829	31,689	50,781	82,720	32,020	164,401	(94,757)
	Net cash flow		(209,182)	340,768	(5,140)	19,093	31,938	(50,700)	132,381	(127,001)	132,157
	Closing Cash Balance (line of credit)		(303,939)	36,829	31,689	50,781	82,720	32,020	164,401	37,400	37,400

Purpose and General Assumptions

The cash flow projection has been prepared on the assumption that the Company is granted protection under the *Companies' Creditors Arrangement Act* during the week of March 11, 2024.

The cash flow projection has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

Hypothetical Assumptions

1. Revenue is based on the Company's contract with United Parcel Services Canada Ltd. ("UPS") and is projected to be consistent each week, as per the contract between the Company and UPS. Exceptions include the week of March 8, 2024 and March 22, 2024 that have been adjusted for route cancellations from past maintenance events.
2. Assumes that the Court approves a debtor-in-possession loan from the Company's shareholder, Momentum Decisive Solutions Canada Inc.
3. Professional fees are estimated.

Probable Assumptions

4. The Company is typically in an HST/QST refundable position as its revenues are not subject to sales tax.
5. Payroll is paid on the 15th and last day of each month and is assumed to be paid three business days in advance of the payroll payment date.
6. The Company's capital and maintenance cost program has been budgeted per aircraft.
7. Lease expenses are comprised of hangar lease costs, which are payable on the first of each month.
8. Aircraft insurance and aviation general liability insurance is due quarterly on March 23, June 23, September 23 and December 23 of each year. Assumes the March payment is made in the week prior to the due date.
9. Costs include consumable parts, non-consumable parts, outsourced labour, tools and shop supplies.
10. Aircraft operating costs include fuel, navigation, landing fees, crew travel costs and are generally incurred evenly throughout the month. These costs exclude crew payroll, aircraft insurance and hangar fees, which are reflected separately.
11. Includes telephone, office expenses, general legal fees, etc., as well as audit fee instalments. Reflects payment of amounts owing on credit cards in the second week of the forecast period.
12. Represents principal and interest repayments on the Company's TD Bank term facility. Principal of \$244,830 is paid on the second of each month and interest is paid on the 21st of each month. The interest rate is assumed to remain constant.

COURT FILE NO.: _____

**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
SKYLINK EXPRESS INC.**

APPLICANT

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Skylink Express Inc. (the "Applicant") has developed the assumptions and prepared the attached statement of projected cash flow as of the 8th day of March, 2024 for the period March 2, 2024 to April 26, 2024 (the "Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in the notes to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual events will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in the Cash Flow using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 8th day of March, 2024.

Skylink Express Inc.



Kyle Dennhardt

Appendix “C”

COURT FILE NO.: _____

**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
SKYLINK EXPRESS INC.**

PROPOSED MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of Skylink Express Inc. (the "Applicant") as of the 15th day of December, 2023, consisting of a weekly projected cash flow statement for the period March 2, 2024 to April 26, 2024 (the "Cash Flow") has been prepared by management of the Applicant for the purpose described in the notes, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by management. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in in the notes and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 8th day of March, 2024.

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

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
SKYLINK EXPRESS INC.
AND NOT IN ANY OTHER CAPACITY**

Appendix “D”

Schedule of Debtor-in-Possession Financing Terms
June 26, 2023 to December 31, 2023
(\$, 000)

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment (\$MM)	Fees	Interest Rate	Notes
Candesto Enterprises Corp. et al.	Durisol Ltd.	CCAA	A&M	20-Dec-23	Alberta	Professional Services	1.30		8.5%	
Duvaltex Inc.	Wells Fargo	CCAA	EY	14-Dec-23	Quebec	Manufacturing	14.00	Engagement fee of \$75,000	Basic rate plus 2.5%	
Mastermind GP Inc.	CIBC	CCAA		23-Nov-23	Ontario	Retail	36.25	Forbearance fee of 1.25% of the outstanding balance under the CIBC Revolving Loan Facility and the BCAP Loan	CIBC's prime interest rate plus 0.75%	CIBC was the company's existing lender and agreed to forbear and provide a DIP loan
Tergeo Mineraux Critiques Inc. et al.	Investissement Québec	CCAA	Raymond Chabot	10-Nov-23	Quebec	Mining	2.60	Commitment fee of 3%	18.0%	
MAV Beauty Brands Inc. et al.	RBC as administrative agent	CCAA	A&M	14-Nov-23	Ontario	Distribution	3.90	Reasonable fees and expenses of the DIP lender	SOFR plus 5.1%	
Simply Green Home Services Inc., Crown Crest Capital Management Corp., et al.	Peoples Trust Company	CCAA	KPMG	09-Nov-23	Ontario	Professional Services	15.00	Commitment fee of \$150,000	9.5%	
Harbour Grace Ocean Enterprises Ltd. and Laurenceton Holdings Ltd.	Gray Enterprise Ltd.	CCAA	PwC	02-Nov-23	Newfoundland	Construction	1.00	Commitment fee of 1.5%	13.0%	
South Shore Seafoods Ltd. et al.	TD Bank	CCAA	Deloitte	21-Sep-23	New Brunswick	Distribution	10.00	-	Prime rate or US base rate plus 1%	
Datatax Business Services Limited	BMO	NOI	KPMG	14-Aug-23	Alberta	Professional Services	16.25	-	Prime plus 1.15%	
Quebec Parmentier Inc. et al.	Caisse Desjardins de la RiveNord du Saguenay	CCAA	MNP	10-Oct-23	Quebec	Distribution	2.25	unclear	unclear	
Tacora Resources Inc.	Cargill, Incorporated	CCAA	FTI	10-Oct-23	Ontario	Mining	75.00	Exit fee of \$2,250,000 (3%)	10.0%	
Quality Sterling Group	Ironbridge Equity Partners	CCAA	RSM	17-Aug-23	Ontario	Other	7.00	Reasonable fees and expenses of the DIP lender	12.0%	
Aventura Phase VII Inc. et al.	TBD	CCAA	Raymond Chabot	28-Aug-23	Quebec	Real Estate / Construction	6.00	unclear	unclear	It appears the DIP loan was approved in advance, prior to locating a DIP lender
Ideal Protein Group	BMO & Caisse Desjardins as agents	CCAA	EY	15-Aug-23	Quebec	Manufacturing	4.00	-	same interest rate as existing term loan	
Aereus Technologies Inc.	1000608245 Ontario Inc.	NOI	Farber	31-Jul-23	Ontario	Manufacturing	0.78	Commitment fee of \$16,400 (2%)	15.0%	
Lighthouse Immersive Inc. and Lighthouse Immersive USA Inc.	SCS Finance, Inc.	CCAA	B. Riley Farber	27-Jul-23	Ontario	Entertainment	US 3.5	Reasonable fees and expenses of the DIP lender	10.0%	
NextPoint Financial Inc. et al.	BP Commercial Funding Trust and Drake Enterprises Ltd.	CCAA	FTI	25-Jul-23	British Columbia	Financial Services	25.00	Commitment fee of 1%	SOFR plus 6.5%	
Aleafia Health Inc. et al.	Red White & Bloom Brands Inc.	CCAA	KSV	25-Jul-23	Ontario	Cannabis	6.60	Commitment fee of \$198,000 (3%)	12.5%	
Bron Media Corp. et al.	Creative Wealth Media Lending LP 2016	CCAA	Grant Thornton	19-Jul-23	British Columbia	Media	6.20	Commitment fee of \$124,000 (2%)	15.0%	
Gesco Industries Inc., Gesco GP ULC and Tierra Sol Ceramic Tile Ltd.	BNS	CCAA	PwC	19-May-23	Ontario	Manufacturing & Distribution	8.60	Commitment fee of \$50,000; reasonable fees and expenses of DIP lender	Prime plus 6%	
Joseph Richard Hospitality Group Ltd. et al.	Canadian Western Bank	CCAA	EY	17-Jul-23	British Columbia	Food & Accommodation	0.50	-	Prime plus 5%; default interest rate of prime plus 10%	
OGEN Ltd. and OGEN Holdings Ltd.	Hawksworth Holdings Ltd. and G. Edwards Holdings Ltd.	NOI	KSV	26-Jun-23	Alberta	Cannabis	0.50	-	15.0%	

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

**PRE-FILING REPORT OF THE PROPOSED
MONITOR**

CASSELS BROCK & BLACKWELL LLP

Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance Street
Toronto, Ontario M5H 0B4

Jane Dietrich LSO#: 49302U

Tel: 416.860.5223
jdietrich@cassels.com

Monique Sassi LSO#: 63638L

Tel: 416.860.6886
msassi@cassels.com

Stephanie Fernandes LSO# 85819M

Tel: 416.860.6481
sfernandes@cassels.com

Lawyers for the Proposed Monitor