

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

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

I. INTRODUCTION

1. On May 7, 2020, the Applicants 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**"), filed an *Application for the Issuance of an Initial Order* (the "**Initial Application**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36 (the "**CCAA**").
2. On May 8, 2020 (the "**Filing Date**"), an Initial Order sought was issued by the Court, per the Honourable Michel A. Pinsonnault, JSC (the "**Initial Order**"). Accordingly, MNP Ltd. was appointed as monitor ("**MNP**" or the "**Monitor**") to the Company, and an order was rendered staying all proceedings and remedies taken or that might be taken in respect of the Applicants, or any of their business or property (except as otherwise set forth in the Initial Order or as otherwise permitted by law) for an initial period of ten (10) days in accordance with the CCAA (the "**Stay Period**").
3. Since the issuance of the Initial Order, the Applicants have worked in collaboration with the Monitor in order to assess and determine the additional relief that would have to be sought in virtue of the CCAA in order to allow them to develop and implement the restructuring of their business operations, as announced to the creditors in the Initial Application and to the Court during the hearing thereof.
4. The said *Application for the Issuance of an Amended and Restated Initial Order* (the "**Application for an Amended Initial Order**") seeks, at this stage, *inter alia*:
 - a) to extend the Stay Period until July 31, 2020
 - b) to grant an administration charge and a directors' and officers' charge; and
 - c) to permit the Applicant to make certain remittances in respect of insurance premiums collected which may qualify as pre-filing monetary obligations of the Applicants.

5. MNP has taken cognizance of the Application for an Amended Initial Order and has prepared the present report (the "**First Report**"), which aims to provide the Court with information on the affairs and finances of the Debtors since the issuance of the Initial Order and to provide its recommendations in respect of the Application for an Amended Initial Order and the relief sought therein.
6. The Monitor's First Report deals with the following topics:
 - I. Terms of reference and disclaimers;
 - II. Actions of the Monitor since the issuance of the Initial Order;
 - III. Monitor's comments on the relief sought in the Application for an Amended Initial Order; and
 - IV. Recommendations and Conclusions.

II. TERMS OF REFERENCE AND DISCLAIMERS

7. 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 the First Report.

8. 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.
9. 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.
10. 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.
11. 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.
12. All amounts included herein are in Canadian dollars unless otherwise stated.

III. ACTIONS TAKEN BY THE MONITOR SINCE THE ISSUANCE OF THE INITIAL ORDER

13. On the Filing Date, the Monitor submitted the statutory cash flows required in the context of the proceedings (in Prince Edward Island) in respect of the Notice of Intention to Make of Proposal of Justfly (the "**NOI Proceedings**") and informed the official receiver of the procedural consolidation and continuance of said NOI Proceedings of Justfly under the CCAA, pursuant to the terms of the Initial Order.
14. Since the Filing Date, the Monitor has undertaken the following activities:
 - a. activated its website at <https://mnpdebt.ca/en/corporate/Engagements/FlightHub-Group>. All prescribed materials filed and/or sent by the Debtors and the Monitor relating to the CCAA Proceedings are available to creditors and other interested parties in electronic format on the Monitor's website. The Monitor makes regular updates to the website and adds prescribed materials as they become available to ensure creditors and interested parties are kept current with respect to the ongoing CCAA proceedings;

- b. completed its notice requirements pursuant to subsection 23(1)(a) of the CCAA. In particular:
 - i. the Initial Order and the list of known creditors, including their names, addresses, and amounts owed, pursuant to FlightHub Group's books and records were posted on the Monitor's website;
 - ii. a notice containing the prescribed information on the CCAA Proceedings was sent to all known creditors of the FlightHub Group who have claims greater than \$1,000 against the FlightHub Group; and
 - iii. notices of the CCAA proceedings, containing the prescribed information, were published in the Globe and Mail (National Edition) and La Presse + on May 16, 2020 and will be published in the May 23, 2020 editions pursuant to subsection 23(1)(a) of the CCAA; and
 - iv. statutory Forms 1 and 2 were completed and filed with the Office of the Superintendent of Bankruptcy pursuant to subsection 23(1)(f) of the CCAA on May 11, 2020 and May 15, 2020, respectively.
 - c. interfaced with the Applicants (including Management and directors and officers), as well as their legal advisors and its own legal advisors to address various operational, financial and legal issues of immediate concern, in preparation of the next steps of the restructuring process and CCAA Proceedings, and in view of generally stabilizing operations;
 - d. prepared the First Report of the Monitor; and
 - e. responded to numerous enquiries from creditors and other stakeholders.
15. The Monitor has also reviewed and performed an analysis of the books and records of the Company in order to comment on the relief sought by the Company which are:
- a. to extend the Stay Period until July 31, 2020;
 - b. to grant an administration charge and a directors' charge; and
 - c. to permit certain remittances in respect of insurance premium collected notwithstanding the threshold for the payment of certain pre-filing monetary obligations of the Applicants.

IV. MONITOR'S COMMENTS ON THE RELIEF SOUGHT IN THE APPLICATION FOR AN AMENDED INITIAL ORDER

Extending the Stay Period Until July 31, 2020

16. The Company, with the assistance of the Monitor, has prepared cash flow projections covering the period from the Initial Order to July 31, 2020 (the "**Forecast**"). The Forecast is commented in more detail in the pre-filing report of the Monitor.
17. Since the issuance of the Initial Order, the Company's operations have been maintained. The Company did not suffer any unexpected interruption of services and has been able to maintain the forecasted level of sales.
18. Based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
 - a. the hypothetical assumptions underlying the Forecast are not consistent with the purpose of the Forecast;
 - b. 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; and
 - c. 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.
19. The Company has just started the restructuring of its operations and will require additional time to complete all required analysis, discussions, negotiations and decision-making processes that are required to advance the restructuring process, with a view towards eventually proposing a plan.

Administration Charge

20. The Monitor concurs with the Applicants on the necessity for a first-ranking charge in the amount of \$250,000 to secure payments to the Monitor, the Monitor's counsel, and the Applicants' counsel (Canadian and US) who assist the Debtors and the creditors with all aspects in relation to the CCAA Proceedings.
21. The Monitor reviewed the budget provided to it by the professionals that would benefit from this charge and is satisfied that the amount sought is reasonable in the circumstances, having regard, *inter alia*, to the nature, complexity and extent of work to be performed, the hourly rates and experience of the professionals, and their contribution to the CCAA Proceedings.

Directors' and Officer' Charge

22. The Monitor concurs with the Applicants on the necessity for a second-ranking charge in the amount of \$1,250,000 in favour of the directors and officers of the Company that are actively involved in the financial and operational restructuring of Debtors. It should be noted that the directors and officers do not currently have liability insurance, and the Monitor is satisfied that it would not be opportune to attempt to seek such coverage at this stage.
23. The Monitor reviewed the potential liabilities that the directors and officers are exposed to and is satisfied that the quantum of the charge sought is reasonable in the circumstances.

Payment of certain pre-filing claims

24. In its Initial Application, the Company announced that certain amounts relating to insurance premiums collected for travellers directly by FlightHub Group would have to be remitted to the Customized Services Administrators, Inc. ("**CSA**"), acting as General Agent for purposes of the various travel-related insurance products and services contracted via the FlightHub Group. The Monitor is satisfied that it is important that the FlightHub Group be authorized to remit to CSA the premiums paid by customers (the "**Premiums**"), in order to ensure that the insurance plans purchased by customers remain in full force and effect, and to allow the Company to continue to offer its services seamlessly without hampering its restructuring efforts.

25. The Company keeps a record of every transaction relating to the Premiums collected. The amount of each transaction is noted, and the Company ensures that an amount equivalent to the value of the Premiums is available in cash in the same bank account in which Premiums are deposited. Once a month, the Company produces a detailed report reconciling the transactions and remits the Premiums to CSA, net of the commissions earned on the sale of the insurance products.
26. For the Company, it is essential that the travelers who purchased insurance for their travel are effectively insured during their travels. The Monitor supports the Company's concern in this regard, as well as its assessment that it is appropriate and in the general interest of stakeholders to remit the Premiums collected by the Company to CSA, so as to avoid jeopardizing consumers' travel insurance coverage or any potential litigation in respect thereof. Among other concerns, the Monitor concurs that putting such coverage at risk by failing to remit Premiums to CSA could have a negative reputational effect on the Company, thereby potentially jeopardizing restructuring efforts.
27. The Monitor has explored various alternatives with the Company. In light of operational, legal and financial concerns, it was deemed that the proposed course of action is most appropriate and beneficial to the Company and its stakeholders as a whole.
28. The Monitor did not conduct a detailed review of the laws and regulations of every state and province governing the purchase of the Premiums, but has sufficient knowledge of the North American insurance industry to be satisfied that if the Premiums were not remitted to CSA, it would negatively impact the ability of the Company to sell any insurance in the future and severely hamper the business model of the Company and its restructuring plan.
29. Considering the elements submitted and in regards of the financial impact associated to it, the Monitor supports the remittance of the Premiums to CSA.
30. The Companies requested that the threshold pertaining to the authorization to acquit pre-filing obligations not exceeding the aggregate amount of \$500,000 be maintained and that said threshold not be impacted by the payment of the Premiums. The Monitor has not yet completed its review of the issues with regards to the chargebacks affecting credit card payment processors, and considers that it is prudent that the threshold be maintained to cover these transactions from

the Filing Date until the time a recommendation is made by the Monitor in this regard. It is possible that in respect of certain transactions or categories of transactions, the Monitor or the Company may seek directions from this Court in the coming days.

V. RECOMMENDATIONS AND CONCLUSIONS

31. The Monitor considers the relief sought in the Application for an Amended Initial Order to be reasonable and warranted in the circumstances.
32. The Monitor considers that the Company needs the protection sought in the Application for an Amended Initial Order in order to provide a structured environment for the restructuring of its business, in a manner that preserves the Company's value for the benefit of all stakeholders and allows the Company an opportunity to seek restructuring alternatives as to improve its financial posture and viability.
33. The Forecast indicates that the Company will have sufficient liquidity during the period of the requested extension of the stay of proceedings. The Monitor is of the view that no creditor will be materially prejudiced by an extension of the Stay Period.
34. The Monitor is of the view that the Company has acted and is continuing to act in good faith and with due diligence and supports the requested stay extension.

All of which is respectfully submitted to this Honourable Court at Montreal, this 15th day of May 2020.

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



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Senior Vice-President