

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC

SUPERIOR COURT  
«Commercial Division»

Division No.: 01-Montreal  
Court No.: 500-11-058645-207  
CCA No.: 0000475

**IN THE MATTER OF THE PLAN OF ARRANGEMENT AND  
COMPROMISE OF:**

**FLIGHTHUB GROUP INC.**

- and -

**FLIGHTHUB SERVICE INC.**

- and -

**SSFP CORP.**

- and -

**JUSTFLY INC**

- and -

**JUSTFLY CORP.**

- and -

**11644670 CANADA INC.**

Company / Debtors/ Applicants

and

**MNP LTD**

Monitor

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**MONITOR'S FIFTH REPORT TO THE COURT**  
IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED

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## INTRODUCTION AND PROCEDURAL CONTEXT

1. On May 8, 2020, further to an Application for the Issuance of an Initial Order filed by FlightHub Group Inc. ("**FlightHub**"), FlightHub Service Inc. ("**Service**"), SSFP Corp ("**SSFP**"), JustFly Inc. ("**JustFly**"), JustFly Corp. ("**JustFly USA**") and 11644670 Canada Inc. ("**11644670**", and collectively with FlightHub, Service, SSFP, JustFly, JustFly USA and 11644670, the "**Applicants**" or the "**Debtors**" or the "**Company**" or the "**FlightHub Group**"), the Superior Court of Quebec issued a temporary and limited Initial Order (as amended and restated, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36 (the "**CCAA**").
2. This Fifth Report of the Monitor (the "**Report**") aims to address and provide the following:
  - I. Background and procedural context;
  - II. An overview of the Company's restructuring efforts to date;
  - III. Information on the affairs and finances of the Company;
  - IV. Monitor's recommendations in respect of the Company's Application for Stay Extension (as defined below).

## TERMS OF REFERENCE AND DISCLAIMERS

3. In preparing this report and making comments herein, the Monitor has been provided with, and has relied upon, certain unaudited, draft or internal financial information, including the Debtors' books and records, discussions with management and directors of the Company (the "**Management**") and its counsel, and information from other third-party sources (collectively, the "**Information**"). MNP has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, MNP has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") or other standards established by the Chartered Professional Accountants of Canada (the "**Standards**"), and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information. Additionally, none of the Monitor's procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards,

additional matters may come to the Monitor's attention. Accordingly, the Monitor does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

4. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
5. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
6. The information contained in this Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Applicants.
7. The Monitor assumes no responsibility or liability for any loss or damage suffered by any party as a result of the use of this Report. Any use, which any party makes of this Report, or any reliance or decision to be made based on this Report, is the sole responsibility of such party.
8. All amounts included herein are in Canadian dollars unless otherwise stated.

#### **I. BACKGROUND AND PROCEDURAL CONTEXT**

9. On May 19, 2020, the Initial Order was restated and amended in order to, *inter alia*:
  - a. Extend the Stay Period to July 31, 2020;
  - b. Grant an administration charge as well as a directors' and officers' charge; and
  - c. Authorize the Company to make certain remittances in respect of insurance premiums collected which may qualify as pre-filing monetary obligations of the Applicants.

10. On June 5, 2020, the Company filed an *Application for the Issuance of a Claims Process Order* (the "**Claims Procedure Application**"), in view of establishing a formal process for the filing of all claims against the FlightHub Group and its directors and officers (the "**Claims Process**").
11. On June 19, 2020, the Court granted (i) the relief sought in the Monitor's Application for Directions; and (ii) the relief sought by the FlightHub Group in its Claims Procedure Application (the "**Claims Procedure Order**"), though in the latter case, under reserve of the rights of the Commissioner of Competition (for the Competition Bureau of Canada, hereinafter the "**Commissioner**") to file an application that would seek the exclusion, from the Claims Procedure Order, of its potential claims against the directors and officers of the Company.
12. On July 13, 2020, as appears from the Court record, further to an *Application of the Commissioner the Amendment of the Definition of [the term] "Claim against the Directors or Officers" of the Claims Procedure Order*, (the "**Commissioner's Application**"), further to a contestation filed in respect thereto by the Company, and further to exchanges between the Monitor, the Commissioner and the Company, the Commissioner's Application was discontinued, under reserve of the Commissioner's right to contest any potential releases that may subsequently be sought in favour of the directors or officers of the Company in the context of the CCAA Proceedings.
13. In parallel to the CCAA Proceedings before this Court, proceedings were initiated before the United States Bankruptcy Court for the District of Delaware (the "**US Court**") in order to recognize the CCAA proceedings in respect of the Applicants in the United States of America under Chapter 15 of the United States Bankruptcy Code.
14. Further to a hearing held on June 17, 2020, Justice John T. Dorsey of the US Court granted the order sought by the Company, as appears from the proceedings and the order filed in support of the Applicants' Contestation, in the Court record, all of which is also available on the Monitor's website.
15. On July 23, 2020, the Company served an Application for the issuance of an Order Extending the Stay Period until September 30, 2020 (the "**Application for Stay Extension**"). The said application

has been granted by the Court on July 27, 2020 and the Stay has been extended to September 30, 2020.

16. On September 25, 2020, the Company served an Application for the issuance of an Order Extending the Stay Period until December 18, 2020 (the "**Application for a Second Stay Extension**"). The said application has been granted by the Court on September 29, 2020 and the Stay has been extended to December 18, 2020.

## II. RESTRUCTURING EFFORTS TO DATE

17. Since our last report to the Court, the Monitor has continued to assist the Company in its restructuring efforts. Specifically, the Monitor has helped the Company resolve various issues which arose with certain suppliers and has otherwise endeavoured to diligently address ongoing or newly arising issues with suppliers and regulatory authorities.

18. With respect to matters which arose since the last report of the Monitor to the Court or which are otherwise worth noting, the Monitor reports the following:

- a. **Ongoing restructuring**: The Company continued its ongoing restructuring efforts to improve and streamline its operations. Among other things, the Company reviewed its internal processes and some specific contracts in relation to these operational processes. The main focus of the operational processes review pertained to the improvement of the transactional websites in order to address remaining concerns of the Commissioner. The Company also reviewed and improved its refunds and chargebacks processes in order to simplify and improve the efficiency of the Company in regards to inquiries and reporting requirements.
- b. **US Department of Transportation ("USDOT")**: The USDOT has filed a proof of claim with the Monitor. The parties have made progress towards an agreement that would resolve all outstanding pecuniary and regulatory issues in a manner that would provide requisite certainty to the Company as it prepares to emerge from the CCAA process. The Monitor understands that the resolution of regulatory issues raised by the USDOT will likely require the issuance of a consent order by a court in the United States.

- c. **City Attorney of San Francisco, acting for the people of California:** The City of San Francisco acting for the people of California (the “California”) has filed a proof of claim with the Monitor. On October 1, 2020, the Monitor provided California with a Draft Notice of Revision in order to facilitate dialogue between the parties. The parties did engage in active discussions and it is the understanding of the Monitor that a settlement could soon be reached between the parties.
  
- d. **The Commissioner:** The Company and its counsel have been liaising with the Commissioner and its counsel, further to the filing by the Commissioner of its proof of claim. As was the case with the other regulatory bodies in this matter, the parties have engaged in exchanges with a view to resolve the Company's compliance issues and to allow it to emerge from the CCAA process. A consensual resolution or adjudication of the issues with the Commissioner are deemed necessary to achieve the Company's restructuring objectives and viability. A draft version of a Notice of Revision of the Commissioner's claim has been transmitted to the Claimant on August 27, 2020 in order to facilitate dialogue between the Claimant and the Company and provide an opportunity for both parties to communicate any additional information that would be useful for the Monitor in its analysis of the claim.

Following the issuance of this draft Notice of Revision, the Monitor has been in regular communication with both parties. Except for information exchanged between them in the context of settlement discussions, in which the Monitor acted as an observer, neither party provided supplementary information to the Monitor that would be material or relevant for purposes of persuading the Monitor to alter its initial assessment of the Commissioner's proof of claim as set out in the Monitor's draft Notice of Revision. On October 9, 2020, seeing that the dialogue between the parties was at a deadlock, the Monitor issued the Notice of Revision.

On October 19, 2020, the Commissioner filed a Notice of Dispute with the Monitor. The parties, the Monitor, and their respective lawyers have exchanged extensively throughout the subsequent weeks to determine whether a resolution can be reached without seeking the assistance of the Court. Seeing as this second round of discussions did not lead to an agreement, the Monitor informed the parties on November 19, 2020, that it will refer the

disputed claim to the Court. On November 20, 2020, the Company filed an Application for the Determination of the Unsecured Claim of the Commissioner of Competition. The case is scheduled to proceed on February 15 and 16 of 2021.

Notwithstanding the foregoing, the parties undertook another round of negotiations with a view towards reaching a settlement and to resolve the disputed claim without the involvement of the Court.

- e. **Claims Process:** As contemplated in the Claims Procedure Order, the Monitor has received one hundred eleven (111) proofs of claims. The Monitor, with the assistance of the Company, reviewed and approved ninety-three (93) claims, representing 84% of claims in number, and disallowed or revaluated thirteen (13) claims, representing 12% in number.

There are four (4) claims that are still under review by the Monitor. The claims under review include the claim filed by the California, two employees and a customer (correction needed). One claim was withdrawn.

The Monitor has received 4 claims submitted past the deadline, considered as late claims.

- 19. Since the issuance of the Initial Order and pursuant to the terms thereof and of the CCAA, the Monitor has fulfilled its statutory obligations arising to date, including the notice and service requirements described in the prior Monitor's reports. Since the issuance of the Fourth Monitor's Report to the Court, the Monitor, with the cooperation of the Company, as the case may be, has *inter alia*:

- a. Monitored the receipts and disbursements of the Company, as well as the current and ongoing operations of the Company;
- b. Monitored the situation of the Company as it pertains to the processing of transactions with credit card payment processing service providers (the "**Payment Processors**"). This includes, generally, monitoring or projecting the flow of chargebacks and refunds processed through them, and updating projections pertaining to chargebacks and how these may affect cash flows and cash flows projections. The Monitor has also assisted the Company in resolving minor outstanding issues with Nuvei;

- c. Performed and/or reviewed a periodic analysis of the variance between actual cash flow results as compared to projections established with the Company;
- d. Performed a periodic follow-up of the discretionary expense amount allowed by the Court in the Initial Restated Initial Order.
- e. Assisted in the preparation of an updated weekly cash flow forecast, namely in respect of the extension sought by the Company;
- f. Oversaw the process pertaining to the review and analysis of potential disclaimer of agreements deemed onerous or uneconomic;
- g. Oversaw the process pertaining to the formal termination of certain employees;
- h. Assisted, and continues to assist, the Company in negotiations and interactions with various suppliers;
- i. Engaged with the Company, its counsel, the Commissioner and its counsel, in view of advancing or resolving the issues pertaining to the ongoing investigation of the Commissioner;
- j. Liaised with the Company, its Canadian counsel and US Counsel in respect of US regulatory matters (i.e.: with the City Attorney of San Francisco and the US Department of Transportation), especially as it pertains to the claims filed by these creditors and the resolution of any potential compliance issues;
- k. Oversaw or otherwise assisted the Company and its counsel in respect of the enforcement of the stay of proceedings homologated in the US through the Chapter 15 USC proceedings, including as it pertains to a lawsuit in Texas;
- l. Responded to queries from various creditors or stakeholders;
- m. Attended or held (as the case may be) various meetings, conference calls, and court hearings;
- n. Assisted the Company's management with respect to the CCAA process generally;
- o. Updated the Monitor's website as per the Initial Order regarding the CCAA process.



### III. INFORMATION ON THE AFFAIRS AND FINANCES OF THE COMPANY

#### A. ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE 10-WEEK PERIOD FROM SEPTEMBER 19, 2020 TO NOVEMBER 27, 2020

20. As instructed by the Court and pursuant to the CCAA, the Monitor has monitored and reviewed the Company's statement of receipts and disbursements for the 10-week period from September 19, 2020 to November 27, 2020 ("**10-week Period**"), in relation with the weekly cash flow projections contained in the Monitor's Fourth Report to the Court summarized below.

#### Flight Hub Group

#### Cash Flow Statement

For the Period from September 19 to November 27, 2020

(Unaudited - in '000 CAN \$)

	Actual	Forecast	Variance
<b>Receipts</b>			
Revenues	\$ 8,228	\$ 5,559	\$ 2,669
Other	53	-	53
	<u>8,282</u>	<u>5,559</u>	<u>2,722</u>
<b>Disbursements</b>			
Operations & Administrative	6,576	7,008	432
Financial	175	184	9
Foreign exchange impact	44	-	(44)
	<u>6,795</u>	<u>7,192</u>	<u>398</u>
<b>Cash flow</b>	<u>1,487</u>	<u>(1,633)</u>	<u>3,120</u>
Indebtedness - Beginning	(25,206)	(25,206)	0
<b>Indebtedness - End</b>	<u>\$ (23,719)</u>	<u>\$ (26,839)</u>	<u>\$ 3,120</u>

21. During the 10-week Period, the Company generated a positive cash flow of \$1.5M which is explained hereafter:

#### Receipts

22. The receipts were \$2,722M higher than expected. The positive variance is mainly explained by:
- The average daily bookings were higher than forecasted at 2,099 average bookings per day compared to a forecasted 2,010 bookings per day, a 4% permanent positive variance.
  - Ancillary revenues increased due the 2<sup>nd</sup> wave of the COVID-19 pandemic, which resulted in an increase in revenue from bookings modifications.

- c. Actual refunds and rebates increased compared to forecast but were mitigated by a lower than forecasted amount of chargebacks and higher rate of chargeback reversals during the 10-week Period.
- d. The combined impact of higher ticket sales and ancillary revenue, with better controlled refunds and chargebacks led to a positive \$2.7M variance in net receipts over forecast.

## **Disbursements**

23. Disbursements were \$0,398M lower than forecasted. The positive variance is mainly explained by:

- a. Despite the significant increase in the sales volume, cost of sales decreased compared to forecast, with a favourable variance of \$554K, attributable to the lower than forecasted average acquisition costs. The Company continued to benefit from the market-driven downward pressure on online advertising costs resulting from the overall decrease in travel attributable to the COVID19 pandemic.
- b. Professional fees related to the CCAA proceeding, including ongoing negotiations with suppliers and regulatory authorities were higher than expected, with an unfavourable variance of \$404K compared to forecast.
- c. Certain payroll subsidies were not received according to the forecasted timeline, resulting in a temporary unfavourable variance of \$241K.
- d. The ending of certain software and web hosting contracts during the CCAA period combined with the lower volume of transactions processed allowed the Company to implement new and less costly solutions, generating a positive variance of \$621K. The Company also benefited from existing prepaid software expenses.
- e. Disbursements related to the remaining operating and financial costs were \$89K higher than forecast, partly due to an increase in office and telecom service costs. The foreign exchange unfavourable impact was \$44K.

## **B. OTHER MATTERS**

24. The Company has proceeded with the recording of certain adjusting journal entries reflecting the past operations of the Company. The Monitor proceeded with the review of these journal entries to identify any potential impact on the Company's financial situation.

25. The adjusting journal entries are summarized as follows:

- a. Adjusting entries relating to the corporate reorganization of the Flighthub group in August 2019, which resulted in the amalgamation of Flighthub Group and a newly formed company. The adjusting entries, which were intended to be recorded at the December 31, 2019 fiscal year-end, were only recorded immediately prior to the expiry of deadline to file the Company's income tax returns, in September of 2020.

The entries corrected \$45M of goodwill and retained earnings that were erroneously created as a result of the amalgamation.

- b. Certain intercompany journal entries related to the production of year-end financial statements for companies related to the Debtor group were recorded. These entries related to transfer pricing adjustments and transfer of notes between related groups in the normal course of business, for pre-filing operations. These entries were normally done only at year-end, but the Company implemented a month-end closing procedure for these entries.

26. After an extensive review, the Monitor determined that the recorded entries had no material impact on the Company's financial situation as at the date of the filing.

## **C. UPDATE ON THE CHARGEBACKS**

27. The value of the chargebacks initiated since the last report to the Court is higher than forecasted, mainly due to the second wave of the COVID19 pandemic which had a negative impact on travel. However, the cash impact of the chargebacks was lower than forecasted, mainly due to a combination of higher than expected win rates with the payment processors chargebacks and a

better resolution of chargebacks through a combination of settlements and offsets with credits received from airlines.

28. The open chargebacks related to pre-filing bookings has continued to decrease, with most of the chargebacks related to payment processors resolved, and less than 20% of the wholesaler chargebacks remaining to be resolved.
29. The wholesalers open chargebacks continued to decrease during the period, as the uncertainty surrounding the applicable policies and regulations for the treatment of chargebacks were mostly resolved, allowing for a better resolution rate and win rate of outstanding chargebacks.
30. The Company continues to have ongoing discussions with wholesalers and airlines companies to find satisfactory solutions for the chargebacks issues.

***D. UPDATED CASH FLOW FOR THE PERIOD FROM NOVEMBER 28, 2020 TO MARCH 31, 2021***

The Company presents to this Court its cash flow forecasts (the “**Cash Flow**” or “**Forecast**”) for the four months period from November 28, 2020 to March 31, 2021 (the “**Period**”) (**Appendix A**).

31. The Company's Cash flow for the Period is based on assumptions provided by Management and based on financial and other operating information available as at December 11, 2020. The Cash Flow was prepared using probable assumptions supported and consistent with the plans of the Company for the Period and took into consideration the economic conditions that are considered most probable by Management.
32. The Monitor reports as follows with respect to the Forecast:
  - a. The Monitor's review consists of inquiries, analytical procedures and discussions related to information provided by Management and selected employees of the Company. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect thereto were limited to evaluating whether they were consistent with the purpose of the Forecast. We have also reviewed the support provided by Management for said probable assumptions and the preparation and presentation of the Forecast.

- b. Based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
    - i. The hypothetical assumptions are not consistent with the purpose of the Forecast;
    - ii. As of the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Forecast, given the hypothetical assumptions;
    - iii. Since the Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Forecast will materialize. The Monitor further expresses no opinion or other form of assurance with respect to the accuracy of any financial information reported with respect to the Forecast or relied upon by it in reporting on the Forecast.
33. The Company expect that the cash flow for the Period will be almost neutral with a \$18K positive cash flow over the Period. The cash flow receipts and disbursements are mainly explained by the following elements:
- a. The Company expects that the ongoing second wave of the COVID19 pandemic will have a negative impact on the fragile travel market. Consequently, the Company forecasts an approximate 6% decrease in average daily bookings over the Period.
  - b. The ongoing negotiations with the regulatory bodies, both in Canada and in the US, requires significant time from the Company and the professionals involved. An increase in professional fees is forecasted to help the Company reach agreements that will support a successful restructuring;
  - c. Renewed market pressure on online advertising costs is expected to impact negatively acquisition costs which will result in a 20% gradual increase over the Period.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

34. The Monitor is of the view that the Company has acted diligently and in good faith since the issuance of the Initial Order. The Company, its directors and officers have acted with diligence and dispatch in responding to the Monitor's queries, and in addressing inquiries, requests, correspondence and proceedings from other stakeholders.
35. The Company is compliant with its statutory obligations under the CCAA.
36. The Company and the Monitor have maintained ongoing discussions and demonstrated meaningful cooperation with key stakeholders, including the California, the Commissioner, the US Department of Transportation and certain suppliers, including payment processors.
37. The Company and its principals continue to focus on restructuring initiatives, including the advancement of the Claims Process, the development of a viable proposal to the creditors and working towards emerging from the CCAA process.
38. During the Stay Period, it is expected that:
- a. The Monitor will continue to monitor the receipts and disbursements, including the processing of chargebacks.
  - b. The Monitor, with the cooperation of the Company and assistance of counsel, will complete the review of claims;
  - c. The Company, with the assistance of the Monitor, will engage with various stakeholders and regulatory authorities in view of resolving, to the extent possible, any issues or disputes, or otherwise assessing the appropriate means of dealing with same. This includes, specifically, cooperating with the USDOT, the California and the Commissioner in the context of their ongoing investigation and of the Claims Process;
  - d. Take measures and perform actions necessary or useful in view of advancing towards an efficient emergence from the CCAA process, including the filing of a plan of arrangement.

39. In light of the foregoing, the Monitor is of the view that the extension of the Stay Period as sought by the Applicants in the Application for Stay Extension is reasonable and that is in the best interests of the stakeholders as a whole, and of the Company, that the relief sought be granted.

All of which is respectfully submitted to this Honourable Court at Montreal, this 14th day of December 2020.

MNP LTD, in its capacity of  
Monitor  
and not in its personal or corporate capacity



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Pierre Marchand, M.Sc, CMA, CPA, CIRP, LIT  
Senior Vice-President