Court File No. CV-22-00690657-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC. (the "Applicants")

THIRD REPORT TO THE COURT OF MNP LTD., IN ITS CAPACITY AS COURT-APPOINTED MONITOR

FEBRUARY 21, 2023

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Appendices:

INTRODUCTION

1. On November 23, 2022 (the "**Filing Date**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**") made an initial order (the "**Initial Order**") granting 1138969 Ontario Inc. ("**OpCo**") and Springer Aerospace Holdings Limited ("**Holdco**") (collectively, "**Springer**" or the "**Applicants**") certain relief pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). These proceedings are referred to herein as the "**CCAA Proceedings**".

2. The Initial Order provided for, *inter alia*:

   (a) a stay of proceedings in favour of Springer until December 2, 2022 (the "Stay Period");

   (b) the appointment of MNP Ltd. ("**MNP**") as monitor (in such capacity, the "**Monitor**") in the CCAA Proceedings;

   (c) the approval of borrowings up to $600,000 (the "**Initial Advance**") under a $1,500,000 debtor-in-possession ("**DIP**") interim financing facility (the "**DIP Facility**"), made available to the Applicants by Hillmount Capital Inc. (the "**DIP Lender**") pursuant to a commitment letter between the Applicants and the DIP Lender dated November 22, 2022;

   (d) the approval of charges ranking in the following order:

      (i) First — a charge to protect the fees and expenses of the Monitor, counsel to the Monitor, and the Applicants' counsel (collectively, the

"**Administrative Professionals**") to the maximum amount of $80,000 (the "**Administration Charge**"); and

(ii) Second — a charge in favour of the DIP Lender to the extent of the Initial Advance (the "**DIP Lender's Charge**"),with each such charge constituting a charge against all of the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**"), and ranking in priority to all other security interests, trusts, liens, charges and encumbrances of secured creditors, statutory or otherwise (collectively, the "**Encumbrances**") in favour of any Person (as defined in the Initial Order); and

(iii) Third — a directors' and officers' charge (the "**Directors' Charge**") to secure the indemnity provided to Springer's officers and directors in respect of liabilities they may incur after the Filing Date, in an amount not to exceed $165,000 in the aggregate, with such charge to rank in priority to all other Encumbrances in favour of any Person, save and except any encumbrance in favour of Caisse Desjardins Ontario Credit Union Inc. ("**Desjardins**") and any encumbrance ranking in priority to any such Desjardins encumbrance, including the Administration Charge and the DIP Lender's Charge.

3. On December 2, 2022, the Court granted the Amended and Restated Initial Order (the "**ARIO**"), which, *inter alia*: (i) increased the maximum borrowings under the DIP Facility

by $500,000 to an aggregate of $1.1 million; (ii) extended the Stay Period to and including March 31, 2023; (iii) increased the maximum amount of the Administration Charge to $250,000; (iv) approved the agreement dated November 30, 2022, pursuant to which Springer engaged Cedar Croft Consulting Inc. to provide the services of Patrick Walsh as the chief restructuring officer (the "**CRO**") of Springer; (v) expanded the Administration Charge to include the monthly fees and expenses of the CRO; and (vi) provided for a further administration charge to secure payment of any success fees owing to the CRO, up to a maximum of $75,000. A copy of the Amended and Restated Initial Order is attached as **Exhibit "A"** of the Walsh Affidavit (as defined below).

4. Including this third report of the Monitor (the "**Third Report**"), the Monitor has filed four (4) reports (collectively, the "**Reports**") in these CCAA Proceedings, with the prior three (3) being:

   (a) the Pre-Filing Report dated November 22, 2022, filed in support of Springer's application for the Initial Order;

   (b) a First Report dated December 1, 2022; and

   (c) a Second Report dated December 19, 2022 (the "**Second Report**").

5. The Reports, which are attached without appendices as **Appendix "A"**, and all other materials filed in the CCAA Proceedings are available on the Monitor's website at https://mnpdebt.ca/en/corporate/corporate-engagements/springeraerospace (the "**Monitor's Website**").

6. On December 22, 2022, the Court ordered the approval of, *inter alia*, a sale and investment solicitation process (the "**Sale Process Order**").

PURPOSE

7. The purpose of this Third Report is to provide information to the Court in respect of, and as applicable, the Monitor's comments and recommendations concerning:

   (a) the activities of the Applicants and the Monitor since the Second Report;

   (b) the Applicants' actual cash flow results for the eleven-week period ended February 11, 2023, as compared to the Revised Cash Flow Forecast (as defined below);

   (c) Springer's revised cash flow forecast through to April 15, 2023 (the "**Extended Cash Flow Forecast**");

   (d) an update on the sale and investment solicitation process (the "**SISP**");

   (e) the Monitor's support for, and observations in respect of, Springer's request that the Court grant an Order, *inter alia*:

      (i) increasing the maximum borrowings under the DIP Facility by $200,000 to an aggregate of $1.3 million (the "**Requested DIP Increase**");

      (ii) approving the Second and Third Report and the activities of the Monitor as described therein; extending the Stay Period to April 14, 2023 (the "**Requested Stay Extension**");

(iii) approving the KERP (as detailed and defined below), including a corresponding charge in favour of the beneficiaries of the KERP (the "**KERP Charge**"); and

(iv) providing certain other related and ancillary relief.

TERMS OF REFERENCE

8. In preparing this Third Report, MNP has necessarily relied upon the Grant Affidavits (defined below), the Walsh Affidavit (defined below), the unaudited financial statements and other information supplied, and representations made by certain management of the Applicants ("**Management**") and third-party sources (collectively, the "**Information**"). Except as specifically noted in this Third Report, MNP has not conducted an audit or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. Accordingly, MNP expresses no opinion, and does not provide any other form of assurance, on or relating to the accuracy of the Information contained in this Third Report, or otherwise used to prepare this Third Report.

9. MNP also bases its Third Report on Springer's cash flow projections and underlying assumptions, and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement). Certain of the information referred to in this Third Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and

projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future-oriented financial information referred to in this Third Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, and such variations could be material.

10. Capitalized terms not defined in this Third Report are used as defined in the Affidavits of Christopher Grant sworn November 22, 2022, November 30, 2022 and February 20, 2023 (the "**February Affidavit**" and collectively, the "**Grant Affidavits**") and the Affidavit of Patrick Walsh sworn December 18, 2022 (the "**Walsh Affidavit**"), filed in support of the Applicants' application for relief under the CCAA.

11. This Third Report should be read in conjunction with the Grant Affidavits and the Walsh Affidavit.

12. Unless otherwise stated, all monetary amounts contained in this Third Report are expressed in Canadian dollars.

GENERAL BACKGROUND

13. As set out in the Grant Affidavits, each of the Applicants is a private corporation incorporated under the laws of the Province of Ontario. OpCo operates one of the few full-service aircraft maintenance, repair and overhaul ("**MRO**") businesses in Canada, and the only one located in Northern Ontario, with its roots dating back to 1972.

14. OpCo's business is operated from, and its head office is maintained at, facilities located in Echo Bay, Ontario (the "**Facilities**").

15. The real estate underlying the Facilities, located at 377 Lakeview Road, Echo Bay, Ontario, is owned by Holdco. It is about 210 acres and is improved by, among other things:

   (a) three (3) hangars, namely: (i) a 16,160 square feet and 17 feet high hangar that houses an industrial bay, the paint shop, offices, and storage; (ii) a 24,373 square feet and 30 feet high hangar that houses an industrial bay for aircraft work as well as offices and amenities on a second floor; and (iii) a 33,000 square feet hangar that is 59 feet high at its peak, was recently built in 2020, and houses Springer's largest industrial bay; and

   (b) an airport (the Bar River Airport, IATA code YEB, Transport Canada Local Identifier CPF2), which includes a main runway that is large enough to accommodate Boeing 737s for landing and takeoff.

<u>Causes of the Financial Difficulties and Insolvency:</u>

16. As described in the Grant Affidavits, Springer is insolvent. Management has advised that the Applicants' financial difficulties and insolvency are attributable to:

   (a) the significant impact of the COVID-19 pandemic on Springer's business;

   (b) operational inefficiencies;

   (c) rapid expansion of the business without adequate strategic planning; and

(d) high levels of turnover within the organization, including in the senior management team.

17. As noted in the Grant Affidavits, the primary purpose of the CCAA Proceedings is to provide Springer with an opportunity to: (i) continue to operate its MRO business in a stabilized environment while it carries out an orderly restructuring of its business; and (ii) conduct the SISP.

18. Additional information in respect of the Applicants, including their assets and liabilities, is set out in the Grant Affidavits. MNP has not repeated such details in this Third Report.

ACTIVITIES OF THE MONITOR SINCE FILING DATE

19. Since the Second Report, the Monitor has undertaken the following activities:

(a) updated the Monitor's Website;

(b) monitored the cash flow results to the Revised Cash Flow Forecast and assisted in the development of the Extended Cash Flow Forecast;

(c) prepared this Third Report of the Monitor;

(d) assisted with devising and implementing Phase I of the SISP;

(e) held numerous discussions with the CRO and Springer in regard to, *inter alia*, Springer's operations and the SISP; and

(f) responded to enquiries from, and participated in discussions with, customers, creditors and other stakeholders.

THE COMPANIES' ACTIVITIES

20. Since the Second Report, the Applicants have, in good faith and with due diligence, and with the assistance of their legal counsel and the CRO, *inter alia*:

(a) conducted Phase I of the SISP;

(b) communicated and cooperated with the Monitor;

(c) engaged with stakeholders, including secured creditors, community stakeholders, employees, customers and suppliers;

(d) received and used an additional $300,000 advanced pursuant to the DIP Facility in order to fund operations and pay the costs of the Administrative Professionals and the CRO; and

(e) generally, continued operating their business as a going concern.

TERMINATION OF CRO

21. On January 30, 2023, Springer terminated the CRO's engagement, in consultation with the Monitor, after identifying that it required industry-specific expertise to provide it with the business and operating leadership required to drive the business forward. Immediately upon the termination of the CRO, Springer sought to recruit a Director of Maintenance and Operations to enhance the operational side of the business.

22. As noted above, the Amended and Restated Initial Order provided for an administration charge to secure payment of any success fees owing to the CRO, up to a maximum of $75,000. With the CRO's termination, this charge can now be eliminated.

23. As noted in the February Affidavit, since the termination of the CRO, the Monitor has played an enhanced role in assisting Springer with its cash flows and reporting to stakeholders.

STATUS OF SISP

24. The focus of the CCAA Proceedings has been for Springer, in consultation with the Monitor, to carry out the SISP while concurrently providing a stabilized environment for Springer to maintain normal course operations. The purpose of the SISP was to identify and assess the strategic alternatives available to Springer to maximize the value of its business and assets for its stakeholders.

Implementation

25. Springer, with the assistance of its legal counsel and the Monitor, has conducted Phase I of the SISP in accordance with the provisions of the Sale Process Order. The SISP originally contemplated a non-binding Expression of Interest ("**EOI**") were to be submitted by February 3, 2023 (the "**EOI Deadline**").

26. An overview of the implementation of Phase I of the SISP is as follows:

(a) following the issuance of the Sale Process Order and approval of the SISP, Springer, under the direction of the former CRO and with the assistance of its legal counsel and the Monitor, began to solicit indications of interest from Prospective Bidders;

(b) the Monitor prepared an interest solicitation letter (i.e., a teaser) for Springer, which was sent by the Monitor to 350 potentially interested strategic and financial parties;

(c) the sale opportunity was advertised in *Skies Magazine*, a trade publication, on January 17, 2023;

(d) Springer issued a press release as a means of bringing broad awareness of the SISP;

(e) twelve (12) parties signed non-disclosure agreements and were provided with a confidential information memorandum and given access to an online data room containing non-public information with respect to Springer and its business; and

(f) over the course of the SISP, Springer and the CRO facilitated diligence requests from a number of the interested parties, including working with management to update the data room with current financial and other information, as required.

<u>Extension of Phase I Deadline</u>

27. As the EOI Deadline approached, it became apparent that a number of the Potential Bidders required additional time to complete due diligence before submitting an EOI. Accordingly, on February 1, 2023, the EOI Deadline was extended by ten (10) days to February 13, 2023.

Results of Phase I

28. Springer received EOIs by the EOI Deadline. Since the EOI Deadline, the Monitor was contacted by a Prospective Bidder who indicated that they have an ongoing interest in the SISP.

29. Under the terms of the SISP, "If the Company, with the consent of the Monitor, determines that one or more Qualified Phase I Bids were received and is satisfied with the number/content of the Qualified Phase I Bids, then the SISP shall proceed to Phase II".

30. Assuming that Phase II commences immediately after this Court's approval of the increased DIP, Springer proposes to amend the bid deadline for Phase II (the "**Phase II Bid Deadline**") from March 7, 2023 to March 31, 2023. As such, Springer seeks this Court's approval to extend the Phase II Bid Deadline to March 31, 2023.

31. The Monitor recommends the extension of the Phase II Bid Deadline for the following reasons:

(a) Since the conclusion of Phase I of the SISP, Springer has been engaged in consultations with Desjardins and the Monitor in respect of, among other things, the Requested DIP Increase, the KERP, the results of Phase I and consideration of the procedures to govern Phase II of the SISP. The request for the extension of the Phase II Bid Deadline is due, in part, to the delay in the implementation of Phase II; and

(b) To recognize the time required by the Prospective Purchasers to complete Phase II due diligence, having regard to the issues raised in the February Affidavit.

KEY EMPLOYEE RETENTION PLAN

32. As per the February Affidavit, Springer has experienced an erosion of confidence of certain of its employees. To prevent the loss of certain specialized and skilled employees, which were considered by Springer to be critical to the ongoing operations, and encourage the continued participation of key employees during the CCAA Proceedings, Springer has developed a key employee retention program (the "**KERP**"). The KERP is designed to encourage certain selected employees (the "**Eligible Employees**") to continue their employment with Springer through the completion of the SISP.

33. Pursuant to the terms of the KERP, the Eligible Employees are entitled to receive a specified amount if they;

   (a) they remain employed by Springer in their current position, or as otherwise assigned, through to the end of the completion of the SISP or April 15, 2023; and

   (b) fulfill their performance expectations and work their regular schedule;

   (the "**KERP Payment**").

34. An Eligible Employee forfeits their entitlement to the KERP Payment if the Eligible Employee resigns or is terminated with cause prior to the earlier of April 14, 2023 and the completion of the SISP.As detailed in the February Affidavit, given a number of unplanned employee departures during the ongoing SISP and restructuring efforts, the ability for Springer's skilled workers to seek alternative employment or opportunities

with competitors, and the importance of Springer's skilled workers to Springer's continued operations, including the completion of current work in progress, Springer, in consultation with its advisors and the Monitor, determined that it was in the best interest of Springer's stakeholders to implement the KERP.

35. Springer also seeks an order approving the KERP Charge, corresponding with the maximum payout under the KERP.

36. A copy of the KERP is appended as **Confidential Appendix "A"** to the February Affidavit. As the KERP contains commercially sensitive and personal information, the proposed Order sought by Springer includes a provision that Confidential Appendices be sealed and not form part of the court record pending further Order of the Court. The Monitor believes that it is appropriate to seal this exhibit as this type of information is typically sealed in order to avoid disruption to the debtor company and to protect the beneficiaries of the KERP. The Monitor does not believe that any stakeholder will be prejudiced of the KERP information is sealed.

37. The Monitor supports the creation and implementation of the KERP as:

(a) the Monitor concurs with Springer's position that the departure of key staff could be detrimental to Springer's business and impair the likelihood of the successful completion of the CCAA Proceedings, including the SISP and completion of the Current Projects (defined below),

(b) the approval of the KERP may provide an incentive for the key employees to remain with the Applicants during this critical period;

(c) the terms of the KERP and the quantum of the payouts are reasonable, both in the circumstances and when compared to other key employee retention and incentive plans approved by this Court in the past; and

(d) the KERP Charge is fair and reasonable inasmuch as it provides protection to the affected employees. The KERP is developed to promote maximum recoveries and minimize exposure under the DIP Facility, and is, accordingly, not considered prejudicial to stakeholders.

CASH FLOW VARIANCE ANALYSIS

38. To date, Springer has provided the Monitor with its full co-operation and unrestricted access to its books and records.

39. The Monitor has implemented procedures for monitoring Springer's receipts and disbursements, and has kept in close contact with Management to ensure that operations are continuing in the normal course of business and in accordance with the cash flow projections for the period November 27, 2022 to April 1, 2023 (the "**Revised Cash Flow Forecast**"), a copy of which is attached as **Appendix "B".**

40. A summary of Springer's actual receipts and disbursements, as compared to those presented in the Revised Cash Flow Forecast for the eleven-week period from November 27 through to February 11, 2023, is as follows (subject to rounding errors):

Currency: $000' CAD	*Eleven-Week Period Ended Feb 11, 2022*		
	Actual	Budget	Variance
Receipts			
Accounts receivable (beginning)	-	6	**(6)**
Routine work	1,179	1,867	**(688)**
Non-routine work	732	709	**23**
Anticipated Part Sales	2	-	**2**
Other Income - obsolete inventory sold	2	-	**2**
Customer Parts Marked Up	-	211	**(211)**
Injection of funds by shareholders	-	1	**(1)**
Total receipts	**1,916**	**2,794**	**(878)**
Disbursements			
Suppliers (fuel, paint)	200	269	(69)
Routine work - Parts and materials	80	843	(763)
Non-routine work - Parts and materials	195	56	139
Other parts & materials	2	40	(38)
Labour	691	660	31
Garnishments - Wages	8	10	(2)
Tools & supplies	42	48	(6)
Brokerage	3	34	(31)
Licenses, fees and dues	8	-	8
Automotive Lease	5	6	(1)
Bank charges and interest	2	3	(1)
Insurance	65	63	2
Telephone and communications	8	4	4
Professional fees (Legal and accounting)	382	355	27
CRO	64	75	(11)
Utilities	48	36	12
Other expenses	22	9	13
DIP fees (net of initial deposit received by DIP lender)	2	8	(6)
DIP Legal fees	11	-	11
Interest on DIP Loan	21	27	(7)
Visa	-	22	(22)
Contingency (general provision)	-	55	(55)
Total Disbursements	**2,404**	**3,189**	**(785)**
Operating Net Cash Flow	**(488)**	**(396)**	**(93)**
Return of funds to shareholder	(230)	(220)	(10)
DIP Loan advances	500	495	5
Opening bank balance	431	435	(4)
Ending Cash	**213**	**314**	**(101)**
Cumulative DIP loan	**1,100**	**1,095**	**5**

41. Overall, Springer realized an unfavourable net cash flow variance of approximately $101,000. The key components of the variance are as follows:

(a) Receipts – Routine and Non-Routine Work: Actual receipts from routine and non-routine work were approximately $665,000 lower than projected as a result of, among other things, the loss of certain projects, which occurred during the CCAA Proceedings and was attributable to Springer's inability to give certainty to certain of its customers on the timing for commencing and/or completing various new projects; and

(b) Disbursements: Overall, there was a favourable variance of $785,000 in total disbursements, including approximately $731,000 attributable to a delay in ordering parts and supplies. In the Second Report, the Monitor cautioned that delays in procuring parts and supplies may impact unfavourably on the timing of future billings/collections as projected in the Revised Cash Flow Forecast. After the issuance of the Second Report, Springer entered into arrangements with its customers to have the customers supply most of the parts required to complete production. While this measure relieved Springer of the obligation to outlay funds to procure parts, it had a negative impact on cash flows by eliminating the markup Springer charged to its customers for these parts.

REVISED AND EXTENDED CASH FLOW FORECAST

42. The Revised Cash Flow Forecast extends through to the week ending April 1, 2023. As noted above and as detailed below, Springer is seeking to extend the Stay Period through

to April 14, 2023 to enable it to complete the SISP and complete the current work in progress.

43. In conjunction with the request for an extension of the Stay Period, Springer has, with considerable assistance from the Monitor, prepared the Extended Cash Flow Forecast, which both extends and revises the Revised Cash Flow Forecast (the "**Revised and Extended Cash Flow Period**"). A copy of the Extended Cash Flow Forecast is attached as **Appendix "C"**.

44. The Monitor highlights the following other revisions to the Extended Cash Flow Forecast:

(a) the Extended Cash Flow Forecast anticipates the utilization of an additional $200,000 being borrowed under the DIP Facility, thereby increasing the anticipated borrowings under the DIP Facility to $1.3 million;

(b) Receipts – the timing of receipts from routine and non-routine work has been revised to reflect the projected billings and collections attributable to the seven (7) projects (i.e. planes) currently in production and a paint project that can only proceed if the Stay Period is extended (collectively, the "**Current Projects**"). In preparing the Extended Cash Flow Forecast and in an effort to be conservative, Springer has not reflected the potential benefit of two (2) of the Current Projects with anticipated gross receipts of approximately $532,000, due to their dependence on, and the uncertainty of, the availability and delivery of certain aircraft parts by the Requested Stay Extension;

(c) the increased borrowings under the DIP Facility permit Springer to complete production of the Current Projects, which, based on the Extended Cash Flow Forecast, will result in the repayment of approximately $485,000 under DIP Facility, and reduce the DIP loan to an amount of $815,000 after the Requested DIP Increase and on or before the expiry of the Requested Stay Extension;

(d) parts and supplies are projected to be lower than what would be typically expected for the MRO business, as a number of the customers are now sourcing, paying for and delivering to Springer the parts required for the work to be completed on their aircrafts.

(e) the largest component of the disbursements are the labour and wages costs. Springer believes that with its current staff makeup, it has the necessary human capital to complete the Current Projects reflected in the Extended Cash Flow Forecast within the Requested Stay Extension;

(f) There is a one-week lag in pay to certain of Springer's employees. The Extended Cash Flow Forecast does not include payments contemplated under the KERP and/or payment of the one-week lag in pay; and

(g) the Applicants expect to pay the Administrative Professionals estimated fees of approximately $351,000 during the Extended Cash Flow Period, which includes payments of amounts that have been deferred due to cash flow constraints and for ongoing services provided by the Administrative Professionals.

45. Management’s Representation Letter regarding the Extended Cash Flow Forecast and the Monitor's Prescribed Report to the Court regarding the adequacy of the Extended Cash Flow Forecast are attached hereto as **Appendix “D”** and **Appendix “E”**, respectively.

46. The Monitor has reviewed the Extended Cash Flow Forecast to the standard required of a Court-Appointed Monitor by section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Monitor’s review of the Extended Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Extended Cash Flow Forecast.

47. Based on the Monitor’s review, nothing has come to its attention that causes the Monitor to believe that, in all material respects:

(a) the hypothetical assumptions are not consistent with the purpose of the Revised and Extended Cash Flow Forecast;

(b) as at the date of the Third Report, the probable assumptions developed by Management are not suitably supported or consistent with the plans of the Applicants, or do not provide a reasonable basis for the Revised and Extended Cash Flow Forecast, given the hypothetical assumptions; and

(c) the Revised and Extended Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

48. The Extended Cash Flow Forecast constitutes the basis for funding under the DIP Facility.

<u>Debtor-in-Possession Financing</u>

49. During the CCAA Proceedings, the Applicants have drawn $1,100,000 to fund their working capital requirements.

50. The contemplated Order provides for an increase of the Applicants' permitted borrowings under the DIP Facility and of the quantum of the DIP Lender's Charge from $1,100,000 to $1,300,000, being the Requested DIP Increase.

51. As appears from the Extended Cashflow Forecast, the Applicants require the Requested DIP Increase during the Revised and Extended Forecast Period to ensure that they have sufficient working capital available to fund their operations, including funding of the Current Projects, and to satisfy payments to the Administrative Professionals.

52. The Monitor has considered the factors set out in section 11.2 of the CCAA with respect to the Applicants' request that the Court authorize the Requested DIP Increase and is of the view that the Applicants' request is reasonable and appropriate. The Requested DIP Increase provides the Applicants with the funding they require to allow the business to continue to operate in the ordinary course under the supervision of Management, while Management works with the Monitor to complete the SISP. Absent the funding under the Requested DIP Increase, the Applicants would not have the funds required to maintain their business as a going concern and would likely cease to operate, thereby foregoing the

opportunity to realize on the potential benefits arising from the Current Projects and the SISP.

EXTENSION OF THE STAY PERIOD

53. As noted above and pursuant to the Amended and Restated Initial Order, the Court extended the extending the Stay Period until March 31, 2023.

54. Springer is requesting the Court to approve the Requested Stay Extension to April 14, 2023.

55. The basis for this request is primarily for the following reasons:

    (a) to allow sufficient time for Springer to complete Phase II of the SISP;

    (b) to permit the completion of the Current Projects and maximize the realizations therefrom; and

    (c) to avoid potential issues associated with trying to return disassembled or not-airworthy aircraft to their owners.

56. With funds available under the Requested DIP Increase, Springer is anticipated to have access to sufficient funding during the Requested Stay Extension to continue operations and complete the SISP.

57. The Monitor is of the view that Springer has acted and is continuing to act in good faith and with due diligence and supports the Requested Stay Extension.

MONITOR'S RECOMMENDATIONS

58. Based on the foregoing, the Monitor respectfully recommends that the Court make an order granting the relief detailed in paragraph 7(e).

All of which is respectfully submitted this 21st day of February 2023.

MNP Ltd., in its capacity as Monitor of Springer Aerospace Holdings Limited and 1138969 Ontario Inc., and not in its personal or corporate capacity

Per:

____

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix “A”

Court File No. CV-22-00690657-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC.

Applicants

PRE-FILING REPORT OF THE PROPOSED MONITOR MNP LTD.

NOVEMBER 22, 2022

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Schedules:

INTRODUCTION

1. MNP Ltd. ("**MNP**" or the "**Proposed Monitor**") understands that 1138969 Ontario Inc. ("**OpCo**") and Springer Aerospace Holdings Limited ("**Holdco**") (collectively, with Opco, "**Springer Aerospace**" or the "**Applicants**") intend to bring an application before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") seeking certain relief (the "**Initial Order**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, among other things, a stay of proceedings for not more than ten (10) days from the Initial Order (the "**Stay Period**") and appointing MNP as Monitor. The proceedings to be commenced by the Applicants under the CCAA will be referred to hereinafter as the "**CCAA Proceedings**".
2. This report (the "**Pre-Filing Report**") has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the CCAA Proceedings to provide information to the Court for its consideration on the Applicants' initial hearing seeking protection pursuant to the CCAA.

PURPOSE

3. The purpose of the Pre-Filing Report is to provide information to the Court regarding the following:
   (a) MNP's qualifications to act as Monitor (if appointed);
   (b) General background to the proposed CCAA Proceedings and Springer Aerospace;
   (c) The Applicants' 13-week cash flow forecast;
   (d) The proposed funding of the CCAA Proceedings pursuant to a debtor-in-possession ("**DIP**") financing facility (the "**DIP Facility**") in the maximum principal amount of

$1,500,000 to be made available to the Applicants by Hillmount Capital Inc. (the "**DIP Lender**") pursuant to a DIP term sheet executed on November 22, 2022 (the "**DIP Term Sheet**");

(e) Interim financing to be provided of up to $600,000 (the "**Initial Advance**") pursuant to the DIP Term Sheet and the DIP Lender's Charge (as defined herein);

(f) The proposed Initial Order, including the proposed Court-ordered charges; and

(g) The Proposed Monitor's observations and recommendations concerning the foregoing.

TERMS OF REFERENCE

4. In preparing this Pre-Filing Report, MNP has necessarily relied upon the Grant Affidavit (defined below), the unaudited financial statements and other information supplied and representations made by certain management of the Applicants ("**Management**") and third-party sources (collectively, the "**Information**"). Except as specifically noted in this Pre-Filing Report, MNP has not conducted an audit or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. Accordingly, MNP expresses no opinion, and does not provide any other form of assurance, on or relating to the accuracy of the Information contained in this Pre-Filing Report, or otherwise used to prepare this Pre-Filing Report.

5. MNP also bases its Pre-Filing Report on Springer Aerospace's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement)

(the “**Professional Standards**”). Certain of the information referred to in this Pre-Filing Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial information referred to in this Pre-Filing Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, and such variations could be material.

6. Capitalized terms not defined in this Pre-Filing Report are used as defined in the Affidavit of Christopher Grant sworn November 22, 2022 (the “**Grant Affidavit**”) filed in support of the Applicants’ application for relief under the CCAA.
7. This Pre-Filing Report should be read in conjunction with the Grant Affidavit.
8. Unless otherwise stated, all monetary amounts contained in this Pre-Filing Report are expressed in Canadian dollars.

GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS

9. As set out in the Grant Affidavit, each of the Applicants is a private corporation incorporated under the laws of the Province of Ontario. OpCo operates one of the few full-service aircraft maintenance, repair and overhaul (“**MRO**”) businesses in Canada, and the only one located in Northern Ontario, with its roots dating back to 1972.
10. OpCo’s business is operated from, and its head office is maintained, at facilities located in Echo Bay, Ontario (the “**Facilities**”).

11. The real estate underlying the Facilities, located at 377 Lakeview Road, Echo Bay, Ontario, is owned by Holdco. It is about 210 acres and is improved by, among other things:

(a) three hangars, namely (i) a 16,160 square feet and 17 feet high hangar that houses an industrial bay, the paint shop, offices, and storage; (ii) a 24,373 square feet and 30 feet high hangar that houses an industrial bay for aircraft work as well as offices and amenities on a second floor; and (iii) a 33,000 square feet hangar that is 59 feet high at its peak, was recently built in 2020, and houses Springer Aerospace's largest industrial bay; and

(b) an airport (the Bar River Airport, IATA code YEB, Transport Canada Local Identifier CPF2) (the "**Airport**"), which includes a main runway that is large enough to accommodate Boeing 737s for landing and takeoff.

Causes of the Financial Difficulties and Insolvency:

12. As described in the Grant Affidavit, Springer Aerospace is insolvent. Management has advised that the Applicants' financial difficulties and insolvency are attributable to:

(a) the significant impact of the COVID-19 pandemic on Springer Aerospace's business, and more specifically, (i) the reduced demand for MRO services resulting therefrom; and (ii) the decision not to undertake massive employee layoffs during the pandemic in the hope that the travel industry would normalize in the short- to mid-term;

(b) operational inefficiencies arising from: (i) the rapid expansion of the business undertaken prior to the COVID-19 shutdown; and (ii) a lack of key performance indicators to measure performance on an operational and financial basis;

(c) rapid expansion of the business without adequate strategic planning; and

(d) high levels of turnover within the organization, including in the senior management team.

13. As noted in the Grant Affidavit, the primary purpose of the CCAA Proceedings is to provide Springer Aerospace with an opportunity to: (i) continue to operate its MRO business in a stabilized environment while it carries out an orderly restructuring of its business; and (ii) implement a sale and investment solicitation process (the "**SISP**"). The stay of proceedings is necessary to maintain the stability and value of Springer Aerospace's business while such actions are undertaken.

14. The Proposed Monitor understands that the following relief will be sought via a future motion (the "**Comeback Motion**"), which is anticipated to take place no later than December 5, 2022:

    (a) an extension of the Stay Period; and

    (b) further borrowings and an expansion of the charge under the DIP Facility.

15. Additional information in respect of the Applicants, including its assets and liabilities, is set out in the Grant Affidavit. MNP has not repeated such details in this Pre-Filing Report.

CASH FLOW FORECAST FOR THE PERIOD ENDING FEBRUARY 18, 2023

16. The Applicants, with the assistance of the Proposed Monitor, have prepared the cash flow forecast for Springer Aerospace (the "**Cash Flow Forecast**") for the 13-week period ending February 18, 2023 (the "**Cash Flow Period**"). The Cash Flow Forecast has been prepared by Management using the probable and hypothetical assumptions set out in the notes.

17. A copy of the Cash Flow Forecast is attached hereto as **Schedule "A".**

18. The Cash Flow Forecast was prepared on the assumption that Springer Aerospace's business will continue to operate during the CCAA Proceedings. The projected disbursements are

calculated without consideration of any performance improvement and/or cost-cutting measures the Applicants may initiate and, accordingly, remain subject to change.

19. The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

(a) The Applicants' currently finance their business utilizing three loan facilities provided by Caisse Desjardins Ontario Credit Union Inc. ("**Desjardins**"), including a revolving credit agreement with Desjardins dated May 16, 2019, pursuant to which Desjardins agreed to advance a variable line of credit up to a maximum of $1,000,000 (the "**Desjardins Line of Credit**");

(b) Provided the Court issues the Interim Order, the Applicants will finance their business and the CCAA Proceedings by utilizing the DIP Facility instead of the Desjardins Line of Credit;

(c) The Cash Flow Forecast projects the Applicants drawing an amount of approximately $820,000 under the DIP Facility during the Cash Flow Period, including the Initial Advance of $600,000 during the first 10-day Stay Period. At the Comeback Motion, the Applicants intend to seek Court approval for the authority to draw on the balance of the DIP Facility;

(d) In addition, the Applicants expect to pay the Administrative Professionals (as defined below) estimated fees of $365,000 during the Cash Flow Period, of which $80,000 is estimated to be paid during the Stay Period. The Proposed Monitor holds a retainer of $17,000; and

(e) The Applicants have accrued property taxes in the amount of approximately $182,000, which they intend to pay in full via an advance of funds under the Initial Advance and in satisfaction of a condition under the DIP Term Sheet.

20. Management's Representation Letter regarding the Cash Flow Forecast and the Proposed Monitor's Prescribed Report to the Court regarding the adequacy of the Cash Flow Forecast is attached hereto as **Schedule "B"** and **Schedule "C"**, respectively.

21. The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-Appointed Monitor by section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Proposed Monitor's review of the Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast.

22. Based on the Proposed Monitor's review, nothing has come to its attention that causes the Proposed Monitor to believe that, in all material respects:
    (a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
    (b) as at the date of the Pre-Filing Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants, or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; and
    (c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

23. The Cash Flow Forecast constitutes the basis for funding under the DIP Facility.

<u>Debtor-in-Possession Financing</u>

24. The terms of the DIP Facility are detailed in the DIP Term Sheet, a copy of which is attached as Exhibit "V" to the Grant Affidavit. A summary of the salient terms is also included as part of the Grant Affidavit.

25. MNP has considered the factors set out in Section 11.2 of the CCAA with respect to the granting of a Court order approving the Initial Advance and recommends the Court approve the Initial Advance for the following reasons:

a) Springer Aerospace is of the view that the CCAA Proceedings provide the best option for implementing and successfully completing a SISP (which is being developed by the Applicants in consultation with the Proposed Monitor) and addressing the other operational and financial issues impacting Springer Aerospace. The Proposed Monitor believes that approval of the Initial Advance is in the best interests of the Applicants' stakeholders and will preserve and enhance the prospects of maximizing value in the circumstances;

b) Without the DIP Facility, the Applicants have limited liquidity available under the Desjardins Line of Credit and will be unable to fund their business and carry out their restructuring, which would adversely impact the stakeholders, including the Applicants' employees. Accordingly, absent funding under the DIP Facility, the Applicants will not be able to fund and will have to discontinue their operations;

c) MNP compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings between December 1, 2017 and November 1, 2022.[1] The comparison is attached as **Schedule "D"**. Based on MNP's analysis, the cost of the proposed DIP Facility is consistent with other recent DIP financings

[1] *Insolvency Insider*, Document Library, Approved Debtor-in-Possession Financing Facilities for Canadian Debtors Current as at November 1, 2022.

approved by this and other Canadian courts, and provides financing on reasonable economic terms in the circumstances;

d) Substantially all of the other DIP facilities approved by Canadian courts provide a corresponding super-priority DIP charge over all other creditors; and

e) MNP does not believe that creditors will be prejudiced by the approval of the DIP Facility. To the contrary, they will benefit from it as the DIP Facility will allow the business to:

   a. implement certain initiatives aimed at improving short-term performance and further develop a longer-term restructuring plan that may promote greater recoveries as part of the SISP; and

   b. continue to operate under the supervision of current management in the time required to develop, implement and undertake the SISP, which will enhance value as compared to the alternative (i.e., the discontinuation of operations and the potential liquidation of the Applicants' assets). As discussed in the Grant Affidavit, Springer Aerospace: (i) holds certain licenses and certifications; (ii) is one of two companies in the world able to convert certain types of aircraft from passenger to cargo planes; and (iii) owns the Airport. The preservation of the business as a going concern, including the licenses, is critical to maximizing recoveries from a SISP.

26. Based on the foregoing, MNP believes that the terms of the DIP Facility are reasonable in the circumstances and that the Initial Advance provides the Applicants with the interim working capital it requires to continue its limited operations.

PROPOSED INITIAL CCAA ORDER SOUGHT

27. The relief requested by the Applicants includes, *inter alia*:

    (a) the granting of the Stay Period;

    (b) the appointment of MNP as Monitor;

    (c) the authorization of the DIP Facility for Springer Aerospace and approval of the Initial Advance;

    (d) the granting of various charges over the assets of Springer Aerospace, including to secure the indemnity in favour of the directors and officers and the professional fees and disbursements necessary to undertake the CCAA Proceedings.

    Such relief will provide the Applicants with the time and protection they require to undertake a restructuring of their business for the benefit of their stakeholders, including the development of the SISP.

28. The Proposed Monitor has reviewed the Initial Order and provides comments and observations on certain provisions below. It is noted that matters relating to the DIP Facility are addressed in the previous section of this Pre-Filing Report.

MNP'S QUALIFICATION TO ACT AS MONITOR

29. The proposed Initial Order contemplates that MNP will be appointed as Monitor of the Applicants in the CCAA Proceedings.

30. MNP is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the **"BIA"**).

31. MNP is not subject to any of the restrictions on who may be appointed as Monitor, which are set out in subsection 11.7(2) of the CCAA. Those restrictions stipulate that, without the permission of the Court and on any conditions that the Court may impose, no trustee may be

appointed as monitor in relation to a company if, among other things, the trustee is or, at any time during the two (2) preceding years, was the auditor or accountant of the company. In addressing this two-year period, the Canadian Association of Insolvency and Restructuring Professional's Rules of Professional Conduct specify that "the two-year period commences at the date of the last audit report or the last review engagement report".

32. MNP became involved with the Applicants in September 2022 and facilitated discussions and the exchange of certain information between Springer Aerospace and its primary secured lender, Desjardins, and has since been working with representatives of Springer Aerospace to prepare for a potential CCAA filing. In preparation for its potential appointment as Monitor, MNP has spent time on site with Management, reviewing and familiarizing itself with the Applicants' issues, their financial affairs and the concerns and interests of the Applicants' various stakeholders. MNP has reviewed certain of the Applicants' books and records, all of which appear to have been made fully available to MNP, as necessary, in order to obtain a sufficient level of understanding of the Applicants' business, including its operations, assets and obligations. This mandate also included consultation with the Springer Aerospace's legal advisors and MNP's independent legal advisors. MNP is, therefore, in a position to immediately assist the Applicants in their CCAA Proceedings.

33. MNP is related to MNP LLP. Representatives of MNP LLP's performance improvement team recently assisted MNP by attending at the Facilities to review Springer Aerospace's operations with the view of identifying opportunities to improve performance and liquidity and develop an operational restructuring plan for consideration by the Applicants. MNP LLP is in the process of formulating the plan. As noted in the Grant Affidavit, Springer Aerospace is considering: (i) the finalization and implementation of an operational restructuring during the CCAA Proceedings; and (ii) the appointment of a Chief Restructuring Officer ("**CRO**").

The CRO is being contemplated to enable the incumbent Management to deal with the management of Springer Aerospace's business, while the CRO focuses on the restructuring. In developing the scope of the CRO's involvement, Springer Aerospace is considering what role, if any, MNP LLP may continue to serve in connection with the operational restructuring.

34. MNP is an independent national professional services firm providing, among other things, bankruptcy, insolvency and restructuring services. The senior MNP professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees in Canada, all of whom have acted in CCAA or BIA matters of a similar nature, business type and scale.

35. MNP has consented to act as Monitor of the Applicants should the Court grant Springer Aerospace's request to commence the CCAA Proceedings.

36. The Proposed Monitor has retained Aird & Berlis LLP to act as its independent legal counsel.

<u>Proposed Court Ordered Charges Over Springer Aerospace's Assets</u>

Administration Charge

37. In order to protect the fees and expenses of the Administrative Professionals (as defined herein), Springer Aerospace is proposing that the Monitor, counsel to the Monitor and the Applicants' counsel (the "**Administrative Professionals**") be entitled to the benefit of a charge (the "**Administration Charge**") on all of the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever and wherever situated, including all proceeds thereof (the "**Property**"), in the amount of $250,000, which shall serve as security for the Administrative Professionals' professional fees and disbursements

incurred at their agreed-upon hourly rates and charges, both before and after the making of this Order, in respect of these proceedings.

38. The Administration Charge is reasonable and appropriate in the circumstances, having regard to, among other things:

    (a) Each of the professionals whose fees are to be secured by the Administration Charge has played and will continue to play a critical role in Springer Aerospace's restructuring;

    (b) The Applicants intend to satisfy the fees and disbursements of the Administrative Professionals from their cash flows, which, as noted previously and subject to Court approval, will include availability of the financing pursuant to the DIP Facility during the CCAA Proceedings. The Administration Charge is sought to protect the Administrative Professionals in the event that the restructuring is not successful or a sale as a going concern is not completed; and

    (c) The complexity of the Applicants' business and these CCAA proceedings.

Directors' Charge

39. The Cash Flow Forecast contemplates that post-CCAA obligations, including all statutorily-required remittances will be paid in the ordinary course of business, subject to the Applicants obtaining interim financing. The directors and officers have requested protection from statutory claims and liabilities that may arise during the restructuring. Accordingly, Springer Aerospace is proposing that the Applicants shall indemnify Springer Aerospace's directors and officers against all obligations and liabilities that they may incur in their capacity as directors and officers of the Applicants after the commencement of the within proceedings, except to the extent that the obligation or liability was incurred as a result of such director's

or officer's gross negligence or willful misconduct. As security for this indemnity, it is proposed that Springer Aerospace's directors and officers be entitled to the benefit of a charge on the Property not exceeding an aggregate amount of $165,000 (the "**Directors' Charge**").

40. The Directors' Charge is proposed to rank behind the Administration Charge and the DIP Lender's Charge (defined below), and subordinate to the security held by Desjardins. Based on information provided to the Proposed Monitor by the Applicants, the Directors' Charge has been calculated with reference to exposure to potential unpaid wages, vacation pay, employee benefits and certain tax liabilities accruing during the CCAA Proceedings. The Proposed Monitor understands that the Applicants do not appear to have existing insurance coverage to protect the directors and officers from liability.

41. The Proposed Monitor is of the view that the Directors' Charge is reasonable and appropriate in the circumstances and supports the grant and quantum of the Directors' Charge.

DIP Lender's Charge

42. It is proposed that the Applicants initially be authorized to borrow the Initial Advance from the DIP Lender in accordance with the terms of the DIP Facility. As security for the DIP Facility, it is proposed that the DIP Lender be entitled to the benefit of a charge (the "**DIP Lender's Charge**") on the Property, which shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge is proposed to rank behind the Administration Charge but before the Directors' Charge.

43. As noted in paragraph 27, the Proposed Monitor is supportive of the approval of both the DIP Term Sheet and related DIP Lender's Charge, which is currently limited to the Initial Advance.

Priority of Charges Created by the Initial Order

44. The relative priorities of the Administration Charge, the Directors' Charge and the DIP Lender's Charge (the "**Charges**") are proposed to be as follows:

    (a) First – Administration Charge (to the maximum amount of $250,000);

    (b) Second – DIP Lender's Charge to the extent of the Initial Advance; and

    (c) Third – the Directors' Charge (to the maximum amount of $165,000).

45. In summary, MNP in its capacity as Proposed Monitor has reviewed the calculations that support the Administration Charge, the Directors' Charge and the DIP Lender's Charge and believes that the amounts are reasonable in the circumstances. The Charges will have priority over all other debts and obligations of the Applicants, other than those parties who have not been notified of the Applicants' application, with the exception of the Director's Charge, which will rank subordinate to the security held by Desjardins.

PROPOSED MONITOR'S RECOMMENDATIONS

46. For the reasons set out above, the Proposed Monitor's recommendations are summarized below:

    (a) Springer Aerospace is insolvent, and the Proposed Monitor considers the relief sought in the Initial Order to be reasonable, appropriate and necessary, having regard to the current circumstances of the Applicants;

    (b) The Proposed Monitor has concluded that the DIP Facility is required in order for the Applicants to continue to operate through the projected restructuring period, pay the Administrative Expenses, and carry out the SISP; and

    (c) The Proposed Monitor supports the amounts and rankings of the Court-ordered charges and the financial thresholds proposed in the draft Initial Order, namely:

i. First — Administration Charge (to the maximum amount of $250,000);

ii. Second — the DIP Lenders' Charge to the extent of the Initial Advance; and

iii. Third — Directors' Charge (to the maximum amount of $165,000).

47. In light of the above, the Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted this 22nd day of November 2022.

MNP Ltd., in its capacity as Proposed Monitor of Springer Aerospace Holdings Limited and 1138969 Ontario Inc., and not in its personal or corporate capacity

Per:

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC.

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at Toronto

PRE-FILING REPORT OF THE PROPOSED MONITOR, MNP LTD.

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Court File No. CV-22-00690657-00CL

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC. (the "Applicants")

FIRST REPORT TO THE COURT OF MNP LTD., IN ITS CAPACITY AS COURT-APPOINTED MONITOR

DECEMBER 1, 2022

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Appendices:

INTRODUCTION

1. On November 23, 2022 (the "**Filing Date**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**") made an initial order (the "**Initial Order**") granting 1138969 Ontario Inc. ("**OpCo**") and Springer Aerospace Holdings Limited ("**Holdco**") (collectively, "**Springer**" or the "**Applicants**") certain relief pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Springer's CCAA Proceedings are referred to herein as the "**CCAA Proceedings**". A copy of the Initial Order is attached as **Exhibit "A"** of the Grant Second Affidavit (as defined herein).

2. The Initial Order provides for, *inter alia*:

   (a) a stay of proceedings (the "**Stay of Proceedings**") in favour of Springer until December 2, 2022 (the "**Stay Period**");

   (b) the appointment of MNP Ltd. ("**MNP**") as monitor (in such capacity, the "**Monitor**") in the CCAA Proceedings;

   (c) the approval of borrowings up to $600,000 (the "**Initial Advance**") under a $1,500,000 debtor-in-possession ("**DIP**") interim financing facility (the "**DIP Facility**") made available to the Applicants by Hillmount Capital Inc. (the "**DIP Lender**") pursuant to a commitment letter between the Applicants and the DIP Lender dated November 22, 2022 (the "**DIP Term Sheet**");

   (d) the approval of charges (the "**Charges**") ranking in the following order:

      i. First — a charge (the "**Administration Charge**") to protect the fees and expenses of the Monitor, counsel to the Monitor and the Applicants' counsel (collectively, the "**Administrative Professionals**") to the maximum amount of $80,000; and

ii. Second — a charge in favour of the DIP Lender (the "**DIP Lender's Charge**") to the extent of the Initial Advance,

with each such charge constituting a charge against all of the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**"), and ranking in priority to all other security interests, trusts, liens, charges and encumbrances of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person (as defined in the Initial Order); and

iii. Third — a directors' and officers' charge (the "**Directors' Charge**") to secure the indemnity provided to Springer's officers and directors in respect of liabilities they may incur after the Filing Date in an amount not to exceed $165,000 in the aggregate, with such charge to rank in priority to all other Encumbrances in favour of any Person, save and except any Encumbrance in favour of Caisse Desjardins Ontario Credit Union Inc. ("**Desjardins**") and any Encumbrance ranking in priority to any such Desjardins Encumbrance, including the Administration Charge and the DIP Lender's Charge.

3. The Monitor filed a pre-filing report (the "**Pre-filing Report**") with the Court prior to the commencement of the CCAA Proceedings. The Pre-filing Report and all other materials filed in the CCAA Proceedings are available on the Monitor's website at https://mnpdebt.ca/en/corporate/corporate-engagements/springeraerospace (the "**Monitor's Website**"). A copy of the Pre-filing Report, without appendices, is attached as **Appendix "A"**.

PURPOSE

4. The purpose of this first report of the Monitor (the "**First Report**") is to provide information to the Court in respect of:

(a) The activities of the Applicants and the Monitor since the Filing Date;

(b) Springer's cash flow projections for the proposed extension of the Stay Period (the "**Revised Cash Flow Forecast**", attached as **Appendix "C"**), including a comparative analysis to the Initial Cash Flow Forecast (as defined herein);

(c) The Applicants' motion for the following relief, including:

   i. an Amended and Restated Initial Order that provides for, *inter alia*:

      a. an increase in the maximum borrowings under the DIP Facility by an additional $500,000 ($1.1 million in the aggregate) (the "**Requested DIP Increase**");

      b. the Stay Period being extended to and including March 31, 2023 (the "**Requested Stay Extension**");

      c. an increase in the maximum amount of the Administration Charge to $250,000;

      d. the appointment of Cedar Croft Consulting Inc. ("**Cedar Croft**") to act as Chief Restructuring Officer ("**CRO**") and for the Cedar Croft Monthly Fee (defined below) to be included under the Administration Charge, as detailed herein; and

      e. the granting of a charge to secure the success fees contemplated in the CRO Engagement Letter (the "**Administration Charge II**") up to a maximum of $75,000, which charge shall rank behind any Desjardins Encumbrance but ahead of the Directors' Charge;

TERMS OF REFERENCE

5. In preparing this First Report, MNP has necessarily relied upon the Grant Affidavits (defined below), the unaudited financial statements and other information supplied and representations made by certain management of the Applicants ("**Management**") and third-

party sources (collectively, the "**Information**"). Except as specifically noted in this First Report, MNP has not conducted an audit or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. Accordingly, MNP expresses no opinion, and does not provide any other form of assurance, on or relating to the accuracy of the Information contained in this First Report, or otherwise used to prepare this First Report.

6. MNP also bases its First Report on Springer's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement) (the "**Professional Standards**"). Certain of the information referred to in this First Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future-oriented financial information referred to in this First Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, and such variations could be material.

7. Capitalized terms not defined in this First Report are used as defined in the Affidavits of Christopher Grant sworn November 22, 2022 (the "**First Grant Affidavit**") and November 30, 2022 (the "**Second Grant Affidavit**" and collectively, the "**Grant Affidavits**"), filed in support of the Applicants' application for relief under the CCAA.

8. This First Report should be read in conjunction with the Grant Affidavits.

9. Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.

GENERAL BACKGROUND

10. As set out in the Grant Affidavits, each of the Applicants is a private corporation incorporated under the laws of the Province of Ontario. OpCo operates one of the few full-service aircraft maintenance, repair and overhaul ("**MRO**") businesses in Canada, and the only one located in Northern Ontario, with its roots dating back to 1972.

11. OpCo's business is operated from, and its head office is maintained at, facilities located in Echo Bay, Ontario (the "**Facilities**").

12. The real estate underlying the Facilities, located at 377 Lakeview Road, Echo Bay, Ontario, is owned by Holdco. It is about 210 acres and is improved by, among other things:

    (a) three hangars, namely: (i) a 16,160 square feet and 17 feet high hangar that houses an industrial bay, the paint shop, offices, and storage; (ii) a 24,373 square feet and 30 feet high hangar that houses an industrial bay for aircraft work as well as offices and amenities on a second floor; and (iii) a 33,000 square feet hangar that is 59 feet high at its peak, was recently built in 2020, and houses Springer's largest industrial bay; and

    (b) an airport (the Bar River Airport, IATA code YEB, Transport Canada Local Identifier CPF2) (the "**Airport**"), which includes a main runway that is large enough to accommodate Boeing 737s for landing and takeoff.

Causes of the Financial Difficulties and Insolvency:

13. As described in the Grant Affidavits, Springer is insolvent. Management has advised that the Applicants' financial difficulties and insolvency are attributable to:

    (a) the significant impact of the COVID-19 pandemic on Springer's business, and more specifically, (i) the reduced demand for MRO services resulting therefrom; (ii) the decision not to undertake massive employee layoffs during the pandemic in the hope that the travel industry would normalize in the short- to mid-term; and (iii) supply chain issues, including delays and shortages of parts and supplies, which caused inefficiencies;

    (b) operational inefficiencies arising from: (i) the rapid expansion of the business undertaken prior to the COVID-19 shutdown; and (ii) a lack of key performance indicators to measure performance on an operational and financial basis;

    (c) rapid expansion of the business without adequate strategic planning; and

    (d) high levels of turnover within the organization, including in the senior management team.

14. As noted in the Grant Affidavits, the primary purpose of the CCAA Proceedings is to provide Springer with an opportunity to: (i) continue to operate its MRO business in a stabilized environment while it carries out an orderly restructuring of its business; and (ii) implement a sale and investment solicitation process (the "**SISP**"). The Stay of Proceedings is necessary to maintain the stability and value of Springer's business while such actions are undertaken.

15. Additional information in respect of the Applicants, including their assets and liabilities, is set out in the First Grant Affidavit. MNP has not repeated such details in this First Report.

ACTIVITIES OF THE MONITOR SINCE FILING DATE

16. Since the Filing Date, the Monitor has undertaken the following activities:

    a. activated the Monitor's Website;

    b. completed or is in the process of completing its notice requirements pursuant to subsection 23(1)(a) of the CCAA and as provided in paragraph 46 of the Initial Order. In particular:

        i. the Initial Order was posted on the Monitor's Website;

        ii. on November 29, 2022, a notice containing the prescribed information on the CCAA Proceedings was sent to all known creditors who have claims greater than $1,000 against Springer; and

        iii. notice of the CCAA Proceedings containing the prescribed information was published in the National Post (National Edition) on November 29, 2022 and will be published again on December 6, 2022;

    c. prepared and filed Form 1 and Form 2 regarding the CCAA Proceedings with the Office of the Superintendent of Bankruptcy on November 23, 2022 and November 30, 2022, respectively;

    d. reviewed and assisted in the preparation of various cash flow statements and financial projections prepared by Management;

    e. reviewed a communications plan with the Applicants;

    f. assisted with respect to the selection and engagement of the proposed CRO;

    g. prepared this First Report of the Monitor; and

    h. responded to enquiries from, and participated in discussions with, customers, creditors and other stakeholders, including participating in numerous discussions with the DIP Lender.

THE COMPANIES' INITIAL RESTRUCTURING ACTIVITIES

17. Since the Filing Date, the Applicants have, with assistance of their legal counsel, *inter alia*:

    a. communicated and cooperated with the Monitor;

    b. engaged with stakeholders, including secured creditors, community stakeholders, employees, customers and suppliers;

    c. received and used Initial Advance funds to pay municipal tax arrears, fund working capital requirements, and make payroll in time;

    d. developed and implemented a communications plan, which included issuing a press release;

    e. as detailed below, and in consultation with the Monitor, negotiated terms for the appointment of the CRO;

    f. as described in greater detail below, developed the Revised Cash Flow Projections in consultation with the Monitor and the DIP Lender;

    g. continued efforts towards identifying and implementing appropriate operational restructuring measures;

    h. assisted their counsel in the development of materials for this Comeback Motion; and

    i. generally, continued operating their business as a going concern.

ENGAGEMENT OF CHIEF RESTRUCTURING OFFICER

18. As discussed in the Grant Affidavits and the Pre-Filing Report, Springer is, subject to Court approval, desirous of appointing the CRO to enable the incumbent Management to deal with the management of Springer's business, while the CRO focuses on the restructuring.

19. Springer, with the assistance of the Monitor, has entered into discussions with Cedar Croft to provide the following services (the "**Services**"):

a. supervise the day-to-day operations and carriage of the business of the Applicants, as the CRO deems necessary or advisable;

b. assist the Applicants in the preservation of their assets;

c. work with Management and the Board of the Applicants to establish a plan or plans for the restructuring of the Applicants in coordination with the Monitor, and report to the Applicants, the Monitor and key stakeholders on its progress, timeframe, and key issues;

d. oversee the implementation of the restructuring plan or plans and coordinate and participate in communications to the Applicants, creditors, and other key stakeholders;

e. supervise and monitor the receipts and disbursements consistent with the cash flows filed in the CCAA Proceedings and arising out of the operations of the Applicants, and bring all related issues to the attention of the Applicants and the Monitor;

f. assist the Applicants and the Monitor in the development and implementation of the SISP; and

g. report to the Applicants, the Monitor and key stakeholders regarding the business and affairs of the Applicants as the CRO, in its reasonable discretion, deems appropriate.

20. Given the current financial challenges facing Springer's business, the Applicants concluded that it was in their and the stakeholders' best interest to appoint Cedar Croft as CRO.

21. The CRO Engagement Letter contemplates payment of a monthly work fee of $25,000 (the "**Cedar Croft Monthly Fee**"), reimbursement of reasonable expenses, and a $75,000 success fee, which shall be earned upon the confirmation and effectiveness of a plan of arrangement, sale of assets, or refinancing pursuant to the SISP to be conducted in these CCAA Proceedings.

22. The proposed Amended and Restated Initial Order provides certain protections that are typically afforded to CROs in CCAA proceedings with respect to liabilities or obligations incurred as a result of the CRO's engagement, save and except for any gross negligence or willful misconduct on their part.

23. The proposed Amended and Restated Initial Order also provides for the extension of the Administration Charge to cover the payment of the fees and expenses contemplated in the CRO Engagement Letter.

24. Based on the forgoing, the Proposed Monitor considers the relief sought in the Amended and Restated Initial Order relating to the CRO's remuneration and limitation of liability reasonable and appropriate in the circumstances, and consistent with other CCAA proceedings. There is no unwarranted duplication of roles. The Services contemplated by the CRO Engagement Letter are appropriate to Springer's specific needs in relation to the restructuring.

CASH FLOW VARIANCE ANALYSIS

25. The Monitor has undertaken a weekly review of Springer's actual cash flows in comparison to those contained in the Initial Cash Flow Forecast. A summary of Springer's actual cash receipts and disbursements, as compared to the Initial Cash Flow Forecast for the week ending November 26, 2022 (the "**Monitored Period**"), is summarized below.

Currency: $000' CAD	One-Week Period Ended Nov 26, 2022		
	Actual	**Budget**	**Variance**
Receipts			
Routine work	51	175	**(124)**
Non-routine work	35	31	**4**
Injection of funds by shareholders	222	-	**222**
Total receipts	**308**	**206**	**102**
Disbursements			
Suppliers (fuel, paint, municipal taxes)	1	44	(43)
Routine work - Parts and materials	-	92	(92)
Non-routine work - Parts and materials	-	5	(5)
Other parts & materials	-	25	(25)
Payroll	186	165	21
Garnishments - Wages	1	1	1
Tools & office supplies	-	14	(14)
Brokerage	-	17	(17)
Property taxes	187	186	1
Licenses, fees and dues	-	1	(1)
Automotive Lease	1	1	(0)
Utilities	-	17	(17)
Other expenses	-	15	(15)
Insurance	41	41	0
Bank charges and interest	1	-	1
Professional fees (Monitor and its counsel)	-	40	(40)
DIP commitment fees and legal expenses	69	65	4
Interest on DIP Loan	-	-	-
Total Disbursements	**487**	**728**	**(241)**
Operating Net Cash Flow	**(179)**	**(522)**	**343**
DIP Loan advances	600	600	**-**
Opening bank balance	14	-	14
Ending Cash	**435**	**78**	**357**

26. Overall, Springer realized a favourable net cash flow variance of approximately $343,000. The key components of the variance are as follows:

a. <u>Receipts – Routine and Non-Routine Work:</u> Actual receipts from routine and non-routine work were $124,000 lower than projected as a result of payment delays by certain customers who sought comfort and confirmation from the Applicants that work on their projects remained ongoing;

b. Receipts – Shareholder Advances: One of the shareholders injected $222,000 between the Filing Date and the date of the Initial Advance with a view of funding payroll. Desjardins placed a 5 day-hold (the "**Hold**") on the injected funds to ensure that there were sufficient funds to cover the deposit. Accordingly, these funds were not available to the Applicants during the Monitored Period. The Applicants intend to repay this loan advance in the week ending December 3, 2022.

c. Disbursements: Overall, there was a favourable variance of $241,000 in total disbursements due to the Hold and the lower-than-anticipated receipts from the collection of accounts receivable.

d. Disbursements – Supplies, Parts and Materials: The $165,000 aggregate favourable variance in the purchase of supplies, parts and materials represents a timing difference resulting from: (i) the Applicants spending the first week stabilizing the business and negotiating mutually-agreeable payment terms and the logistics for the ongoing supply of goods and services; and (ii) inadequate funds being available to purchase supplies, parts and materials.

e. Payroll: The unfavourable variance of $21,000 relates to banked vacation and overtime paid to certain employees who were terminated prior to the Filing Date;

f. Disbursements – Professional Fees: The $40,000 favourable variance represents a timing difference attributable to the lower-than-anticipated-receipts.

REVISED CASH FLOW FORECAST FOR THE PERIOD ENDING MARCH 31, 2022

27. The Applicants, with the assistance of the Monitor, prepared the cash flow forecast for Springer (the "**Initial Cash Flow Forecast**") for the 13-week period ending February 18, 2023 (the **"Cash Flow Period"**). The Initial Cash Flow Forecast was prepared by Management using the probable and hypothetical assumptions as set out in the notes. A copy of the Initial Cash Flow Forecast is attached hereto as **Appendix "B".**

28. The Initial Cash Flow Forecast was prepared on the assumption that Springer's business will continue to operate during the CCAA Proceedings. The projected disbursements were calculated without consideration of any performance improvement and/or cost-cutting measures that the Applicants may initiate and, accordingly, remained subject to change.

29. To reflect the Requested Stay Extension, the Revised Cash Flow Forecast has been prepared, extending through to the week ended April 1, 2023 (the "**Revised Cash Flow Period**") and having been built on the assumption that the Applicants have availability of funds from the Requested DIP Increase. A copy of the Revised Cash Flow Forecast is attached as **Appendix "C"**.

30. The Monitor highlights the following other revisions to the Initial Cash Flow Forecast:

    (a) the Revised Cash Flow Forecast anticipates the utilization of $1,095,000 under the DIP Facility;

    (b) Receipts – the timing of receipts from routine and non-routine work has been revised to reflect the anticipated delays in billings and collections attributable to the anticipated delays in procuring certain supplies, parts and materials necessary to hit certain billing milestones;

    (c) Supplies, Parts, Materials – the Applicants increased the projected purchase of supplies, parts and materials after carrying out further analysis;

    (d) the Applicants expect to pay the Administrative Professionals estimated fees of $552,000 during the Revised Cash Flow Period.

31. Management's Representation Letter regarding the Revised Cash Flow Forecast and the Proposed Monitor's Prescribed Report to the Court regarding the adequacy of the Cash Flow Forecast are attached hereto as **Appendix "D"** and **Appendix "E"**, respectively.

32. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a Court-Appointed Monitor by section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Monitor's review of the Revised Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Revised Cash Flow Forecast.

33. Based on the Monitor's review, nothing has come to its attention that causes the Monitor to believe that, in all material respects:

    (a) the hypothetical assumptions are not consistent with the purpose of the Revised Cash Flow Forecast;

    (b) as at the date of the First Report, the probable assumptions developed by Management are not suitably supported or consistent with the plans of the Applicants, or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the hypothetical assumptions; and

    (c) the Revised Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

34. The Revised Cash Flow Forecast constitutes the basis for funding under the DIP Facility.

Debtor-in-Possession Financing

35. The initial quantum of the DIP Lender's charge granted in the Initial Order was limited to that which was reasonably necessary for the Applicants' continued operations in the ordinary

course of business during the initial 10-day stay period, in accordance with s. 11.001 and 11.2(5) of the CCAA. The Initial Order, therefore, authorized the Applicants to borrow up to the Initial Advance.

36. During the Monitored Period, the Applicants have drawn the Initial Advance to fund their working capital requirements, including payroll, and to satisfy payment of approximately $186,000 in arrears of municipal tax on the Facilities and the other real property owned by the Applicants.

37. The proposed Amended and Restated Initial Order provides for an increase of the Applicants' permitted borrowings under the DIP Facility and of the quantum of the DIP Lender's Charge from $600,000 to $1,100,000, being the Requested DIP Increase. While the DIP Facility provides for a maximum principal loan amount of $1,500,000, the Applicants are seeking an increase in the permitted borrowings limited to the amount of the Requested DIP Increase subject to further order of the Court.

38. As appears from the Revised Cashflow Forecast, the Applicants require the Requested DIP Increase during the Revised Forecast Period to ensure that they have sufficient working capital available to fund their operations and satisfy payments to the Administrative Professionals.

39. The Monitor has considered the factors set out in section 11.2 of the CCAA with respect to the Applicants' request that the Court authorize the Requested DIP Increase, and is of the view that the Applicants' request is reasonable and appropriate. The Requested DIP Increase provides the Applicants with the funding they require to allow the business to continue to operate in the ordinary course under the supervision of Management, while Management works with the Monitor and the CRO to develop the SISP. Absent the funding under the Requested DIP Increase, the Applicants would not have the funds required to maintain their business as a going concern and would likely cease to operate.

AMENDED AND RESTATED CCAA ORDER SOUGHT

Charges

40. As noted previously, the Initial Order provided for the establishment of the Charges.

41. The initial quantum of the Administration Charge granted in the Initial Order was limited to that which was reasonably necessary during the initial 10-day stay period, in accordance with s. 11.001 of the CCAA.

42. The proposed Amended and Restated Initial Order provides for an increase of the quantum of the Administration Charge from $80,000 to $250,000. This relates to the Applicants' increased professional fees to be incurred during the Revised Forecast Period, including those of the CRO, in accordance with the Updated Cashflow Forecast. The proposed quantum of $250,000 is in accordance with the maximum amount of the Administration Charge provided under the DIP Facility.

43. The proposed Amended and Restated Initial Order provides as well for an extension of the Administration Charge to include the Cedar Croft Monthly Fee.

44. The Amended and Restated Initial Order also contemplates the granting of the Administration Charge II up to a maximum of $75,000, which charge shall rank behind Desjardins' security interests but ahead of the Directors' Charge.

45. The Monitor is of the view that this relief being sought by the Applicants is reasonable and appropriate having regard to: (i) the stability that the appointment of the CRO will bring to the CCAA Proceedings; (ii) the assistance that the CRO appointment will provide to the Applicants in maximizing value; and (ii) the critical role that the Administrative Professionals continue to play in Springer's restructuring. The Monitor believes that the increased quantum of the Administration Charge is commensurate with the complexity of the Applicants' business and anticipated restructuring.

Extension of Stay of Proceedings

46. The Applicants have asked the Court to approve the Requested Stay Extension, which is up to and including March 31, 2023. The basis for this request is primarily to permit the Applicants to further consider the implementation of certain measures contemplated by the restructuring plan, develop the SISP, and return to Court for approval of the SISP.
47. Provided the Court approves the Requested DIP Increase, and Springer utilizes the funds available pursuant to the DIP Facility, the Revised Cash Flow Forecast indicates that the Applicants will have sufficient liquidity during the Requested Stay Extension. The Monitor is of the view that no creditor will be materially prejudiced by the Requested Stay Extension.
48. The Monitor is of the view that the Applicants have acted and are continuing to act in good faith and with due diligence, and the Monitor supports the Requested Stay Extension.

MONITOR'S RECOMMENDATIONS

49. Based on the foregoing, the Monitor respectfully recommends that the Court make an order granting the relief detailed in paragraph 4(c).

All of which is respectfully submitted this 1st day of December 2022.

MNP Ltd., in its capacity as Monitor of
Springer Aerospace Holdings Limited and
1138969 Ontario Inc., and not in its personal or corporate capacity

Per:

____

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

Court File No. CV-22-00690657-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC. (the "Applicants")

SECOND REPORT TO THE COURT OF MNP LTD., IN ITS CAPACITY AS COURT-APPOINTED MONITOR

DECEMBER 19, 2022

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Appendices:

INTRODUCTION

1. On November 23, 2022 (the "**Filing Date**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**") made an initial order (the "**Initial Order**") granting 1138969 Ontario Inc. ("**OpCo**") and Springer Aerospace Holdings Limited ("**Holdco**") (collectively, "**Springer**" or the "**Applicants**") certain relief pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). These proceedings are referred to herein as the "**CCAA Proceedings**".

2. The Initial Order provided for, *inter alia*:

   (a) a stay of proceedings in favour of Springer until December 2, 2022 (the "**Stay Period**");

   (b) the appointment of MNP Ltd. ("**MNP**") as monitor (in such capacity, the "**Monitor**") in the CCAA Proceedings;

   (c) the approval of borrowings up to $600,000 (the "**Initial Advance**") under a $1,500,000 debtor-in-possession ("**DIP**") interim financing facility (the "**DIP Facility**"), made available to the Applicants by Hillmount Capital Inc. (the "**DIP Lender**") pursuant to a commitment letter between the Applicants and the DIP Lender dated November 22, 2022;

   (d) the approval of charges ranking in the following order:

      i. First — a charge (the "**Administration Charge**") to protect the fees and expenses of the Monitor, counsel to the Monitor, and the Applicants' counsel (collectively, the "**Administrative Professionals**") to the maximum amount of $80,000; and

ii. Second — a charge in favour of the DIP Lender (the "**DIP Lender's Charge**") to the extent of the Initial Advance,

with each such charge constituting a charge against all of the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**"), and ranking in priority to all other security interests, trusts, liens, charges and encumbrances of secured creditors, statutory or otherwise (collectively, the "**Encumbrances**") in favour of any Person (as defined in the Initial Order); and

iii. Third — a directors' and officers' charge (the "**Directors' Charge**") to secure the indemnity provided to Springer's officers and directors in respect of liabilities they may incur after the Filing Date, in an amount not to exceed $165,000 in the aggregate, with such charge to rank in priority to all other Encumbrances in favour of any Person, save and except any Encumbrance in favour of Caisse Desjardins Ontario Credit Union Inc. ("**Desjardins**") and any Encumbrance ranking in priority to any such Desjardins Encumbrance, including the Administration Charge and the DIP Lender's Charge.

3. On December 2, 2022, the Court granted the Amended and Restated Initial Order (the "**Amended and Restated Initial Order**"), which, *inter alia*: (i) increased the maximum borrowings under the DIP Facility by $0.5 million to an aggregate of $1.1 million; (ii) extended the Stay Period to and including March 31, 2023; (iii) increased the maximum amount of the Administration Charge to $250,000; (iv) approved the agreement dated November 30, 2022, pursuant to which Springer engaged Cedar Croft Consulting Inc. to provide the services of Patrick Walsh as the chief restructuring officer ("**CRO**") of Springer; (v) expanded the

Administration Charge to include the monthly fees and expenses of the CRO; and (vi) provided for a further administration charge to secure payment of any success fees owing to the CRO, up to a maximum of $75,000. A copy of the Amended and Restated Initial Order is attached as Exhibit "A" of the Walsh Affidavit (as defined below).

4. The Monitor has filed two reports (and, together with this report, the "**Reports**") in these CCAA Proceedings, namely:

   (a) the Pre-Filing Report dated November 22, 2022, in support of Springer's application for the Initial Order; and

   (b) a First Report dated December 1, 2022 (the "**First Report**").

5. The Reports, which are attached without appendices as **Appendix "A"**, and all other materials filed in the CCAA Proceedings are available on the Monitor's website at https://mnpdebt.ca/en/corporate/corporate-engagements/springeraerospace (the "**Monitor's Website**").

PURPOSE

6. The purpose of this second report of the Monitor (the "**Second Report**") is to provide information to the Court in respect of:

   (a) the activities of the Applicants and the Monitor since the First Report;

   (b) the Applicants' actual cash flow results for the two-week period ended December 10, 2022, as compared to the Revised Cash Flow Forecast (as defined below);

   (c) a proposed sale and investment solicitation process (the "**SISP**"), a copy of which is attached as **Appendix "B"**, in connection with the marketing and sale, or other investment in respect of the Property;

(d) the Monitor's support for, and observations in respect of, Springer's request that the Court grant an Order, *inter alia*:

i. approving the SISP;

ii. approving the Reports and activities of the Monitor as described in the Reports; and

iii. providing certain other related and ancillary relief.

TERMS OF REFERENCE

7. In preparing this Second Report, MNP has necessarily relied upon the Grant Affidavits (defined below), the Walsh Affidavit (defined below), the unaudited financial statements and other information supplied, and representations made by certain management of the Applicants ("**Management**") and third-party sources (collectively, the "**Information**"). Except as specifically noted in this Second Report, MNP has not conducted an audit or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. Accordingly, MNP expresses no opinion, and does not provide any other form of assurance, on or relating to the accuracy of the Information contained in this Second Report, or otherwise used to prepare this Second Report.

8. MNP also bases its Second Report on Springer's cash flow projections and underlying assumptions, and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement). Certain of the information referred to in this Second Report consists of financial

forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future-oriented financial information referred to in this Second Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, and such variations could be material.

9. Capitalized terms not defined in this Second Report are used as defined in the Affidavits of Christopher Grant sworn November 22, 2022 and November 30, 2022 (collectively, the "**Grant Affidavits**") and the affidavit of Patrick Walsh, dated December 18, 2022 (the "**Walsh Affidavit**"), filed in support of the Applicants' application for relief under the CCAA.

10. This Second Report should be read in conjunction with the Grant Affidavits and the Walsh Affidavit.

11. Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

GENERAL BACKGROUND

12. As set out in the Grant Affidavits, each of the Applicants is a private corporation incorporated under the laws of the Province of Ontario. OpCo operates one of the few full-service aircraft maintenance, repair and overhaul ("**MRO**") businesses in Canada, and the only one located in Northern Ontario, with its roots dating back to 1972.

13. OpCo's business is operated from, and its head office is maintained at, facilities located in Echo Bay, Ontario (the "**Facilities**").

14. The real estate underlying the Facilities, located at 377 Lakeview Road, Echo Bay, Ontario, is owned by Holdco. It is about 210 acres and is improved by, among other things:

    (a) three hangars, namely: (i) a 16,160 square feet and 17 feet high hangar that houses an industrial bay, the paint shop, offices, and storage; (ii) a 24,373 square feet and 30 feet high hangar that houses an industrial bay for aircraft work as well as offices and amenities on a second floor; and (iii) a 33,000 square feet hangar that is 59 feet high at its peak, was recently built in 2020, and houses Springer's largest industrial bay; and

    (b) an airport (the Bar River Airport, IATA code YEB, Transport Canada Local Identifier CPF2), which includes a main runway that is large enough to accommodate Boeing 737s for landing and takeoff.

<u>Causes of the Financial Difficulties and Insolvency:</u>

15. As described in the Grant Affidavits, Springer is insolvent. Management has advised that the Applicants' financial difficulties and insolvency are attributable to:

    (a) the significant impact of the COVID-19 pandemic on Springer's business;

    (b) operational inefficiencies;

    (c) rapid expansion of the business without adequate strategic planning; and

    (d) high levels of turnover within the organization, including in the senior management team.

16. As noted in the Grant Affidavits, the primary purpose of the CCAA Proceedings is to provide Springer with an opportunity to: (i) continue to operate its MRO business in a stabilized environment while it carries out an orderly restructuring of its business; and (ii) implement the SISP.

17. Additional information in respect of the Applicants, including their assets and liabilities, is set out in the Grant Affidavits. MNP has not repeated such details in this Second Report.

ACTIVITIES OF THE MONITOR SINCE FILING DATE

18. Since the First Report, the Monitor has undertaken the following activities:

    a. updated the Monitor's Website;

    b. monitored the cash flow results to the Revised Cash Flow Forecast;

    c. prepared this Second Report of the Monitor;

    d. assisted in the development of the SISP;

    e. held numerous discussions with the CRO and Springer in regard to, *inter alia*, Springer's operations, the restructuring plan and the SISP; and

    f. responded to enquiries from, and participated in discussions with, customers, creditors and other stakeholders.

THE COMPANIES' ACTIVITIES

19. Since the First Report, the Applicants have, in good faith and with due diligence, and with the assistance of their legal counsel and the CRO, *inter alia*:

    a. developed the SISP;

    b. communicated and cooperated with the Monitor;

    c. onboarded the CRO;

    d. conducted a townhall meeting for Springer's employees;

    e. engaged with stakeholders, including secured creditors, community stakeholders, employees, customers and suppliers;

f. received and used an additional $200,000 advanced pursuant to the DIP Facility in order to fund operations and pay the costs of the Administrative Professionals and the CRO;

g. continued efforts towards identifying and implementing appropriate operational restructuring measures; and

h. generally, continued operating their business as a going concern.

CASH FLOW VARIANCE ANALYSIS

20. To date, Springer has provided the Monitor with its full co-operation and unrestricted access to its books and records.

21. The Monitor has implemented procedures for monitoring Springer's receipts and disbursements, and has kept in close contact with Management and the CRO to ensure that operations are continuing in the normal course of business and in accordance with the cash flow projections for the period November 27, 2022 to April 1, 2023 (the "**Revised Cash Flow Forecast**"), a copy of which is attached as **Appendix "C".**

22. A summary of Springer's actual receipts and disbursements as compared to those presented in the Revised Cash Flow Forecast for the two-week period from November 27 through to December 10, 2022 is as follows (subject to rounding errors):

Currency: $000' CAD	Two-Week Period Ended Dec 10, 2022		
	Actual	Budget	Variance
Receipts			
Accounts receivable (beginning)	-	6	(6)
Routine work	359	376	(17)
Non-routine work	158	123	35
Customer Parts Marked Up	2	120	(118)
Injection of funds by shareholders	1	1	-
Total receipts	**520**	**626**	**(106)**
Disbursements			
Suppliers (fuel, paint, municipal taxes)	64	97	33
Routine work - Parts and materials	20	480	460
Non-routine work - Parts and materials	112	11	(101)
Labour	150	132	(18)
Subcontract labour	53	53	-
Wages - administration	33	30	(3)
Group Insurance	-	15	15
Garnishments - Wages	-	1	1
WSIB and EHT	12	9	(3)
Tools & supplies	6	9	3
Freight	0	-	(0)
Office supplies & postage	2	5	4
Repairs and maintenance	-	2	2
Automotive expenses	0	1	1
Automotive Lease	1	1	-
Travel and promotion	-	1	1
Bank charges and interest	1	-	(1)
Insurance	22	21	(1)
Professional fees (Legal and accounting)	74	108	33
CRO	28	25	(3)
Utilities	6	6	(0)
Other expenses	5	-	(5)
DIP fees (net of initial deposit received by DIP lender)	1	8	7
DIP Legal fees	8	-	(8)
Interest on DIP Loan	9	6	(3)
Visa	-	4	4
Contingency (general provision)	-	10	10
Total Disbursements	**606**	**1,034**	**428**
Operating Net Cash Flow	**(86)**	**(408)**	**322**
Return of funds to shareholder	(230)	(220)	(10)
DIP Loan advances	200	195	5
Opening bank balance	431	435	(4)
Ending Cash	**315**	**2**	**314**
Cumulative DIP	**800**	**795**	**5**

23. Overall, Springer realized a favourable net cash flow variance of approximately $313,600. The key components of the variance are as follows:

    a. Receipts – Routine and Non-Routine Work: Actual receipts from routine and non-routine work were approximately $106,000 lower than projected as a result of payment delays by certain customers, partially due to invoicing delays; and

    b. Disbursements: Overall, there was a favourable variance of $428,000 in total disbursements, approximately $328,000 attributable to a delay in ordering parts and supplies and a timing difference of $33,000 in payment of professional fees. The Monitor notes that the delay in procuring the parts and supplies may impact the timing of future billings/collections as projected in the Revised Cash Flow Forecast.

24. As noted in the Walsh Affidavit, Springer is in the process of evaluating several strategic initiatives to improve its operations and financial position. The costs and corresponding benefits of these initiatives are not reflected in the Revised Cash Flow Forecast.

SISP

25. The relief sought on this motion contemplates that, subject to Court approval, Springer, with the assistance of the Monitor, will carry out the SISP to solicit interest in and opportunities for a sale, restructuring or recapitalization of Springer's assets and business, which is intended to maximize the value of Springer's assets and business for the benefit of Springer and its stakeholders.

26. The SISP, which was developed with the assistance of the CRO and in consultation with the Monitor and Desjardins, is structured as a two-part SISP and is summarized below:[1]

[1] The Monitor has summarized the key aspects of the proposed SISP below; however, interested parties should review the SISP Document (see Appendix B) as well as the Walsh Affidavit filed in connection therewith

	Event	Expected Timing
1	Finalization of materials, including: (a) the Teaser document; (b) a list of potential bidders (investors or bidders) (“**Known Potential Bidders**”); (c) a form of non-disclosure agreement (“**NDA**”); and (d) the Confidential Information Memorandum (“**CIM**”)	By no later than January 10, 2023
2	**Notice of the SISP**: (i) causing a notice of the SISP (and such other relevant information as Springer, in consultation with the Monitor, considers appropriate) (the “**Notice**”) to be published in any industry journal that Springer considers appropriate if it believes that such advertisement would be useful in the circumstances; and (ii) issuing a press release with Canada Newswire	By no later than January 10, 2023
3	The Monitor is to send the NDA and the Teaser to the Known Potential Bidders	By no later than January 11, 2023
4	CIM and data room access to be provided to each Known Potential Bidder after the latter delivers to the Monitor: (i) the signed NDA, (ii) a letter setting out, among other things, the identity of the party; and (iii) satisfactory evidence of its capability, based on the availability of financing, its experience, and other considerations, to be able to complete a transaction pursuant to the SISP	Commencing January 11, 2023
5	Due diligence	Commencing January 11, 2023 to Phase I Bid Deadline
6	Deadline for submission of initial non-binding expressions of interest (“**Phase I Bid**”)	February 3, 2023 (“**Phase I Bid Deadline**”)
7	Review and evaluation of Phase I Bids to determine whether any are qualified bids (“**Qualified Phase I Bid**“). If Springer, with the consent of the Monitor, determines that one or more Qualified Phase I Bids were received and is satisfied with the number/content of the Qualified Phase I Bids, then the SISP shall proceed to Phase II	Promptly after the Phase I Bid Deadline

8	Further due diligence, which may include onsite visits and management presentations	Between Phase 1 Bid Deadline and Phase 2 Deadline (defined below)
9	Deadline for submission of bids ("**Phase 2 Bid**") by Qualified Phase 1 bidders ("**Phase II Bidders**")	March 7, 2023 (5:00 PM Toronto time)(the "**Phase 2 Deadline**")
10	Negotiation/Selection	Following the Phase 2 Deadline, Springer, in consultation with the Monitor, may negotiate amended, modified, or varied terms with a Phase II Bidder, provided however that Springer is under no obligation to negotiate identical terms with, or extend identical terms to, each Phase II Bidder.
11	Selection of Successful Bid(s)	By March 13, 2023
12	Court approval of Successful Bid(s)	The week of March 27, 2023
13	Complete transaction	As soon as possible and no later than April 3, 2023

27. The SISP also contemplates that:

(a) milestones and deadlines under the SISP may be extended or amended by the Applicants, with the prior written approval of the Monitor, by up to a maximum of two weeks without Court approval;

(b) the Monitor has responsibility for managing all communication with Known Interested Parties or Additional Interested Parties;

(c) If Springer, with the consent of the Monitor, determines that it is not satisfied with the number/content of the Qualified Phase I Bids received, it may seek Court approval of an amendment to the SISP on notice to the service list in these proceedings.

Transition to Phase 2

28. Provided that Springer, with the consent of the Monitor, proceeds to Phase 2, the SISP provides for the following relating to the transition to Phase 2, *inter alia*:

    (a) Following the Phase I Bid Deadline, Springer, with the consent of the Monitor, shall determine the process to be followed in Phase II of the SISP, based on such factors and circumstances as it considers appropriate in the circumstances including, but not limited to: (i) the number of Qualified Phase I Bids, (ii) the extent to which the Qualified Phase I Bids relate to the same property, (iii) the scope of the Assets or Business to which the Qualified Phase I Bids relate, and (iv) whether to proceed by way of an auction or sealed bids with respect to some or all of the Assets or Business;

    (b) Upon the determination by Springer, with the consent of the Monitor, of the manner in which to proceed in Phase II of the SISP, the Monitor will prepare a bid process letter for Phase II that will be (i) sent by the Monitor to all Qualified Phase I Bidders, and (ii) posted by the Monitor on the Monitor's website; and

    (c) at any time following the Phase I Bid Deadline, Springer, with consent of the Monitor and in consultation with Desjardins, may determine, in its reasonable judgment, that Phase II is not required and proceed to execute definitive documentation with respect to a transaction contemplated in a Qualified Phase I Bid submitted before the Phase I Bid Deadline.

MONITOR'S RECOMMENDATIONS

29. The Monitor considers the SISP to be reasonable in the circumstances and supports Springer's application for approval of the SISP. The Monitor reached this conclusion on the basis that the SISP is consistent with insolvency industry practices in similar proceedings and

circumstances, allows the Company to broadly canvass the market with a view to obtaining a favourable outcome in these restructuring proceedings, and, if successful, could result in greater recoveries than in a liquidation, to the benefit of all stakeholders, including secured and unsecured creditors.

30. In addition, the SISP balances the Company's ability to solicit offers with the rights of creditors by requiring consultation with key stakeholders, including secured creditors and the DIP Lender, and extensive collaboration between the Company, the CRO and the Monitor throughout the process, including requiring the Monitor's consent for all key decisions (in addition to its general supervisory role).

31. The Monitor further supports the SISP as it is of the view that the duration of the SISP is sufficient to allow interested parties to carry out due diligence and submit bids.

32. Based on the foregoing, the Monitor respectfully recommends that the Court make an order granting the relief detailed in paragraph 6(d).

All of which is respectfully submitted this 19th day of December 2022.

MNP Ltd., in its capacity as Monitor of Springer Aerospace Holdings Limited and 1138969 Ontario Inc., and not in its personal or corporate capacity

Per:

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix “B”

1138969 Ontario Inc. o/a Springer Aerospace
Weekly Cash-flow projections
For the period ending April 1, 2023

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	7	Week 8	Week 9	Week 10	Week 11	Week 12	13	Week 14	Week 15	16	17	18	
(unaudited - in tousands of $)	26-Nov	03-Dec	10-Dec	17-Dec	24-Dec	31-Dec	07-Jan	14-Jan	21-Jan	28-Jan	04-Feb	11-Feb	18-Feb	25-Feb	04-Mar	11-Mar	18-Mar	25-Mar	01-Apr	Total
	(actual)																			
Receipts																				
Accounts receivable (beginning)	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Routine work	51	268	108	158	33	17	422	281	143	239	43	155	125	130	76	194	108	-	64	2,563
Non-routine work	35	89	34	53	70	71	166	77	75	35	39	-	206	75	108	-	116	-	73	1,287
Customer Parts Marked Up	-	24	96	28	15	-	12	6	9	4	9	9	5	23	2	4	2	-		245
Advances from shareholder/other	222	1																		0.86
Total Receipts	**308**	**388**	**238**	**238**	**118**	**88**	**600**	**365**	**226**	**278**	**91**	**164**	**335**	**228**	**185**	**198**	**226**	**-**	**137**	**4,103**
Disbursements																				
Suppliers (fuel, paint, municipal taxes)	1	97	-	-	30	-	75	-	25	-	14	28	-	-	-	-	-	-	-	269
	-			-																-
Routine work - Parts and materials	-	95	385	111	58		46	25	34	17	36	36	18	90	6	16	9	-	5	986
Non-routine work - Parts and materials	-	6	5	4	6	5	13	5	6	3	3	-	16	6	9	-	9	-	6	102
Other parts & materials	-				10		10		10		10		10		10		10		10	80
Labour	148		132		132		132		132		132		132		132		132		132	1,188
Subcontract labour	-	53		50		30		25		50		50		50		60		60		428
Wages - administration	32		30		30		30		30		30		30	30	30		30		30	300
Group Insurance	-		15				15				15					15			15	75
Vacation Payable	-																			-
Garnishments - Wages	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
WSIB and EHT	6	6	3		3	6	3		3		3	3	3	3	3		3	3		45
GST/HST remittance	-																			-
Tools & supplies	-	5	4	5	4	5	4	5	4	4	4	4	4	4	4	4	4	4	4	76
Freight	-			2		2		2		2						2		2		12
Office supplies & postage	-	1	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	69
Brokerage	-				1	16			1	16					16			16		66
Repairs and maintenance	-		2					5			5	5	5	5	5				5	37
Property taxes	187												21							21
Licenses, fees and dues	-																			-
Automotive expenses	-		1	1			1	1			1	1	1	1	1	1			1	11
Automotive Lease	1	1			1	1	0			1	1	1	1	1						8
Travel and promotion	-		1		1		1		1		1	1	1	1		1		1		10
Training	-					5														5
Bank charges and interest	1			1				1								1				4
Insurance	41	21					21				21				21				21	105
Telephone and communications	-			1	1			1	1							1	1			6
Professional fees (Legal and accounting)			108	108	25	25	25	13	13	13	13	13	13	13	13	13	15	15	15	452
CRO	-		25				25					25			25					100
Utilities	-	6		15					15				15				15			66
Other expenses	-			3				3		3						3			3	15
DIP fees (net of initial deposit received by DIP lend	54	8																		8
DIP Legal fees	16																			
Interest on DIP Loan	-	6					9				12				12				12	51
Visa	-	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	36
Contingency (general provision)	-	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	90
Total Disbursements	**487**	**312**	**723**	**313**	**314**	**107**	**423**	**98**	**287**	**121**	**313**	**179**	**282**	**216**	**299**	**129**	**240**	**113**	**271**	4,739
Forecast receipts over disbursements	(179)	75	(485)	(75)	(196)	(19)	177	266	(61)	157	(222)	(15)	53	12	(113)	69	(14)	(113)	(134)	(636)
Retturn of funds to shareholder		(220)																		(220)
DIP Loan	600		195	100	200													-		495
Bank balance- beginning balance	14	435	290	0	26	30	11	188	454	394	551	329	314	367	379	265	334	321	208	435
Bank balance- ending balance	**435**	**290**	**0**	**26**	**30**	**11**	**188**	**454**	**394**	**551**	**329**	**314**	**367**	**379**	**265**	**334**	**321**	**208**	**74**	**74**
Cumulative DIP	600	600	795	895	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	
DIP Interest	12.95%																			

Appendix “C”

1138969 Ontario Inc. o/a Springer Aerospace

Weekly Cash-flow Projections

For the period ending April 15, 2023

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	
(unaudited - in thousands of $)	**11-Feb**	**18-Feb**	**25-Feb**	**04-Mar**	**11-Mar**	**18-Mar**	**25-Mar**	**01-Apr**	**08-Apr**	**15-Apr**	**Total**
	Actual										
Receipts											
Accounts receivable (other)	-	4	-	-	-	-	-	-	-	-	4
Routine work	264	141	108	-	279	8	14	112	51	362	1,076
Non-routine work	135	-	32	-	-	-	243	58	316	114	761
Anticipated Part Sales	-	-	-			-	123			7	130
Other Income - obsolete inventory sold	0.126										-
Advances from shareholder/other											-
Total receipts	**399**	**145**	**140**	**0**	**279**	**8**	**379**	**170**	**367**	**483**	**1,971**
Disbursements											
Suppliers (fuel, paint)	35	32	20	20	0	0	43	20	0	0	135
Routine work - Parts and materials	7	0	0	0	0	0	0	0	0	0	0
Non-routine work - Parts and materials	7	7	30	7	17	0	7	7	7	7	89
Other parts & materials	2	7	7	7	7	7	7	7	7	7	64
Tools & supplies	15	4	4	4	4	4	4	4	4	4	36
Labour	0	115	0	115	0	115	0	115	0	115	573
Subcontract labour	34	0	28	0	28	0	28	0	28	0	110
Wages - administration	0	32	0	32	0	32	0	32	0	32	160
Group Insurance	18	0	0	0	17	0	0	0	17	0	34
Garnishments - Wages	0	2	1	1	1	1	1	1	1	1	10
WSIB and EHT	0	0	0	5	0	0	0	6	0	0	11
KERP	0	0	0	0	0	0	0	0	0	0	0
Freight	7	0	1	0	3	0	1	0	0	3	10
Office supplies & postage	1	0	0	0	0	0	0	0	0	0	0
Brokerage - Cole	1	0	0	2	0	2	0	2	0	2	8
Repairs and maintenance	0	0	0	0	0	0	0	0	0	0	0
Property taxes	0	21	0	0	0	0	0	0	0	21	43
Licenses, fees and dues	4	0	12	0	0	4	0	0	0	4	20
Automotive expenses	0	0	0	0	0	0	0	0	0	0	0
Automotive Lease	0	0	1	1	0	0	1	1	0	0	4
Travel and promotion	6	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	15	0	0	15	0	0	30
Bank charges and interest	0	0	0	1	0	0	0	1	0	0	2
Insurance	0	0	0	22	0	0	0	22	0	0	44
Telephone and communications	2	0	0	1	0	0	0	1	0	1	3
Professional fees (Legal and accounting)	41	0	0	20	45	0	100	86	50	50	351
Chief restructuring Officer/Director of maintenance	3	0	0	0	0	0	0	0	0	0	0
Utilities (hydro propane and electric, GFL waste, Kahri (septic)	7	12	0	2	6	12	0	2	0	12	48
Other expenses	4	0	0	3	0	0	0	3	0	0	5
DIP Legal fees	0	0	4	0	2	0	0	0	0	0	6
Interest on DIP Loan	0	0	12	0	0	0	13	0	0	0	25
Contingency (general provision)		0	10	10	10	0	10	10	10	10	70
Total Disbursements	**194**	**233**	**131**	**252**	**156**	**177**	**216**	**334**	**124**	**269**	**1892**
Forecast receipts over disbursements	206	(88)	9	(252)	123	(168)	163	(164)	243	214	79
Retturn of funds to shareholder											
Bank Transfersand interest											
DIP Loan				150		50			(200)	(290)	(290)
Bank balance- beginning balance	7	213	125	133	31	154	36	199	35	78	213
Bank balance- ending balance	**213**	**125**	**133**	**31**	**154**	**36**	**199**	**35**	**78**	**2**	**2**
Cumulative DIP	1,100	1,100	1,100	1,250	1,250	1,300	1,300	1,300	1,100	810	810
DIP Interest	12.95%										

Purpose and General Assumptions

1. The purpose of the Statement of Weekly Cash Flow Projections (the "**Revised Cash Flows**") covering the period February 13, 2023 to April 15, 2023 (the "**Revised Cash Flow Period**") is to present a cash forecast of 1138969 Ontario Inc. o/a Springer Aerospace and Springer Aerospace Holdings Limited (the "**Companies**") for the Revised Cash Flow Period in respect of their proceedings under the *Companies' Creditors Arrangement Act*.

Disclaimer

2. In preparing the Revised Cash Flows, the Companies have relied upon unaudited financial information and have not attempted to further verify the accuracy or completeness of such information. Since the Revised Cash Flows are based on assumptions about future events and conditions that are not ascertainable, actual results achieved during the Revised Cash Flow Period will vary from the Revised Cash Flows, even if the assumptions materialize, and such variations may be material. There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized.

Overview

1. The Revised Cash Flows include the receipts and disbursements of the Companies during the Revised Cash Flow Period.
2. The Revised Cash Flows are presented in thousands of Canadian dollars.

The Revised Cash Flows of the Companies includes the following assumptions:

3. The receipts from routine and non-routine work include projected collections from accounts receivable existing at the start of the Revised Cash Flow Period, together with

projected receipts arising from work in progress and one potential new order. Collections are assumed to be made in accordance with existing customer payment terms and practices and/or based on Management's best estimate. In preparing the Revised Cash Flows and, in an effort, to be conservative, the Companies have not reflected the potential benefit of two (2) of its current projects with anticipated gross receipts of approximately $532,000, due to their dependence on and the uncertainty of the availability and delivery of certain aircraft parts within the Revised Cash Flow Period.Payments to Suppliers, Routine work-Parts and Materials and Non-Routine Work-Parts and Materials relate to the Companies' projected payments for ongoing supply of goods and services required to sustain operations and to complete customer contracts. Payment terms are assumed to be cash on delivery.

4. Customers are currently supplying parts for most of the active projects for aircraft MRO related activities and will continue supplying the parts during the Revised Cash Flow Period.
5. The Labour and Subcontract Labour costs are based on current staffing levels and remain subject to change. Key Employee Retention Plan ("KERP") bonus payments have been considered based on discussions with the Management but are assumed to be paid subsequent to the Revised Cash Flow Period.
6. Professional fees include charges for the Companies' counsel, the Proposed Monitor's fees, and expenses including the fees and disbursements of the Monitor's independent legal counsel.
7. Interest on DIP Financing is payable at the end of every month at 12.95% per annum.
8. Other disbursements are based on Management's best estimates.
9. No provision for income taxes has been made.

Appendix “D”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC. (the "**Applicants**")

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT (PARAGRAPH 10(2)(B) OF THE CCAA)

1138969 Ontario Inc. o/a Springer Aerospace and Springer Aerospace Holdings Limited (collectively, the "**Applicants**") have developed the assumptions and prepared the attached Statement of Revised Cash Flow Projections ("**Revised Cash Flow**") as of the 17th day of February 2023 for the period February 13, 2023, to April 15, 2023. All such assumptions are disclosed in the Notes to Statement of Revised Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Revised Cash Flow as described in Note 1 to the Revised Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Revised Cash Flow.

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

The Revised Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Revised Cash Flow may not be appropriate for other purposes.

Dated at Echo Bay, Ontario this 21st day of February 2023.

1138969 Ontario Inc. o/a Springer Aerospace

Per:

Christopher Grant

Springer Aerospace Holdings Limited

Per:

Christopher Grant

Appendix “E”

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC.

MONITOR'S REPORT ON CASH FLOW STATEMENT

(paragraph 23(1)(b) of the CCAA)

FEBRUARY 21, 2023

The attached Cash Flow Forecast of 1138969 Ontario Inc. o/a Springer Aerospace and Springer Aerospace Holdings Limited (collectively, the "**Applicants**") as of the 17th day of February 2023, consisting of a weekly projected cash flow statement for the period February 13, 2023, to April 15, 2023 (" **Revised Cash Flow**") has been prepared by the management of the Applicants for the purpose described in the Disclaimer, using the probable and hypothetical assumptions set out in the Assumptions to the Revised Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied by the management, employees and the representatives of the Applicants. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Cash Flow. We have also reviewed the support provided by management of the Applicants for the probable assumptions, and the preparation and presentation of the Revised Cash Flow.

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

a) the hypothetical assumptions are not consistent with the purpose of the Revised Cash Flow.

b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Revised Cash Flow, given the hypothetical assumptions; or

c) the Revised Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Revised Cash Flow 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, we express no assurance as to whether the Revised Cash Flow will be achieved. We express no opinion or other forms of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

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

Dated in Toronto, Ontario this 21st day of February 2023.

MNP LTD.
IN ITS CAPACITY AS MONITOR OF
1138969 ONTARIO INC. o/a SPRINGER AEROSPACE AND
SPRINGER AEROSPACE HOLDINGS LIMITED
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY

Per:

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPRINGER AEROSPACE HOLDINGS LIMITED AND 1138969 ONTARIO INC.

Court File No. CV-22-00690657-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at Toronto

THIRD REPORT OF THE MONITOR, MNP LTD.

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Lawyers for MNP Ltd., in its capacity as Monitor of Springer Aerospace Holdings Limited and 1138969 Ontario Inc.