

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

**MOTION RECORD
(Extension of Time to File a Proposal and DIP Increase Motion)
returnable April 17, 2020**

DATE: April 14, 2020

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

**NOTICE OF MOTION
(Extension of Time to File a Proposal and DIP Increase Motion)
returnable April 17, 2020**

Air Georgian Limited (“AGL” or the “Company”) will make a motion to a judge of the Commercial List of the Superior Court of Justice by way of teleconference on **Friday, April 17, 2020 at 11:00 a.m.** or as soon thereafter as the motion can be heard.

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

- in writing under subrule 37.12.1(1) because it is made without notice;
- in writing as an opposed motion under subrule 37.12.1(4); or
- orally.

THE MOTION IS FOR AN ORDER:

- (a) abridging the time for service of the Notice of Motion and Motion Record in respect of this motion and dispensing with further service thereof;
- (b) extending the time for filing a proposal in the NOI Proceedings (defined below) from April 17, 2020 to June 1, 2020 (the “**Extension Date**”);

- (c) further increasing the maximum borrowing available in Post-Filing Advances (as defined the Order of this Court dated February 26, 2020, the “**February 26 Order**”) from \$2 million to \$2.2 million;
- (d) approving the third report of KPMG Inc. as proposal trustee (the “**Proposal Trustee**”) to be filed (the “**Third Report**”) and the activities of the Proposal Trustee set out therein; and
- (e) such further and other relief as this Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background

- (a) On January 31, 2020, the Company commenced these proceedings (the “**NOI Proceedings**”) by filing a notice of intention to make a proposal pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”) and KMPG Inc. was named as the Proposal Trustee;
- (b) On February 26, 2020, the Company sought and obtained the February 26 Order for, among other things, (i) extending the time for filing a proposal in its NOI Proceedings to March 16, 2020; and (ii) approval for a limited amount of post-filing funding of up to \$800,000 from its existing secured lender, 2229275 Alberta Ltd. (“**222**”);
- (c) At the time, the purpose of the extension was to determine, in part, whether it would be able to complete negotiations for a sale of the remaining business to a related party;
- (d) On March 16, 2020, the Company sought and obtained orders:
 - (i) approving an agreement of purchase and sale dated as of March 9, 2020 (the “**Sale Agreement**”) between AGL and 2746904 Ontario Inc. (the “**Purchaser**”) for the sale of substantially all of the property, assets and undertaking of the Company;

(ii) a further extension of time for filing a proposal in its NOI Proceedings to April 17, 2020 in order to complete the sale transaction contemplated by the Sale Agreement; and

(iii) increasing the maximum Post-Filing Advances available to the Company from \$800,000 to a maximum of \$2 million;

Update on Sale Transaction

(e) Since the granting of the orders on March 16, 2020, the parties have continued to work to clear the conditions to closing, in particular working with the many key contract counterparties to either obtain assignments or new contractual arrangements and working through the process for the re-issuance of the licenses with Transport Canada and the other applicable regulatory bodies;

(f) The transaction, the business and the entire airline industry have been impacted enormously by COVID-19 which has caused serious delay in the response time of parties and, as a result, at this time it does not appear that the transaction will close before April 17, 2020;

(g) The Purchaser and the Company have agreed to extend the “outside date” under the Sale Agreement from April 17, 2020 to June 1, 2020 pursuant to an amendment dated as of April 13, 2020;

Funding

(h) As set out above, 222 previously agreed to fund the Company up to \$2 million which was approved by the Court on March 16, 2020;

(i) The Company may need to draw the balance of its available funding, plus an additional \$200,000 over the extension period;

- (j) The probability of whether this is required depends on a number of factors including the qualification of the federal government's Canada Emergency Wage Subsidy program and other cost reduction measures;
- (k) 222 has agreed to increase the maximum of Post-Filing Advances by \$200,000 to \$2.2 million in the event the funds are needed and has also agreed to extend the outside maturity date from April 30, 2020 to June 30, 2020;

Extension

- (l) The Company is seeking an extension of time to file a proposal from April 17, 2020 to June 1, 2020 and continues to work towards closing and address the rapid changes within the transportation industry;
- (m) the Company is acting in good faith and with due diligence and no stakeholder will be materially prejudiced by the extension;

Reports and Activities of the Proposal Trustee

- (n) The Proposal Trustee's activities as set out in the Third Report are lawful and proper and have provided assistance to the Court and interested stakeholders;
- (o) such further and other grounds as counsel may advise and this Court may permit.

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

- (a) The Affidavit of Eric Edmondson, sworn April 14, 2020;
- (b) The Affidavit of Eric Edmondson, sworn February 26, 2020 (without exhibits);
- (c) The Affidavit Eric Edmondson, sworn March 9, 2020 (without exhibits);
- (d) The Third Report; and
- (e) Such further and other evidence as counsel may advise and this Honourable Court may permit.

DATE: April 14, 2020

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Estate No. 32-2613323

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

SERVICE LIST

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IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO

Estate No.: 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced **TORONTO**

NOTICE OF MOTION
(Extension of Time to File a Proposal
and DIP Increase Motion)
(returnable April 17, 2020)

GOLDMAN SLOAN NASH & HABER LLP
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Lawyers for the Debtor, Air Georgian Limited

TAB 2

Court No./ Estate No. 32-2613323

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

**AFFIDAVIT OF ERIC EDMONDSON
(Extension of Time to File a Proposal and DIP Increase Motion)
(sworn April 14, 2020)**

I, Eric Edmondson, of the City of Barrie, in the Province of Ontario, MAKE OATH AND
SAY:

1. This Affidavit is made in support of a motion by Air Georgian Limited (“**AGL**” or the “**Company**”) for an order, among other things:
 - (a) Extending the time for filing a proposal in the NOI Proceedings (defined below) from April 17, 2020 to June 1, 2020 (the “**Extension Date**”);
 - (b) Further increasing the maximum borrowing available in Post-Filing Advances (as defined in the Order of this Court dated February 26, 2020, the “**February 26 Order**”) to increase the maximum borrowing available in Post-Filing Advances (as defined in the February 26 Order) from \$2 million to \$2.2 million; and
 - (c) Approving the third report of the Proposal Trustee (the “**Third Report**”) and the activities of the Proposal Trustee described therein.
2. I am the President and CEO of AGL and have held this position for almost eleven (11) years. In total I have been employed by AGL for approximately 25 years. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on

other sources of information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have consulted with legal, financial and other advisers of the Company and other members of the management team of the Company.

I. BACKGROUND

3. On January 31, 2020, the Company commenced these proceedings (the “**NOI Proceedings**”) by filing a notice of intention (“**NOI**”) to make a proposal pursuant to Section 50.4(1) the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”). KPMG Inc. has been named proposal trustee (the “**Proposal Trustee**”).
4. Further details regarding the background of AGL and the facts leading up to these proceedings are set out in my affidavits sworn February 22, 2020 and March 9, 2020 and therefore are not repeated herein.
5. On February 26, 2020, the Court granted an Order extending the time for filing a proposal in its NOI Proceedings to March 16, 2020. At the time, the purpose of the extension was to determine, in part, whether it would be able to complete negotiations for a sale of the remaining business to a related party. The Company also obtained approval for a limited amount of post-filing funding of up to \$800,000 from its existing secured lender, 2229275 Alberta Ltd. (“**222**”).
6. On March 16, 2020, the Company sought and obtained an order (the “**AVO**”) approving an agreement of purchase and sale dated as of March 9, 2020 (the “**Sale Agreement**”) between AGL and 2746904 Ontario Inc. (the “**Purchaser**”) for the sale of substantially all of the property, assets and undertaking of the Company, including, without limitation, all cash on hand (other than those set out in the Excluded Assets (as defined in the Sale Agreement)) (the “**Purchased Assets**”) and vesting all of AGL’s rights, title and interest in and to the Purchased Assets in the Purchaser.
7. On the same day, the Company also sought and obtained an order for, among other things,

- (a) a further extension of time for filing a proposal in its NOI Proceedings to April 17, 2020 in order to complete the sale transaction contemplated by the Sale Agreement; and
- (b) increasing the maximum Post-Filing Advances available to the Company from \$800,000 to a maximum of \$2 million.

II. OPERATIONS UPDATE

- 8. The worldwide pandemic of COVID-19 has had an immeasurable impact on the world economy and specifically on the airline industry in general. Given the reduction or elimination of most commercial flights, there has been an increased market need related to workforce logistics. Essential services which have continued to operate have turned largely to charter flights for transport.
- 9. Even prior to the onslaught of COVID-19, the Company had begun marketing its charter services with its remaining aircraft. In response to COVID-19, the Company has been effective in responding to the market needs. Unlike other airlines, AGL had already downsized given the termination of the Commercial Agreement with Air Canada (defined and discussed in my previous affidavits) but has maintained its operational status. While other airlines have found it challenging to respond to the evolving pandemic related transportation needs, AGL has been well suited to responding to these evolving transportation needs.
- 10. Although the logistics involved with each charter flight prevent the charter business from becoming a large scale operation it has assisted in increasing the likelihood of previously unanticipated revenue generation in the short term. I am personally pleased the AGL is able to assist in “flattening the curve” by offering its charter services at this critical time.

III. UPDATE ON SALE TRANSACTION

- 11. Since the granting of the AVO, the parties have continued to work to clear the conditions to closing. In particular the Company and the Purchaser have been working with the many key contract counterparties to either obtain assignments or new contractual arrangements

as well as work through the process for the re-issuance of the licenses with Transport Canada and the other applicable regulatory bodies.

12. The transaction, the business and the entire airline industry have been impacted enormously by COVID-19. This has caused serious delay in the response time of parties and, as a result, at this time it does not appear that the transaction will close before April 17, 2020.
13. The Purchaser and the Company have agreed to extend the “outside date” under the Sale Agreement from April 17, 2020 to June 1, 2020 pursuant to an amendment dated as of April 13, 2020 (the “**Amendment**”). A copy of the Amendment will be attached to the Proposal Trustee’s third report, to be filed in connection with this motion.

IV. CASH FLOW AND FUNDING

14. I understand that an updated cash flow projection will be filed with the Third Report. The Company has worked to continue to reduce its expenses over this period. It has recently temporarily laid off a number of its remaining employees. The Company has also been successful in negotiating reduced costs in connection with a number of its key contracts due to COVID-19 and continues to work on reductions or forgiveness with other creditors. Transport Canada has also begun introducing a number of programs to allow airlines to operate more cost-effectively (while maintaining safety and regulatory compliance levels).
15. The Company also intends to apply for the federal government’s Canada Emergency Wage Subsidy (“**CEWS**”). The Company has had preliminary discussions with the federal government and intends to apply for funding as soon as applications begin to be accepted. If the Company qualifies, it intends to recall several employees who were recently temporarily laid off. This will assist in increasing capacity within our charter business.
16. As set out above, 222 has previously agreed to fund the Company up to \$2 million which was approved by the Court on March 16, 2020. As of April 11, 2020 the Company still had \$1.2 million available funding to it however, as reflected, the Company may need to draw the balance of the \$1.2 million plus an additional \$200,000 over the extension period. The probability of whether this is required will depend on a number of factors including the qualification for the CEWS program and other cost reduction measures.

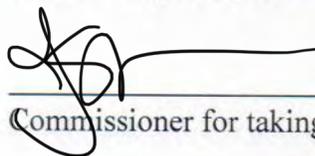
17. To address the funding issues, 222 has now agreed to increase the maximum of Post-Filing Advances by \$200,000 to \$2.2. million in the event that such funds are needed. 222 has also agreed extend the outside maturity date from April 30, 2020 to June 30, 2020. A copy of the amended Commitment Letter will be attached to the Proposal Trustee's third report to be filed in connection with this motion.

V. EXTENSION OF TIME TO FILE A PROPOSAL

18. The Company is seeking an extension of the time to file a proposal from April 17, 2020 to June 1, 2020 which it continues to work towards closing and address the rapid changes within the transportation industry.

19. The Company is acting in good faith and with due diligence. I do not believe any stakeholder will be materially prejudiced by the extension.

SWORN BEFORE ME via videoconference
this 14th day of April, 2020.



Commissioner for taking affidavits



Eric Edmondson

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

Court File No. 32-2613323

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

**AFFIDAVIT OF ERIC EDMONDSON
(Extension of Time to File a Proposal
and DIP Increase Motion)
(sworn April 14, 2020)**

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TAB 3

Court No./Estate No. 32-2613323

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

**AFFIDAVIT OF ERIC EDMONDSON
(sworn February 22, 2020)**

I, Eric Edmondson, of the City of Barrie, in the Province of Ontario, MAKE OATH AND SAY:

1. This Affidavit is made in support of a motion by Air Georgian Limited (“AGL” or the “Company”) for an order, among other things:
 - (a) extending the time for filing a proposal in the Company’s NOI Proceedings (defined below) to and including March 13, 2020;
 - (b) approving an Administration Charge (defined below); and
 - (c) authorizing the Company to borrow funds from 2229275 Alberta Ltd. (“222”) and granting the DIP Lender’s Charge (defined below) to 222.

2. I am the President and CEO of AGL and have held this position for almost eleven (11) years. In total I have been employed by AGL for approximately 25 years. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources of information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have consulted with legal, financial and other advisers of the Company and other members of the management team of the Company.

I. BACKGROUND

3. AGL is a privately owned airline based in Mississauga, Ontario. Until January 31, 2020, AGL was a regional operator for Air Canada pursuant to a longstanding Commercial Agreement (defined and discussed below). The Company has no other sources of revenue of any substance.
4. On February 1, 2019 Air Canada gave notice to AGL that it was terminating the Commercial Agreement effective January 31, 2020 (the "**Termination Date**"). The parties entered into a Transition Agreement (defined and discussed in further detail below) to address the remaining period under the Commercial Agreement.
5. On January 31, 2020, the term under the Transition Agreement ended. On that date, the Company commenced these proceedings (the "**NOI Proceedings**") by filing a notice of intention ("**NOI**") to make a proposal pursuant to Section 50.4(1) the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"). A copy of the certificate of filing, as amended, is attached hereto as Exhibit "A". KPMG Inc. has been named proposal trustee (the "**Proposal Trustee**").
6. The Company is considering its restructuring efforts including negotiating a sale of its remaining business to a related party (the "**Potential Sale**"), which consists primarily of a turn key licensed operation but does not currently generate any revenue of substance. The Company currently hopes to return to Court to seek approval of the Potential Sale as soon as possible.
7. The Company is also in the process of undertaking a complex aircraft return process with Air Canada for the return of the remaining aircraft, engines and APUs in the Company's possession that belong to Air Canada or its affiliates and reconciliation of final amounts owing by Air Canada under the Transition Agreement. The timeline for completion of that process has been delayed due to, among other things, additional work that AGL performed during the transition period as requested by Air Canada resulting from Air Canada grounding its 737 Max aircraft, which led to AGL agreeing to delay the original agreed upon return date of certain of Air Canada's assets and a serious flood (the "**January**

Flood) of the Company's hangar, maintenance and other facilities on or about January 19, 2020.

8. The deadline for the Company to file a proposal expires on March 1, 2020. As discussed in further detail below, the Company requires more time to finalize the Potential Sale, assess its restructuring options as well as complete certain remaining obligations with, among others, Air Canada to facilitate the return of Air Canada's remaining aircraft and perform final reconciliations of amounts owing under the Transition Agreement.

II. THE COMPANY

9. AGL is an Ontario company whose registered head office is located at 2450 Derry Road, Mississauga, Ontario. AGL's sole shareholder is Regional Express Aviation Inc. ("**REAL**"), a holding company owned by 1775526 Alberta Ltd. and Georgian Aircraft Corp. (the "**Shareholders**"). The Company's directors are Dan Revell and John Binder ("**Binder**"), who are both principals or officers of the Shareholders.
10. Until January 31, 2020, AGL employed approximately 260 full and part time employees. On January 31, 2020, a number of employees were laid off. Currently, AGL continues to employ approximately 80 full time employees. Certain of AGL's current and former employees are members of CUPE Local 4059, ALPA GGN and UNIFOR Local 2002.
11. The Company does not sponsor any registered pension plans.

III. THE BUSINESS

12. AGL began flying for Air Canada approximately 20 years ago. The parties have operated for a number of years pursuant to an amended and restated commercial agreement dated as of April 1, 2014 (the "**Commercial Agreement**"). The services provided by AGL were to act as the regional short haul domestic and Canada/US carrier for Air Canada flights. AGL is also party to a number of other lease and related agreements with Air Canada and affiliates of Air Canada for the lease of aircraft, engines and other parts.
13. On February 1, 2019, Air Canada announced that it intended to wind down and end its relationship with AGL on the Termination Date. In connection with the termination, the

parties negotiated the terms of a transition agreement dated as of April 12, 2019 (the “**Transition Agreement**”) which provided for a transition of the services provided by AGL to Air Canada under the Commercial Agreement, amendments to the payment terms under the Commercial Agreement and additional changes to certain of the other agreements in place with Air Canada or its affiliates.

IV. OUTSTANDING DEBT OF THE COMPANY

Outstanding Secured Debt

14. Until January 24, 2020, the Company maintained a senior secured debt facility (the “**ATB Facility**”) with ATB Financial (“**ATB**”) pursuant to an amended and restated commitment letter dated August 8, 2018 (the “**ATB Commitment Letter**”).
15. In January, 222 agreed to take an assignment of the ATB Facility and all security pursuant to an assignment and assumption agreement dated as of January 24, 2020. 222 is a party related to Binder.
16. Currently, there is approximately \$5.4 million owing by AGL to 222 under the ATB Commitment Letter.

Other Secured Amounts

17. Attached hereto as Exhibit “B” is a copy of a summary of a personal property security search for the Province of Ontario (the “**PPSA Summary**”). I am advised by the Company’s counsel, Goldman Sloan Nash & Haber LLP (“**GSNH**”) that the actual search results are over 1000 pages and therefore only the summary has been included. The PPSA Summary lists a number of parties who have registrations against the Company.

Other Debt

18. In addition to the above, the Company also has other outstanding unsecured obligations of approximately \$16 million including trade and other unsecured loans (excluding any advances or loans from the shareholders of REAL). This does not include any amounts for termination and severance of recently terminated employees who will also have claims in

the estate. The Company owes approximately \$1.17 million in HST, a portion of which is overdue.

V. THE NOI FILING

19. Over the past several months, the Company has considered what, if any, restructuring options are available to it given the termination of the Commercial Agreement including potential new customers, partnerships or a sale. A number of parties remain interested but require the Company to restructure or the business to move into clean hands due to concerns of financial status and stability.
20. Unfortunately, AGL was unable to complete a deal with any third party before the Termination Date. As such, on January 31, 2020, the Company had no choice but to terminate or lay off a number of its employees and file the NOI. If the Potential Sale is completed, some of these employees may be subject to recall.
21. At this time, the Company's main focus has been on the following:
 - (a) Assessing its potential restructuring alternatives including the Potential Sale which may be implemented in the near future – the Company has maintained its status as an operating airline and its regulatory licenses which allow it to operate. Its license, along with the quality and experience of its employees, its IT infrastructure and intellectual property make up a turn key operation which could be utilized by a third party and potentially leveraged into a larger turnaround in the longer term; and
 - (b) Working with Air Canada to facilitate the return of its remaining aircraft and related issues for which Air Canada has agreed to provide up front funding to fund these costs which the Company would not otherwise be able to incur.
22. In addition to its main restructuring efforts, the Company, Proposal Trustee and legal advisors have spent considerable time in communications with creditors and other stakeholders including the unions and the Company's benefits provider.

VI. FUNDING REQUIREMENTS

23. The Company is working with the Proposal Trustee to prepare a cash flow forecast for the proposed extension period through March 13, 2020. A copy of the cash flow forecast will be attached to the first report of the Proposal Trustee (the “**First Report**”).
24. Although as of the date of this Affidavit, the cash flow is subject to final review, I am advised by Scott Monsen, the Company’s CFO, that the Company is projected to require additional funding to fund the proposed extension period. In particular, I understand that if approval of additional funding is not obtained at this motion, the Company may not be able to fund its February 28, 2020 payroll. As such, it is critical that funding be approved as part of this motion.
25. Given the Company’s circumstances, I believe that it is highly unlikely that the Company would be able to attract third party funding in such a short time frame. 222, the Company’s existing secured lender, has agreed to lend to the Company under the existing ATB Commitment Letter and in accordance with the cash flow that will be attached to the First Report. 222 has requested that such funds be made available subject to certain amendments to the terms and conditions, the details of which will be reflected in the First Report and the proposed Order.
26. As set out below, the Company is requesting approval of a “charge” (the “**DIP Lender’s Charge**”) to secure the advances made post-filing by 222. The proposed priority of the DIP Lender’s Charge is discussed below.

VII. RELIEF REQUESTED

Approval of the Administration Charge

27. The Company is seeking approval of an administration charge (the “**Administration Charge**”) to secure the fees and disbursements of its legal counsel as well as the Proposal Trustee and its legal counsel. The proposed Administration Charge is limited to \$200,000. I am advised by GSNH that such court ordered protections are common in NOI proceedings.

28. As set out on Exhibit "B" there are numerous parties with personal property security registrations against the Company. The majority of these registrations relate to aircraft, engine and other equipment leases and several of the registrations are outdated or old. I understand the proposed Administration Charge would not "prime" any properly perfected purchase money security interests already in existence as of the date of the Order. The proposed Administration Charge would prime:
- (a) 222 who is the Company's senior secured lender and proposed DIP Lender; and
 - (b) Integrated Private Debt Fund III LP, Integrated Debt Fund IV LP and Integrated Debt Fund V LP (now Fiera Private Debt III LP, Fiera Private Debt IV LP and Fiera Private Debt V LP) (collectively "**Fiera**"). Pursuant to a subordination agreement between Fiera and ATB (as assigned to 222), Fiera has subordinated its interest in all collateral other than its leased aircraft to 222 which the Company is not proposing to prime with the Administration Charge. The leased aircraft relate to leases with Georgian Aircraft Corp. as guaranteed by the Company; and
 - (c) other interests, deemed trusts and liens including any deemed trust claimed by Canada Revenue Agency.
29. The proposed Administration Charge would not prime any superpriority amounts claimed under subsection 14.06(7) of the BIA or 81.3(1) of the BIA. I am advised by GSNH that those sections of the BIA give rise to certain superpriority claims for environmental damage and \$2,000 priority wage amounts in certain circumstances.

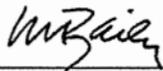
Approval of the DIP Lender's Charge

30. As set out above, the Company requires immediate access to funding including to fund its upcoming payroll. The proposed DIP Lender's Charge would rank second behind the Administration Charge and otherwise have the same priorities as afforded to the Administration Charge.

Extension of the Time for Filing a Proposal

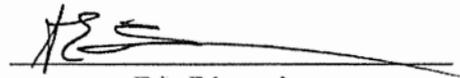
31. The deadline for the Company to file a proposal currently expires on March 1, 2020. The Company is requesting an extension of the deadline to file a proposal to March 13, 2020. Although I am advised by GSNH that the Company would be entitled to seek an extension of up to 45 days under the BIA, at this time, given the Company's financial situation, it needs to find a solution in a much shorter period of time. This short extension will allow the Company to determine whether the Potential Sale can be achieved in the next week and return shortly thereafter to Court. If no transaction can be achieved, 222 is unlikely to continue funding the Company.
32. If this short extension is not granted and the Company were to go bankrupt immediately, any chance of retaining value as a "business" will immediately be destroyed as the key assets for the Company are its operating licenses. Such licenses require key employees to remain and a bankruptcy would eliminate the chances of being able to capture any remaining value in the business as a whole. A liquidation at this point would undoubtedly result in only nominal recovery. This proposed short extension is to provide the Company with the opportunity to see if several jobs and the enterprise may be saved.
33. The Company is acting in good faith and due diligence. An extension of the time for filing a proposal will increase the likelihood that a proposal may be made. I do not believe any stakeholder will be materially prejudiced by the extension.

SWORN BEFORE ME at the City of Barrie,
in the Province of Ontario, this 22nd day of
February, 2020.



Commissioner for taking affidavits

Kenneth E. Bailey



Eric Edmondson

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

Court File No. 32-2613323

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

**AFFIDAVIT OF ERIC EDMONDSON
(sworn February 22, 2020)**

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Lawyers for the Applicant

TAB 4

Court No./ Estate No. 32-2613323

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

**AFFIDAVIT OF ERIC EDMONDSON
(Sale Approval Motion)
(sworn March 9, 2020)**

I, Eric Edmondson, of the City of Barrie, in the Province of Ontario, MAKE OATH AND

SAY:

1. This Affidavit is made in support of a motion by Air Georgian Limited (“AGL” or the “Company”) for an order, among other things:
 - (a) Approving an agreement of purchase and sale dated as of March [9], 2020 (the “Sale Agreement”) between AGL and 2746904 Ontario Inc. (the “Purchaser”);
 - (b) Vesting all of AGL’s right, title and interest in and to the Purchased Assets (as defined below) in the Purchaser;
 - (c) Extending the time for filing a proposal in the NOI Proceedings (defined below) from March 16, 2020 to April 17, 2020 (the “Extension Date”);
 - (d) Increasing the maximum borrowing available in Post-Filing Advances (as defined the Order of this Court dated February 26, 2020, the “February 26 Order”) to increase the maximum borrowing available in Post-Filing Advances (as defined in the February 26 Order);
 - (e) Sealing certain confidential appendices to the Second Report (defined below); and

- (f) Approving the first and second report of the Proposal Trustee (defined below) and the activities of the Proposal Trustee described therein.
2. I am the President and CEO of AGL and have held this position for almost eleven (11) years. In total I have been employed by AGL for approximately 25 years. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources of information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have consulted with legal, financial and other advisers of the Company and other members of the management team of the Company.

I. BACKGROUND

3. AGL is a privately owned airline based in Mississauga, Ontario. Until January 31, 2020, AGL was a regional operator for Air Canada pursuant to a longstanding Commercial Agreement (defined and discussed below). The Company has no other sources of revenue of any substance.
4. On February 1, 2019 Air Canada gave notice to AGL that it was terminating the Commercial Agreement effective January 31, 2020 (the "**Termination Date**"). The parties entered into a Transition Agreement (defined and discussed in further detail below) to address the remaining period under the Commercial Agreement.
5. On January 31, 2020, the term under the Transition Agreement ended. On that date, the Company commenced these proceedings (the "**NOI Proceedings**") by filing a notice of intention ("**NOI**") to make a proposal pursuant to Section 50.4(1) the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"). KPMG Inc. has been named proposal trustee (the "**Proposal Trustee**").
6. On February 26, 2020, the Company sought and obtained an Order extending the time for filing a proposal in its NOI Proceedings to March 16, 2020. The Company also obtained approval for a limited amount of post-filing funding of up to \$800,000 from its existing secured lender, 2229275 Alberta Ltd. ("**222**").

7. At the time, the purpose of the extension was to determine, in part, whether it would be able to complete negotiations for a sale of the remaining business to a related party. The Company also required an extension to continue its asset return process with Air Canada.
8. The Company has now successfully negotiated the terms of the Purchase Agreement with the Purchaser. For the reasons discussed below, the Company is seeking approval to enter into the Purchase Agreement and complete the sale transaction contemplated therein.

II. THE COMPANY

9. AGL is an Ontario company whose registered head office is located at 2450 Derry Road, Mississauga, Ontario. AGL's sole shareholder is Regional Express Aviation Inc., a holding company owned by 1775526 Alberta Ltd. and Georgian Aircraft Corp. (the "Shareholders"). The Company's directors are Dan Revell and John Binder ("Binder"), who are both principals or officers of the Shareholders.
10. Until January 31, 2020, AGL employed approximately 260 full and part time employees. On January 31, 2020, a number of employees were laid off. AGL has continued to lay off additional employees since then. Currently, AGL continues to employ approximately 45 full time employees. Certain of AGL's current and former employees are members of CUPE Local 4059, ALPA GGN and UNIFOR Local 2002.
11. The Company does not sponsor any registered pension plans.

III. THE BUSINESS

12. AGL began flying for Air Canada approximately 20 years ago. The parties have operated for a number of years pursuant to an amended and restated commercial agreement dated as of April 1, 2014 (the "Commercial Agreement"). The services provided by AGL were to act as the regional short haul domestic and Canada/US carrier for Air Canada flights. AGL is also party to a number of other lease and related agreements with Air Canada and affiliates of Air Canada for the lease of aircraft, engines and other parts.
13. On February 1, 2019, Air Canada announced that it intended to wind down and end its relationship with AGL on the Termination Date. In connection with the termination, the

parties negotiated the terms of a transition agreement dated as of April 12, 2019 (the “**Transition Agreement**”) which provided for a transition of the services provided by AGL to Air Canada under the Commercial Agreement, amendments to the payment terms under the Commercial Agreement and additional changes to certain of the other agreements in place with Air Canada or its affiliates.

14. With the termination of the Commercial Agreement and Transition Agreement, the Company is in the unusual position in that it possesses all of the assets, licensing and infrastructure of an operating airline but is currently not generating revenue of any substance. In order to preserve value as a going concern, the Company has continued to employ key employees and maintain certain assets and contracts resulting in a weekly cash burn rate of approximately \$300,000. Although 222 has provided the Company with a limited amount of funding to continue for the current extension period, further funding absent an approval of a sale is unlikely. If the business is moved into a structure that has extensive financial backing, I believe that there is a good chance for the business to be revitalized and turned around.

IV. THE PURCHASE AGREEMENT

Marketing and Sale Efforts

15. For much of the last year, I have spent a great deal of time seeking new buyers, investors and alternative business for the Company. In particular, last year, based on my experience in this industry, my management team and I identified several potentially interested parties who we knew to be looking for an airline with our operating experience, industry leading safety record and large volume regional airline capabilities. The airline industry is relatively small in Canada and we were able to readily identify those who were most likely interested and able to complete a sale.
16. Subsequently, I or others within the Company have spoken, corresponded or met with over ten parties who are potential investors or buyers, for the business. In connection with those efforts, five parties signed nondisclosure agreements (“**NDAs**”) and conducted some level of due diligence with three primary parties attending several site and/or management meetings.

17. Concurrent to these efforts my team and I were able to identify a large airline who desired to partner with us if we were to successfully restructure our business, distance the business from the Company's long operating history and association with Air Canada, maintain our Toronto base, obtain new strong ownership and most importantly preserve our ability to perform a large volume business safely while providing them with connecting passenger traffic.
18. In addition to identifying strong ownership candidates and a potential main-line partner my team and I were able to identify a large US airline investor who desired to invest and partner with us if we were able to restructure and establish a new regional airline service relationship. Due to ownership restriction in Canada relating to foreign ownership their 'single entity' ownership position would need to remain at or below 25%. As this investor's investment would be non-controlling, it is sensitive to the ownership structure. I believe these possibilities remain but not until the business has been transferred to a financially stable organization.
19. In January 2020, the Company entered into extensive and intensive negotiations with a potential buyer. I was optimistic such a transaction would be achievable but ultimately the potential buyer's board did not approve the transaction as we approached the closing.
20. I have continued to have conversations with the parties under NDA as well as other possible buyers since the filing and all have indicated they are not interested in buying the business absent a restructuring or guaranteed future revenue.

The Purchase Agreement¹

21. The Company and the Purchaser have now agreed upon terms of the Purchase Agreement. Certain of the key terms of the Purchase Agreement are summarized in the following table.

¹ The description provided herein is for information purposes only. The reader should refer to the Purchase Agreement for complete terms and conditions. Any inconsistency between the description of the Purchase Agreement and the Transaction described herein and the Purchase Agreement itself shall be governed by the Purchase Agreement.

Capitalized terms used in this section and not otherwise defined have the meanings given to them in the Purchase Agreement:

<u>Seller:</u>	Air Georgian Limited
<u>Purchaser</u>	2746904 Ontario Inc. The Purchaser is a party owned directly or indirectly by Binder. Binder is also related to 222, which is owned by Binder's son.
<u>Purchased Assets</u>	Substantially all of the property, assets and undertakings of the Seller including, without limitation, all cash on hand (other than as set out below) and accounts receivable.
<u>Excluded Assets</u>	The Purchased Assets do not include cash that has been funded specifically for the purposes of the NOI including the Post-Filing Advances which funds are being used to fund the post-filing costs incurred since the filing. Additional excluded assets include the Excluded Obligations, any Excluded Insurance Proceeds, any contracts other than the Assumed Contracts, Slots and any Transportation License or other designation or right which is subject to a "re-issue" process and cannot be transferred thereunder.
<u>Purchase Price</u>	Assumption of all outstanding amounts owing to 222 including under the Post-Filing Advances, Assumed Obligations including payment of any Cure Costs and the funds used in the Wind-Down Budget.
<u>As Is Where Is:</u>	Purchased Assets will be transferred on an "as is where is" basis.
<u>Contracts:</u>	The Purchaser has identified a number of contracts it wishes to assume as part of the transaction. Among them, the assignment of a number of "key contracts" is a condition of closing.
<u>Assumed Liabilities:</u>	All obligations and liabilities of the Seller under the Assumed Contracts (to the extent of those Assumed Contracts assigned to the Purchaser on Closing), including where applicable, the Cure Costs, and in respect of the Transferred Employees, to the extent provided for under the Purchase Agreement
<u>Employees:</u>	All existing AGL employees will be terminated immediately prior to closing. The Purchaser has identified approximately 27 of the Company's employees it wishes to hire as part of the transaction. This number may increase or decrease between now and closing. Certain of these employees are "key" and their acceptance of the Purchaser's offer of

	<p>employee is a condition of closing. These employees are also critical to the re-issue of the Transportation Licenses.</p> <p>The Purchaser has agreed to make offers to (a) certain of the Seller Employees as determined by the Purchaser, in its sole discretion, in respect of Seller Employees who are not represented in their employment by a trade union, on terms and conditions similar to their respective terms and conditions of employment with the Seller existing as of the Closing Date; and (b) certain of those unionized Seller Employees, consistent and in compliance with, and upon terms and conditions provided under the collective agreement applicable to such employee. Given the timing issues, the Company has agreed that the Purchaser may start making employment offers as soon as this motion has been served and filed.</p> <p>The Purchaser has not agreed to contractually assume any historical employee liabilities under the Purchase Agreement.</p> <p>The Purchaser has agreed it will provide, or cause to be provided to the Transferred Employees, employee benefit plans commensurate to those benefit plans provided to the Transferred Employees prior to the Closing, as determined by the Purchaser in its sole discretion.</p>
<p><u>Conditions:</u></p>	<p>The obligation of the Purchaser to close the transaction is subject to a number of conditions as follows:</p> <ul style="list-style-type: none"> (a) all representations and warranties of the Seller contained in this Agreement will be true as of the Closing Date with the same effect as though made on and as of that date; (b) all deliverables listed in section 6.3 of the Purchase Agreement shall have been delivered to the Purchaser; (c) the Transportation Licenses shall have been re-issued by Transport Canada; (d) satisfaction of the IATA process required for the transfer/re-issue of the ZX Code; (e) satisfaction of the regulatory process required for transfer/re-issue of the GGN Code; (f) the Seller shall have received either (i) all applicable third party consents required, or (ii) an issued and entered Assignment Order, with respect to the assignment of the those Assumed Contracts attached at Schedule "A-2" to the Purchase Agreement (the "Key Assumed Contracts") effective as of the date of Closing. The Purchaser, in its sole discretion, may

	<p>remove any Key Assumed Contracts from Schedule A-2 at any time prior to Closing. The Purchaser, with the consent of the Seller, may designate any Assumed Contract as a Key Assumed Contract prior to Closing;</p> <p>(g) the Seller shall have terminated all Seller Employees, with effect immediately prior to Closing;</p> <p>(h) the Seller Employees listed on Schedule "D" to the Purchase Agreement (the "Key Seller Employees") shall be Transferred Employees. The Purchaser, in its sole discretion, may remove any Key Seller Employees from Schedule E at any time prior to Closing. The Purchaser, with the consent of the Seller, may designate any Seller Employee as a Key Seller Employee prior to Closing;</p> <p>(i) consent of 222 to the assignment of the 222 Secured Debt to the Purchaser;</p> <p>(j) no action or proceedings will be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement;</p> <p>(k) the Seller will have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and</p> <p>(l) no material loss or damage to the Purchased Assets when taken as a whole will have occurred on or before the Closing Date.</p>
<p><u>Court Approval:</u></p>	<p>In addition to the above conditions, the obligation of both the Purchaser and the Company to close the transaction is conditional upon Court approval and the issuance of a vesting order vesting the assets free and clear of all Encumbrances other than Permitted Encumbrances.</p>
<p><u>Wind Down Budget</u></p>	<p>After Closing, it is intended that the Seller and the Proposal Trustee will perform an orderly wind-down of the Seller, which wind down may include bankrupting the Seller (the "Wind Down").</p> <p>Given the transfer of cash on Closing, the Purchaser has agreed to fund the Wind Down Budget which shall provide payment for:</p> <p>(a) remaining priority payables owing by the Seller which rank in priority to the 222 Secured Debt, as detailed in the Wind Down Budget;</p>

	<p>(b) all outstanding reasonable professional fees of the Proposal Trustee (and its counsel) and counsel to the Seller as well as the estimated administration costs of a bankruptcy; and</p> <p>(c) any other amounts which the Purchaser, Seller and Proposal Trustee agree shall be funded as part of the Wind Down.</p> <p>On Closing, the Purchaser shall transfer to the Proposal Trustee, to be held in trust for the completion of the Wind Down, an amount equal to the Wind Down Budget plus 10% of the Wind Down Budget (the “Maximum Wind Down Funds”), which funds shall be used by the Proposal Trustee to fund the Wind Down. The amount of the Wind Down Budget to be funded by the Purchaser shall not exceed the Maximum Wind Down Funds.</p> <p>The Maximum Wind Down Funds will remain the property of the Purchaser, and shall only be used by the Seller and/or Proposal Trustee, as applicable, to complete the Wind Down in accordance with Section 2.9 of the Purchase Agreement.</p> <p>It is expressly acknowledged and agreed by the Parties and the Proposal Trustee that the Maximum Wind Down Funds are not an asset of the Seller and shall not form part of any estate. The portion of the Maximum Wind Down Funds actually used to complete the Wind Down are referred to in the Purchase Agreement as the “Actual Wind Down Funds”. Upon completion of the Wind Down, any funds equal to the Maximum Wind Down Funds less the Actual Wind Down Funds, if any, shall be returned to the Purchaser without deduction.</p>
<u>Transition Services</u>	In the event that certain Contracts cannot be assigned on Closing or the Transportation Licenses have not all been re-issued on Closing, the Parties may enter into a transition services agreement.
<u>Closing</u>	The estimated closing date is March 31, 2020. The “outside date” for closing is April 17, 2020.

22. Attached as Exhibit “A” is a redacted copy of the Purchase Agreement. I understand an unredacted version of the Purchase Agreement will be attached to the Second Report. I believe an order sealing the unredacted version of the Purchase Agreement is appropriate for the reasons discussed below.

23. The proposed sale transaction (the "Transaction") contemplated by the Purchase Agreement provides significant benefits in that it has the potential to preserve at least 27 jobs for the Company's employees with a high potential for rapid growth if a main-line partner is secured which, as discussed above, I believe the new entity will be well positioned for. This transaction provides the greatest chance to recoup enterprise value from this business. The Wind-Down Budget provides certainty and clarity for payment of priority amounts and which will be funded into the Proposal Trustee's account on closing.
24. Although this Transaction remains subject to several conditions including around acceptance of offers by employees, third party consents for assignment of contracts and regulatory approvals for re-issue of the Transportation Licences, I believe it is the only realistic opportunity for the business to survive. The key regulatory position holders including myself, have already worked extensively with Transport Canada, IATA and ICAO to understand the transfer and re-issue process and it is realistic that these conditions will be able to be satisfied so long as the "Purchased Assets" including the contemplated "key employees" and "key contracts" continue to be included in the Transaction.
25. Based on my participation in previous sales efforts, I do not believe that further marketing will result in any greater offer and I am very concerned that if this transaction is not approved, that a going concern option will not be available at all given the risks around lack of funding and key employee attrition which would lead to the Company having to surrender its Air Operators Certificate to Transport Canada and. I also understand that the Proposal Trustee will be filing a report in connection with this motion which will speak to the projected range of liquidation value of the Company's assets, which I expect to be lower than the outstanding secured debt owing to 222.
26. Although I understand from the Company's counsel, Goldman Sloan Nash & Haber LLP ("GSNH") that it is unusual to seek approval of a sale (a) to a related party and (b) without having run a formal sale process, I believe that the facts of this case warrant such relief. As discussed in more detail below, the following circumstances support the seeking of such relief:

- (a) The Company is in the unusual situation of having a turn key operation but little revenue – although there remains going concern value at this time, it is likely any buyer will have to make significant investment to turn the business around and attract new revenue;
- (b) The Company's ability to remain a going concern much longer is questionable given its limited funding and lack of operations – in particular, certain assets and employees are required in order to maintain the Company's operating licenses which are considerable expenses;
- (c) Since the announcement of the termination of the Commercial Agreement, the Company has made extensive efforts to seek investors or buyers including since the commencement of these NOI Proceedings – the market of potential strategic buyers is small and most have done diligence – although interest remains, all parties have said they require the business to be more financially stable before it will consider partnerships or other business – this is unlikely to change if a sale process is conducted;
- (d) The airline industry is currently facing an immediate crisis overall as a result of the coronavirus which I believe would likely eliminate any resources that third parties might put to a sale process even if were available; and
- (e) The Company continues to burn cash given its ongoing expenses and lack of revenue – it does not have any source of funding to remain in a proceeding to run a sale process.

V. SEALING

27. As set out above, the unredacted version of the Purchase Agreement will be attached to the Second Report. The Schedules to the Purchase Agreement that are redacted include personal employee information and other commercially sensitive information regarding the contracts which could impact the assignment negotiations. I also understand the Proposal Trustee will be attaching a confidential appendix to its report containing the liquidation analysis. This information is commercially sensitive and should also be sealed.

VI. FUNDING

28. I understand that an updated cash flow projection will be filed with the Second Report. As the Company continues to incur significant expenses in these proceedings and is not generating revenue it will require additional funding for the period between March 16 and closing including with respect to payroll and other critical matters.
29. As such, the Company requires dedicated funding at least until the projected closing date of March 31, 2020. In the event that closing is delayed on the consent of all parties, further funding would be required for that extension period.
30. As such, 222 has agreed to increase the maximum Post-Filing Advances available to the Company from \$800,000 to a maximum of \$2 million to be drawn in accordance with the revised Cash Flow provided that, if the Purchase Agreement is terminated on March 31 because the conditions have not been satisfied or there is no agreed upon extension, then no further funding would be made available.

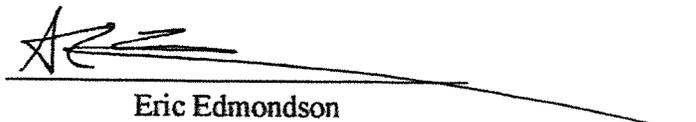
VII. EXTENSION OF TIME TO FILE A PROPOSAL

31. The Company is seeking an extension of the time to file a proposal from March 16, 2020 to April 17, 2020 in order to complete the sale transaction contemplated by the Purchase Agreement. Although the Parties intend to work towards a March 31 closing, in the event of a delay which is agreed upon by the Purchaser and the Seller, the Seller believes a slightly longer extension is warranted so that an additional appearance in Court is not required.
32. The Company is acting in good faith and with due diligence. I do not believe any stakeholder will be materially prejudiced by the extension.

SWORN BEFORE ME at the City of
~~Toronto~~ in the Province of Ontario, this 9th
day of March, 2020.



Commissioner for taking affidavits



Eric Edmondson

.....

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
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Court File No. 32-2613323

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Proceeding commenced at Toronto

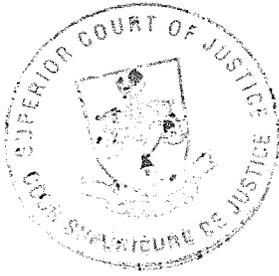
**AFFIDAVIT OF ERIC EDMONDSON
(Sale Approval)
(sworn March 9, 2020)**

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Lawyers for the Applicant

TAB 5



Estate No.: No. 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	WEDNESDAY, THE 26TH
)	
JUSTICE HAINEY)	DAY OF FEBRUARY, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

ORDER

THIS MOTION, made by Air Georgian Limited (the “**Debtor**”) for an order extending the time for filing a proposal, approving and administration charge and certain debtor in possession funding, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Eric Edmondson sworn February 22, 2020 (the “**Affidavit**”) and the first report of KPMG Inc. in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) dated February 23, 2020 (the “**First Report**”), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee, 2229275 Alberta Ltd. (“**222**”) and those other parties present, as indicated on the counsel slip, no other parties present, although properly served as appears from the affidavit of Jennifer Stam sworn February 23, 2020, filed:

NOTICE AND SERVICE

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the First Report is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“**BIA**”), the time for the Debtor to file a proposal with the Official Receiver be and is hereby extended to March 13, 2020.

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ADMINISTRATION CHARGE

3. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and the Debtor’s counsel shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Debtor’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”), which charge shall not exceed an aggregate amount of \$200,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee 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 8 and 10 hereof.

DIP FINANCING

4. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to borrow monies (“**Post-Filing Advances**”) from 222 (in such capacity, the “**DIP Lender**”) pursuant to the ATB Facility and the ATB Debt and Security (as both terms are defined in the First Report) as assigned to 222 pursuant to the Assignment Agreement (as defined in the First Report) in order to finance the Debtor’s day to day operations and restructuring proceedings substantially in accordance with the cash flow budget attached as Appendix “E” to the First Report (the “**Cash Flow**”).

5. **THIS COURT ORDERS** that notwithstanding the terms of the ATB Facility and the ATB Debt and Security,

- (a) The Debtor may request weekly or bi-weekly Post-Filing Advances in amounts consistent with its funding requirements under the Cash Flow;
- (b) All Post-Filing Advances shall be subject to the consent of the Proposal Trustee;

- (c) All Post-Filing Advances and any other amounts secured by the DIP Lender's Charge shall be repayable in full with interest at the rate of 12% per annum (calculated from the date of advance to the date of repayment on the earlier of (a) the completion of a sale or sales for substantially all of the Debtor's assets and (b) April 30, 2020.

6. **THIS COURT ORDERS** that pursuant to Section 50.6 of the BIA, 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 secure only advances made to the Debtor under the ATB Facility after this Order is made as well as any accrued and unpaid interest and professional fees of counsel to the DIP Lender.

7. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order or the provisions of Section 69 of the BIA:

- (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;
- (b) in keeping with the ATB Facility and the ATB Debt and Security (together, the "**Facility Documents**"), and the DIP Lender's Charge, the DIP Lender will be entitled, on 3 business days' notice to the Debtor and Proposal Trustee, to make demand, accelerate payment and give other notices; provided however that the DIP Lender must apply to this Court on 5 business days' notice to the Debtor and the Proposal Trustee to exercise any other its rights and remedies against the Debtor or the Property under or pursuant to the Facility Documents and DIP Lender's Charge including, without limitation, to cease making advances to the Debtor and set off and/or consolidate any amounts owing by the DIP Lender to the Debtor against the obligations of the Debtor to the DIP Lender under the Facility Documents or the DIP Lender's Charge, or for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Debtor and for the appointment of a trustee in bankruptcy of the Debtor; 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 Debtor or the Property.

VALIDITY AND PRIORITY OF CHARGES

8. **THIS COURT ORDERS** that the priorities of the Administration Charge and DIP Lender's Charge, as among them, shall be as follows:

- (a) First: Administration Charge (to the maximum amount of \$200,000); and
- (b) Second: DIP Lender's Charge.

9. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge and the DIP Lender's Charge (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.

10. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and the Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person but subject to subsections 14.06(7) and 81.3(1) of the BIA and any properly perfected purchase money security interests in existence and priority to advances already made under the Facility Documents as at the time of this Order (the "**Permitted Priority Encumbrances**").

11. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Debtor also obtain the prior written consent of the beneficiaries of the applicable Charges or further Order of this Court.

12. **THIS COURT ORDERS** that the 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**") 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 Applicants, 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 in connection thereof shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party; and
- (b) the payments made by the Debtor pursuant to this Order 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.

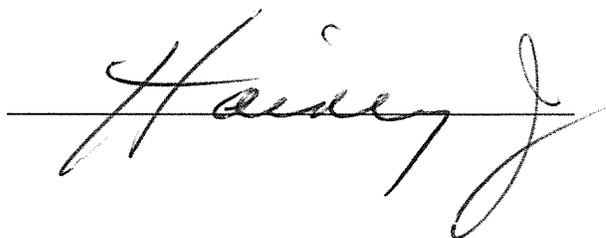
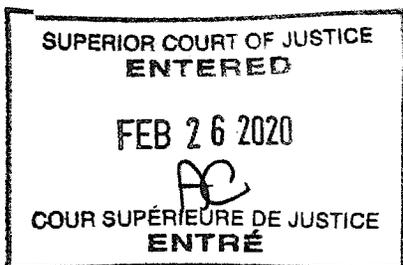
13. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Debtor’s interest in such real property leases.

GENERAL

14. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at [www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial]) 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 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: www.kpmg.com/ca/airgeorgian.

MISCELLANEOUS

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

A handwritten signature in cursive script, appearing to read "Hainey", written over a horizontal line.

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO

Estate No.: No. 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced TORONTO

ORDER

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TAB 6

Estate No.: No. 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)

MONDAY, THE 16TH

JUSTICE HAINES)

DAY OF MARCH, 2020



IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO

ORDER
(Ancillary Relief)

THIS MOTION, made by Air Georgian Limited (the “**Debtor**”) (a) for an order approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**Sale Agreement**”) between the Debtor and 2746904 Ontario Inc. (the “**Purchaser**”) dated March 9, 2020, and vesting in the Purchaser the Debtor’s right, title and interest in and to the assets described in the Sale Agreement (the “**Purchased Assets**”); (b) extending the time for filing a proposal (c) increasing the maximum borrowing available in Post-Filing Advances (as defined the Order of this Court dated February 26, 2020, the “**February 26 Order**”); (d) sealing certain confidential appendices to the Second Report (defined below); and (e) approving the first report of the Proposal Trustee (defined below) dated February 23, 2020 (the “**First Report**”) and the Second Report and the activities of the Proposal Trustee described therein, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Eric Edmondson sworn March 9, 2020 (the “**Affidavit**”) and the second report of KPMG Inc. in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) dated March 12, 2020 (the “**Second Report**”), and on hearing the

submissions of counsel for the Debtor, the Proposal Trustee, 2229275 Alberta Ltd. (“222”) and those other parties present, as indicated on the counsel slip, no other parties present, although properly served as appears from the affidavits of service of Jennifer Stam sworn March 10, 2020 and Katie Parent sworn March 10, 2020, filed:

NOTICE AND SERVICE

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the Second Report is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“BIA”), the time for the Debtor to file a proposal with the Official Receiver be and is hereby extended to April 17, 2020.

AMENDMENTS TO DIP FINANCING

3. **THIS COURT ORDERS** that the Debtor shall be authorized and empowered to obtain additional Post-Filing Advances on the same terms as authorized by the February 26 Order, with the exception that Post-Filing Advances from and after the date of this Order, shall be made substantially in accordance with the cash flow budget attached as Appendix “E” to the Second Report (the “Revised Cash Flow”).

4. **THIS COURT ORDERS** that for greater certainty, the DIP Lender’s Charge (as defined in the February 26 Order) and the priority afforded thereto shall apply to any Post-Filing Advances made in connection with the Revised Cash Flow.

SEALING

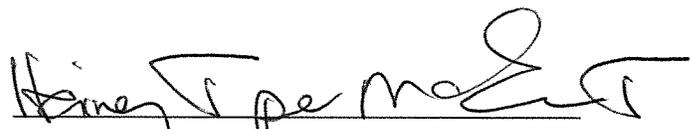
5. **THIS COURT ORDERS** that Confidential Appendices “1” and “2” to the Second Report be and are hereby sealed pending further Order of the Court.

ACTIVITIES OF THE PROPOSAL TRUSTEE

6. **THIS COURT ORDERS** that the First Report and the Second Report and the activities of the Proposal Trustee as set out therein be and are hereby approved.

MISCELLANEOUS

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Debtor and the Proposal Trustee 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 Debtor and the Proposal Trustee, as may be necessary or desirable to give effect to this Order or to assist the Debtor and Proposal Trustee and their respective agents in carrying out the terms of this Order.


due to COVID-19 crisis

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO

Estate No.: No. 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced TORONTO

ORDER
(Ancillary Relief)

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Lawyers for the Debtor, Air Georgian Limited

TAB 7

Estate No.: No. 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	FRIDAY, THE 17TH
)	
JUSTICE HAINEY)	DAY OF APRIL, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO**

ORDER
(Extension of Time to File a Proposal and DIP Increase)

THIS MOTION, made by Air Georgian Limited (the “**Debtor**”) for an order (a) extending the time for filing a proposal; (b) further increasing the maximum borrowing available in Post-Filing Advances (as defined the Order of this Court dated February 26, 2020, the “**February 26 Order**”); and (c) approving the Third Report of the Proposal Trustee (defined below) dated April •, 2020 and the activities of the Proposal Trustee described therein, was heard via teleconference in Toronto, Ontario.

ON READING the affidavit of Eric Edmondson sworn April 14, 2020 (the “**Affidavit**”) and the third report of KPMG Inc. in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) dated April •, 2020 (the “**Third Report**”), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee, 2229275 Alberta Ltd. (“**222**”) and those other parties present, as indicated on the counsel slip, no other parties present, although properly served as appears from the affidavit of service of • sworn April •, 2020, filed:

NOTICE AND SERVICE

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the Third Report is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“**BIA**”), the time for the Debtor to file a proposal with the Official Receiver be and is hereby extended to June 1, 2020.

AMENDMENTS TO DIP FINANCING

3. **THIS COURT ORDERS** that the Debtor shall be authorized and empowered to obtain further additional Post-Filing Advances on the same terms as authorized by the February 26 Order, with the exception that Post-Filing Advances from and after the date of this Order, shall be made substantially in accordance with the cash flow budget attached as Appendix “• ” to the Third Report (the “**Revised Cash Flow**”).
4. **THIS COURT ORDERS** that for greater certainty, the DIP Lender’s Charge (as defined in the February 26 Order) and the priority afforded thereto shall apply to any Post-Filing Advances made in connection with the Revised Cash Flow.

ACTIVITIES OF THE PROPOSAL TRUSTEE

5. **THIS COURT ORDERS** that the Third Report and the activities of the Proposal Trustee as set out therein be and are hereby approved.

MISCELLANEOUS

6. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Debtor and the Proposal Trustee 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 Debtor and the Proposal Trustee, as may be necessary or desirable to give effect to this Order or to assist the Debtor and Proposal Trustee and their respective agents in carrying out the terms of this Order.

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO

Estate No.: No. 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced TORONTO

ORDER
(Extension of Time to File a Proposal and DIP Increase)

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IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF AIR GEORGIAN LIMITED,
A CORPORATION INCORPORATED UNDER
THE LAWS OF ONTARIO

Estate No.: 32-2613323

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced TORONTO

MOTION RECORD
(Extension of Time to File a Proposal
and DIP Increase Motion)
returnable April 17, 2020

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