

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

SUPERIOR COURT
«Commercial Division»

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

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

FLIGHTHUB GROUP INC.

- and -

FLIGHTHUB SERVICE INC.

- and -

SSFP CORP.

- and -

JUSTFLY INC

- and -

JUSTFLY CORP.

- and -

11644670 CANADA INC.

Debtors

and

MNP LTD

Monitor

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

INTRODUCTION AND PROCEDURAL CONTEXT

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

I. TERMS OF REFERENCE AND DISCLAIMERS

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

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

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

II. BACKGROUND AND PROCEDURAL CONTEXT

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

10. On June 5, 2020, the Monitor filed an Application for Directions in Respect of the Treatment of Certain Pre-Filing Obligations of the Debtors (the "**Monitor's Application for Directions**"), in which the Monitor made recommendations and sought directions and advice from this Court with respect to the treatment of certain pre-filing chargebacks processed by credit card payment processing services. The Monitor filed its Second Report to the Court in conjunction with the Monitor's Application for Directions.
11. On June 5, 2020, the Company filed an *Application for the Issuance of a Claims Process Order* (the "**Claims Procedure Application**"), in view of establishing a formal process for the filing of all claims against the Company and its directors and officers (the "**Claims Process**").
12. On June 19, 2020, the Court granted (i) the relief sought in the Monitor's Application for Directions; and (ii) the relief sought by the Company in its Claims Procedure Application (the "**Claims Procedure Order**"), though in the latter case, under reserve of the Commissioner's right to file an application that would seek the exclusion, from the Claims Procedure Order, of its potential claims against the directors and officers of the Company.
13. Pursuant to the Claims Procedure Order, anyone wishing to assert a claim against the Company or any of its directors and officers has until July 30, 2020 (the "**Claims Bar Date**"), after which all claims will be barred.
14. On July 13, 2020, as appears from the Court record, further to an *Application of the Commissioner the Amendment of the Definition of [the term] "Claim against the Directors or Officers" of the Claims Procedure Order*, (the "**Commissioner's Application**"), further to a contestation filed in respect thereto by the Company, and further to exchanges between the Monitor, the Commissioner and the Company, the Commissioner's Application was discontinued, under reserve of the Commissioner's right to contest any potential releases that may subsequently be sought in favour of the directors or offices of the Company in the context of the CCAA Proceedings.
15. In parallel to the CCAA Proceedings before this Court, proceedings were initiated before the United States Bankruptcy Court for the District of Delaware (the "**US Court**") in order to recognize the CCAA proceedings in respect of the Applicants in the United States of America under Chapter 15 of the United States Bankruptcy Code.

16. Further to a hearing held on June 17, 2020, Justice John T. Dorsey of the US Court granted the order sought by the Company, as appears from the proceedings and the order filed in support of the Applicants' Contestation, in the Court record, all of which is also available on the Monitor's website.
17. On July 23, 2020, the Company served an Application for the Issuance of an Order Extending the Stay Period until September 30, 2020 (the "**Application for Stay Extension**").

III. RESTRUCTURING EFFORTS TO DATE

18. Since the issuance of the Initial Order, the Company, with the assistance of the Monitor, has resolved various issues which arose with certain suppliers, and has otherwise endeavoured to diligently address ongoing or newly arising issues with suppliers and regulatory authorities.
19. Among the matters which arose since the Initial Order, the Monitor notes the following:
 - a. **TPUSA-FHCS, Inc. ("TPUSA")**: TPUSA has been providing call-centre services and back office administration services to the Company. Issues arose pertaining to the proper identity of TPUSA's debtor in relation to invoices for services rendered by TPUSA. Further to numerous exchanges and negotiations, a settlement agreement has been reached with TPUSA such that the service agreement governing the relationship with the parties has been amended and restated. The Monitor views this agreement as a positive development, seeing as (i) the services provided are important to the Company, (ii) it properly realigns pre-filing with post-filing liabilities, and (iii) avoids the costs and risks associated with litigating these issues.
 - b. **Nuvei Technologies Corp. ("Nuvei")**: Nuvei provides credit card payment processing services to the Company. On July 3, 2020, Nuvei sent a notice by which it purported to terminate the agreement between the Company and Nuvei, and recently created for itself a holdback reserve of more than \$2,400,000 in order to guarantee potential liabilities that may arise from chargebacks. The Company has contested this position. Nuvei has not implemented its purported termination, but has maintained its position with respect to

the holdback reserve. The parties are currently in the process of attempting to resolve these issues. While the Monitor has not completed its analysis of the legal and factual ramifications of Nuvei's position, the Monitor is concerned about the financial implications of Nuvei's position. Precluding the Company from access to these funds may pose a significant risk to the Company from a cash flow perspective. The Monitor has also expressed to the Company its concerns about the legality of Nuvei's position, including that it may be tantamount to a *de facto* resiliation of the agreement and/or whether this constitutes a recourse within the meaning of the Initial Order, and/or whether allowing Nuvei to maintain this reserve would amount to a preference.

- c. **City of San Francisco (the "City")**: The US Court initially declined to order the relief sought by the City in connection with the Company's Chapter 15 proceedings, namely that the litigation instituted by the City against the Company not be stayed by the automatic stay of proceedings. The Company has retained counsel in California (Cooley, LLP). Negotiations and cooperation with the City appear to be progressing in a positive direction, and the Monitor understands that the City may be filing a proof of claim in furtherance of these negotiations.
- d. **US Department of Transportation ("USDOT")**: The USDOT has only recently retained Canadian counsel in the context of these proceedings. The Monitor's counsel has engaged with said counsel and Cooley LLP has also engaged with representatives of the USDOT in the US. The parties are endeavouring to come to an agreement that would resolve all ongoing regulatory compliance matters and outstanding pecuniary and regulatory issues, in a manner that would provide requisite certainty to the Company as it prepares to emerge from the CCAA process. The Monitor understands that a resolution of these issues may include, among other elements, the filing of a proof of claim by the USDOT in the Claims Process.
- e. **The Commissioner**: The Company and its counsel have been liaising with the Commissioner and its counsel, as the Commissioner continues its investigation. The Monitor understands that the Commissioner is also preparing to file a proof of claim in the Claims Process.

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

- a. Monitored the receipts and disbursements of the Company, as well as the current and ongoing operations of the Company;
- b. Monitored the situation of the Company as it pertains to the processing of transactions with credit card payment processing service providers (the "**Payment Processors**"). This includes, generally, monitoring or projecting the flow of chargebacks and refunds processed through them, and updating projections pertaining to Chargebacks and how these may affect cash flows and cash flow projections;
- c. Performed and/or reviewed a periodic analysis of the variance between actual cash flow results as compared to projections established with the Company;
- d. Assisted in the preparation of an updated weekly cash flow forecast, namely in respect of the extension sought by the Company;
- e. Oversaw the process pertaining to the disclaimer of agreements deemed onerous or uneconomic;
- f. Oversaw the process pertaining to the formal termination of certain employees, further to the temporary lay-offs initially implemented in the wake of the Covid-19 pandemic and ensuing governmental decrees and measures;
- g. Assisted, and continues to assist, the Company in negotiations and interactions with various suppliers, including TPUSA and Nuvei;
- h. Engaged with the Company, its counsel, the Commissioner and its counsel, in view of advancing or resolving issues pertaining to, *inter alia* (a) the Claims Procedure Order (as described above); (b) the Claims Process in general; and (c) the ongoing investigation of the Commissioner and the parameters thereof;
- i. Liaised with the Company, its Canadian counsel and US Counsel in respect of US regulatory matters (i.e.: with the City Attorney of San Francisco and the US DOT), especially as it pertains to the Claims Process and the resolution of any potential compliance issues;

- j. Oversaw or otherwise assisted the Company and its counsel in respect of the enforcement of the stay of proceedings homologated in the US through the Chapter 15 USC proceedings, including as it pertains to a lawsuit in Texas;
- k. Responded to queries from various creditors or stakeholders;
- l. Attended or held (as the case may be) various meetings, conference calls, and court hearings;
- m. Assisted the Management with respect to the CCAA process generally;
- n. Updated the Monitor's website as per the Initial Order regarding the CCAA process;

IV. INFORMATION ON THE AFFAIRS AND FINANCES OF THE COMPANY

A. CASH FLOW STATEMENT FOR THE 11-WEEK PERIOD FROM MAY 1ST, 2020 TO JULY 17, 2020

21. As instructed by the Court and pursuant to the CCAA, the Monitor has monitored the Company's receipts and disbursements and its statement of receipts and disbursements for the period of May 1, 2020 to July 17, 2020, with a comparison with the weekly cash flow projections contained in the Monitor's First Report to the Court summarized below.

22. The cash flow of the Company shows a positive variance of \$2M, as explained hereafter.

Flight Hub Group

Cash Flow Statement

For the Period from May 1, 2020 to July 17, 2020

(Unaudited - in '000 CAN \$)

	Actual	Forecast	Variance
Receipts			
Revenues	\$ 8,936	\$ 3,183	\$ 5,753
Other	4,608	4,000	608
	<u>13,543</u>	<u>7,183</u>	<u>6,361</u>
Disbursements			
Operations & Administrative	11,424	7,704	(3,720)
Financial	21	283	262
Foreign exchange impact	71	-	(71)
	<u>11,516</u>	<u>7,987</u>	<u>(3,530)</u>
Cash flow	<u>2,027</u>	<u>(804)</u>	<u>2,831</u>
Indebtedness - Beginning	(30,759)	(30,773)	(14)
Indebtedness - End	<u>\$ (28,732)</u>	<u>\$ (31,577)</u>	<u>\$ 2,817</u>

Receipts

23. The receipts were \$6,361M higher than expected. The positive variance is mainly explained by higher revenues driven by higher demand than expected for the services provided by the Company. The average daily bookings were 76% higher than expected at 1,901 per day compared to a forecasted 1,082 per day. These bookings, together with the ancillary revenues explained a permanent positive variance of \$7.3M.
24. This positive variance is negatively impacted by the creation of a holdback reserve by Nuvei of more than \$2.4M.
25. The other receipts relate to the receipts of the initial temporary funding (\$4M) and tax returns that were still uncertain and, consequently, not included in the forecasts.

Disbursements

26. Disbursements were \$2,831M higher than forecasted. The negative variance is mainly explained by higher sales volume. However, the average acquisition costs were lower than forecasted. The Company did review its marketing strategies and optimized its marketing expenses by, among other things, ending unprofitable marketing campaigns.
27. Other disbursements were as forecasted, except for a temporary variance on the financial charges.

Cash position

28. The indebtedness at end is composed of the different elements, as presented hereafter

	As at Jul. 17, 2020
Cash on hand	\$ 3,568
Line of credit	<u>(32,300)</u>
	\$ (28,732)

B. UPDATE ON THE CHARGEBACKS

29. The value of the chargebacks initiated during the period was 16%, or \$1M, higher than the initial \$6M forecast.
30. However, the cash impact of the chargebacks was in line with the forecast, mainly due to a combination of higher than expected win rates with the payment processors' chargebacks and a low resolution rate with the wholesalers' chargebacks.
31. The wholesalers' open chargebacks increased by more than \$2.4M during the period. This is explained by the uncertainty still surrounding the refunds of airline tickets by the airlines. Discussions with wholesalers and airline companies are ongoing.

C. UPDATED CASH FLOW FOR THE 13-WEEK PERIOD FROM JULY 1, 2020 TO OCTOBER 2, 2020

32. The Company presents to this Court its cash flow forecasts (the "Cash Flow" or "Forecast") for the thirteen-week period from July 1, 2020 to October 2, 2020 (the "Period") (**Appendix A**).
33. The Company's Cash flow for the Period is based on assumptions provided by Management and based on financial and other operating information available as at July 24, 2020. The Cash Flow was prepared using probable assumptions supported and consistent with the plans of the Company for the Period and took into consideration the economic conditions that are deemed most probable by Management.
34. The Monitor reports as follows with respect to the Forecast:
- a. The Monitor's review consists of inquiries, analytical procedures and discussions related to information supplied by Management and selected employees of the Company. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect thereto were limited to evaluating whether they were consistent with the purpose of the Forecast. We have also reviewed the support provided by Management for said probable assumptions in the preparation and presentation of the Forecast.

- b. Based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
- i. The hypothetical assumptions are not consistent with the purpose of the Forecast;
 - ii. As of the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Forecast, given the hypothetical assumptions;
 - iii. Since the Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Forecast will materialize. The Monitor further expresses no opinion or other form of assurance with respect to the accuracy of any financial information reported with respect to the Forecast or relied upon by it in reporting on the Forecast.

35. The projected Cash Flow reflects the following:

- a. The cash flow from operation is expected to be negative by an amount of approximately \$3.2M over the Period. The required cash flow will be funded from the cash on hand.
- b. As mentioned above, a payment processor, Nuvei, recently created and now holds a reserve of more than \$2.4M. The discussion on the reimbursement of that reserve to the Company are still ongoing and the outcome remains uncertain at this date. Accordingly, and strictly out of abundance of caution, the projected cash flow does not take into consideration any receipts from a potential settlement.
- c. The decrease in cash flow is mainly explained by the following elements:
 - iv. The assumptions are conservative in all material respects, i.e.: number of bookings, average revenue by booking, cost of acquisition, and outcome of dispute with Nuvei.
 - v. A payment of \$1.2M to be made to wholesalers on open chargebacks;
 - vi. A remaining payment of \$454K relating to insurance premiums;

- vii. Negative net income of \$306K for the Period, mainly explained by the ongoing restructuring fees;
- viii. Payment of unpaid interest expenses of \$160K.

V. CONCLUSIONS AND RECOMMENDATIONS

36. The Monitor is of the view that the Company has acted diligently and in good faith since the issuance of the Initial Order. The Company, its directors and officers have acted with diligence and dispatch in responding to the Monitor's queries, and in addressing inquiries, requests, correspondence and proceedings from other stakeholders.
37. The Company is compliant with its statutory obligations under the CCAA and has complied with the provisions of the Initial Order.
38. The Company and the Monitor have maintained ongoing discussions and demonstrated meaningful cooperation with key stakeholders, including the Commissioner, the USDOT, and certain suppliers, including payment processors.
39. The Company and its principals continue to focus on restructuring initiatives, including the advancement of the Claims Process and working towards emerging from the CCAA process.
40. During the Stay Period, it is expected that:
- a. The Monitor will continue to monitor the receipts and disbursements, including the processing of chargebacks;
 - b. The Monitor, with the cooperation of the Company and assistance of counsel, will process the claims that will have been filed by the Claims Bar Date;
 - c. The Company, with the assistance of the Monitor, will engage with various stakeholders and regulatory authorities in view of resolving, to the extent possible, any issues or disputes, or otherwise assessing the appropriate means of dealing with same. This includes, specifically, cooperating with the USDOT and the Commissioner in the context of their ongoing investigations and the Claims Process;
 - d. Engaging with Nuvei in respect of issues which recently arose, or otherwise taking requisite measures in view of having same resolved;

- e. Take measures and perform actions necessary or useful in view of advancing towards an efficient emergence from the CCAA process, including the filing of a plan of arrangement.
41. In light of the foregoing, the Monitor is of the view that the extension of the Stay Period as sought by the Applicants in the Application for Stay Extension is reasonable and that is in the best interests of the stakeholders as a whole, and of the Company, that the relief sought be granted.

All of which is respectfully submitted to this Honourable Court at Montreal, this 25th day of July 2020.

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



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

APPENDIX A

Flight Hub Group

Forecasted Cash Flow Statement

For the Period from July 1, 2020 to October 2, 2020

(Unaudited - in '000 CAN \$)

Week ending	Weekly Cash Flow														Total
	1 to 3-Jul-20	10-Jul-20	17-Jul-20	24-Jul-20	31-Jul-20	7-Aug-20	14-Aug-20	21-Aug-20	28-Aug-20	4-Sep-20	11-Sep-20	18-Sep-20	25-Sep-20	2-Oct-20	
Receipts															
Revenues	\$ 377	\$ 628	\$ 628	\$ 628	\$ 628	\$ 669	\$ 669	\$ 669	\$ 669	\$ 617	\$ 604	\$ 604	\$ 604	\$ 621	\$ 8,618
	377	628	628	628	628	669	669	669	669	617	604	604	604	621	8,618
Disbursements															
Operations	612	632	865	632	1,029	662	1,012	662	1,937	587	919	569	629	651	11,399
Financial	-	-	-	-	252	-	-	-	-	92	-	-	-	92	436
	612	632	865	632	1,281	662	1,012	662	1,937	679	919	569	629	743	11,835
Cash flow	(236)	(4)	(237)	(4)	(653)	7	(343)	7	(1,268)	(62)	(314)	36	(24)	(122)	(3,216)
Cash position - Beginning	(27,965)	(28,200)	(28,204)	(28,441)	(28,445)	(29,097)	(29,090)	(29,433)	(29,426)	(30,694)	(30,757)	(31,071)	(31,035)	(31,060)	(27,965)
Cash position - Ending	<u>\$(28,200)</u>	<u>\$(28,204)</u>	<u>\$(28,441)</u>	<u>\$(28,445)</u>	<u>\$(29,097)</u>	<u>\$(29,090)</u>	<u>\$(29,433)</u>	<u>\$(29,426)</u>	<u>\$(30,694)</u>	<u>\$(30,757)</u>	<u>\$(31,071)</u>	<u>\$(31,035)</u>	<u>\$(31,060)</u>	<u>\$(31,181)</u>	<u>\$(31,181)</u>

This cash flow forecast was prepared in accordance with sections 10(2) and 23 of the *Companies' Creditors Arrangement Act* (CCAA) and should be read along with the Monitor's report on the state of the company's business and financial affairs.

Prepared on July 24, 2020.

**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 FLIGHTHUBGROUP INC, FLIGHTHUB SERVICE INC, SSFP CORP,
JUSTFLY INC., JUSTFLY CORP. AND 11644670 CANADA INC
(THE "APPLICANT")
MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The Debtor have developed the assumptions and prepared the attached Projected Statement of Cash Flow as of the 24th day of July 2020 for the period from July 1, 2020 to October 2, 2020 ("**Cash Flow**"). All such assumptions are disclosed in the Notes to Projected Statement of Cash Flow hereafter.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in the Notes to the Forecasted Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow. Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The 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 Cash Flow may not be appropriate for other purposes.



Marc Ghobriel
CFO, duly authorized

FLIGHTHUB GROUP

DRAFT - For discussion purposes only

Notes to the Forecasted Cash Flow Statement

From July 1, 2020 to October 2, 2020 ("Forecast Period")
(Unaudited)

1. DISCLAIMER

In preparing the Cash Flow Statement, FlightHub Group Inc. and its subsidiaries (collectively the "**Applicant**") have relied upon unaudited financial information, since the Cash Flow Statement is based on assumptions about future events and conditions that are not ascertainable. The actual results achieved during the Forecast Period will vary from the Cash Flow Statement, even if the assumptions materialize, and such assumptions may be material.

2. OVERVIEW

The Cash Flow Statement includes the receipts and disbursements of the Applicant during the Forecast period. The Applicant, with the assistance of MNP Ltd., in its capacity as Monitor has prepared the Cash Flow Statement based primarily on estimated receipts and disbursements related to the CCAA proceedings.

3. DESCRIPTION OF THE BUSINESS AND NATURE OF OPERATIONS

The Cash Flow Statement represents the operations of FlightHub Group Inc. and its wholly owned subsidiaries which are composed of the following entities:

- a. FlightHub Group Inc. (Formerly 7513283 Canada Inc., 11365649 Canada Inc.)
- b. FlightHub Service Inc. (Formerly Summit Services Intl Inc.)
- c. SSFP Corp. (Delaware)
- d. Justfly Inc. (Formerly FLIGHTHUB Inc., 8982937 Canada Inc.)
- e. Justfly Corp. (Delaware)
- f. 11644670 Canada Inc.

collectively defined as "**FlightHub Group**" or the "**Company**".

The Company is engaged in the business of creating and maintaining travel software, operates an Online Travel Agency and call center for travel services, in addition to providing management services.

The U.S. based companies are wholly owned subsidiaries who operate Justfly, the U.S. based OTA platform. There are frequent interactions between the Canadian and the U.S. companies, and as a result, the Cash Flow has been completed on a combined basis for all entities. The Cash Flow Statement includes 13-weeks of the Company's operations and includes the DIP funding.

4. GENERAL ASSUMPTIONS

The projected Cash Flow Statement was prepared based on the following assumptions:

a. Revenue

Revenue consists of airline commissions, ancillary revenue such as seat request, cabin upgrade, travel insurance with cancellation protection, service fees for modifications to bookings, and other revenue including advertising, commission on car rentals, hotel reservations and other air travel related revenue.

b. Collection of accounts receivable

Collection terms of accounts receivable vary based on the source of the revenue. Standard collection terms for revenue derived directly from customers through payment processors on the OTA platform is usually between 1 to 2 days after the transaction is completed. Categories of revenue processed directly through payment processors includes airline commissions, ancillary revenue and service fees.

Collection terms for revenue processed with partner airlines, hotel and car rental aggregators and banner advertising revenue are usually within the current month.

c. Sales tax refunds

The Company files monthly sales tax reports for all its Canadian entities. The Company is structured so that only the Canadian portion of its sales is subject to GST- QST, whereas the majority of its expenses are incurred in Canada and are subject to sales tax. Sales tax estimates reflect recent changes in the Company's cost structure, with a significant drop of taxable revenue and equivalent cost reductions.

d. Cost of Goods Sold / Supplier Payment terms

Cost of Goods Sold consist of the following:

- i. Payments to search engine are based on costs per click, payable at the end of each month
- ii. Payments to travel meta sites are based on costs per click, payable at the end of each month
- iii. Revenue sharing with travel meta sites are based on costs per click, payable at the end of each month
- iv. Payments to social media sites are based on costs per click, payable at the end of each month

The Company and the Proposed Monitor expect trade suppliers to adhere to supply terms outlined in the Initial Order. In the event suppliers disrupt the forecasted process, the Company has forecasted weekly payment terms for suppliers and available cash from the DIP funding for cash on demand payments to provide deposits to new suppliers in order to avoid business disruption.

e. Wages and benefits

Payroll is forecasted from the most recent payroll information headcount. The Company has proceeded with temporary lay-off in recent weeks due to the Covid situation. The Company forecasts its wages and benefits to remain constant over the Forecast Period.

f. Payroll subsidies

The Company has applied for the Canada Emergency Wage Subsidy, for periods 1 to 4 (from March 15, 2020 to July 4, 2020) and forecasts to apply for periods 5 to 9 (up to November 21, 2020). An average subsidy amount was included in the forecast and is lower than the amounts the company is eligible for. For periods 5 and 6 (up to August 29, 2020), the Company is eligible to 85% of eligible earnings, up to a maximum of \$960 per employee. The subsidy is declining thereafter.

g. Professional fees – Restructuring

The professional fees for the restructuring are forecasted based on the anticipated fees to be incurred during the process and payable during the month they are incurred.

h. Rent & Utilities

The Company's main office space is leased in Ville St-Laurent, Quebec. The Company intends to continue its main lease through the restructuring process.

i. Software and Web Hosting expenses

The Company has reduced the scope and breadth of software and web hosting services it requires and has renegotiated amenable terms for the restructuring process.

j. DIP fees and repayment

DIP fees are estimated based on the details of the DIP Facility. Payment of interests for May and June 2020 is included in July 2020.

k. Interest on debt

Interest debt will be paid or accrued as per existing contract terms.

l. Opening Cash position

The Company uses multiple CAD and US bank accounts for the legal entities comprised in the FlightHub Group. The opening cash balance is composed of the combined bank statements of the Company and the short-term indebtedness owing to the secured lender.