

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:**

**Appendix “A”** — The Pre-Filing Report and the First Report of the Monitor (without appendices)

**Appendix “B”** — The proposed sale and investment solicitation process

**Appendix “C”** — Revised Cash Flow Forecast

## 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.

Causes of the Financial Difficulties and Insolvency:

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: S000' CAD	Two-Week Period Ended Dec 10, 2022		
	Actual	Budget	Variance
<b>Receipts</b>			
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	-
<b>Total receipts</b>	<b>520</b>	<b>626</b>	<b>(106)</b>
<b>Disbursements</b>			
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
<b>Total Disbursements</b>	<b>606</b>	<b>1,034</b>	<b>428</b>
<b>Operating Net Cash Flow</b>	<b>(86)</b>	<b>(408)</b>	<b>322</b>
Return of funds to shareholder	(230)	(220)	(10)
DIP Loan advances	200	195	5
Opening bank balance	431	435	(4)
<b>Ending Cash</b>	<b>315</b>	<b>2</b>	<b>314</b>
<b>Cumulative DIP</b>	<b>800</b>	<b>795</b>	<b>5</b>

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:<sup>1</sup>

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<sup>1</sup> 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

	<b>Event</b>	<b>Expected Timing</b>
1	Finalization of materials, including: (a) the Teaser document; (b) a list of potential bidders (investors or bidders) (“ <b>Known Potential Bidders</b> ”); (c) a form of non-disclosure agreement (“ <b>NDA</b> ”); and (d) the Confidential Information Memorandum (“ <b>CIM</b> ”)	By no later than January 10, 2023
2	<b>Notice of the SISP:</b> (i) causing a notice of the SISP (and such other relevant information as Springer, in consultation with the Monitor, considers appropriate) (the “ <b>Notice</b> ”) 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 (“ <b>Phase I Bid</b> ”)	February 3, 2023 (“ <b>Phase I Bid Deadline</b> ”)
7	Review and evaluation of Phase I Bids to determine whether any are qualified bids (“ <b>Qualified Phase I Bid</b> ”). 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 (“ <b>Phase 2 Bid</b> ”) by Qualified Phase 1 bidders (“ <b>Phase II Bidders</b> ”)	March 7, 2023 (5:00 PM Toronto time)(the “ <b>Phase 2 Deadline</b> ”)
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 19<sup>th</sup> 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:



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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:

**Schedule “A”** — Cash Flow Forecast for the 13-Week Period Ending February 18, 2023

**Schedule “B”** — Management's Representation Letter Regarding the Cash Flow Forecast

**Schedule “C”** — The Proposed Monitor's Prescribed Report to the Court Regarding the Adequacy of the Cash Flow Forecast

**Schedule “D”** — Analysis of Approved DIP provisions

## 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.

### **Debtor-in-Possession Financing**

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.<sup>1</sup> 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

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<sup>1</sup> *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.

### **Proposed Court Ordered Charges Over Springer Aerospace's Assets**

#### ***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 SISF; 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 22<sup>nd</sup> 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:



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

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")**

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

**DECEMBER 1, 2022**

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### Appendices:

**Appendix “A”** — Pre-Filing Report of the Proposed Monitor, dated November 22, 2020

**Appendix “B”** — Initial Cash Flow Forecast

**Appendix “C”** — Revised Cash Flow Forecast

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**Appendix “E”** — The Monitor's Prescribed Report

## 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: S000' CAD	<i>One-Week Period Ended Nov 26, 2022</i>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Receipts</b>			
Routine work	51	175	(124)
Non-routine work	35	31	4
Injection of funds by shareholders	222	-	222
<b>Total receipts</b>	<b>308</b>	<b>206</b>	<b>102</b>
<b>Disbursements</b>			
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	-	-	-
<b>Total Disbursements</b>	<b>487</b>	<b>728</b>	<b>(241)</b>
<b>Operating Net Cash Flow</b>	<b>(179)</b>	<b>(522)</b>	<b>343</b>
DIP Loan advances	600	600	-
Opening bank balance	14	-	14
<b>Ending Cash</b>	<b>435</b>	<b>78</b>	<b>357</b>

26. Overall, Springer realized a favourable net cash flow variance of approximately \$343,000. 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 \$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 (iii) 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 1<sup>st</sup> 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:



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

# Appendix B



## SALE AND INVESTMENT SOLICITATION PROCESS

### For the sale of the business and/or assets of Springer Aerospace Holdings Limited and 1138969 Ontario Inc. (together, the “Company”)

#### Introduction

1. On November 23, 2022, the Company obtained an initial order under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), which was amended and restated pursuant to an Amended and Restated Initial Order on December 2, 2022 (the “**Initial Order**”). The Initial Order, among other things, appointed MNP Ltd. as monitor of the Company (the “**Monitor**”) and approved the engagement of Cedar Croft Consulting Inc. as chief restructuring officer to the Company (the “**CRO**”).
2. In accordance with the Initial Order, the Company was authorized to pursue all avenues of refinancing, restructuring, sale and reorganization of its business or property, in whole or in part, subject to prior approval of the Court. In this regard, the Company is commencing this Sale and Investment Solicitation Process (the “**SISP**”). This document outlines the SISP (“**SISP Outline**”).

#### Opportunity

3. The SISP is intended to solicit interest in and opportunities for a restructuring, recapitalization, sale, or refinancing of the Company’s assets and business operations (the “**Opportunity**”). The Opportunity may include one or more of a restructuring, recapitalization, sale or other form of reorganization of the Company’s assets (the “**Assets**”) and business operations (the “**Business**”) including the Company’s facilities located at the addresses municipally described as 377 Lakeview Road, 201 Riverside Drive, and 421 Lakeview Road, Echo Bay, Ontario.
4. Any transaction executed pursuant to this SISP will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature or description by the Monitor, the Company, the CRO, or any of their respective directors, officers, agents, advisors, or other representatives unless otherwise agreed in a definitive agreement.
5. All of the Company’s rights, title, and interest in and to any of their Business/Assets pursuant to any transaction(s) contemplated herein will be implemented free and clear of all liens, security interests, mortgages, charges, and other encumbrances, except those expressly assumed by the purchaser, pursuant to a Court order approving such transaction.

#### Timeline

6. The following table sets out the key milestones and deadlines under the SISP, which milestones and deadlines may be extended or amended by the Company, with the prior written approval of the Monitor, by up to a maximum of two weeks without Court approval:

<u>Milestone</u>	<u>Deadline</u>
Finalization of SISP Marketing Materials	<b>January 10, 2023</b>
Phase I Bid Deadline	<b>February 3, 2023</b>
Phase II Bid Deadline	<b>March 7, 2023</b>
Selection of Successful Bid	<b>March 13, 2023</b>
Court Approval of Successful Bid	<b>Week of March 27, 2023</b>
Closing of Successful Bid (the “ <b>Closing Date Deadline</b> ”)	<b>As soon as possible and no later than April 3, 2023</b>

Any extensions or amendments shall be communicated to all bidders in writing and posted on the Monitor’s Website at: <<https://mnpdebt.ca/en/corporate/corporate-engagements/springeraerospace>>.

#### **SOLICITATION OF INTEREST: NOTICE OF SISP**

7. By or no later than **January 10, 2023**, the Company, in consultation with the Monitor, shall:
  - (a) prepare a list of potential bidders who may be interested in purchasing all or part of the Business and Assets or investing in the Company pursuant to the SISP (“**Known Interested Parties**”);
  - (b) cause a notice of the SISP (and such other relevant information that the Company, in consultation with the Monitor, considers appropriate) (the “**Notice**”) to be published in any industry journal that the Company considers appropriate if it believes that such advertisement would be useful in the circumstances;
  - (c) issue a press release setting out the information contained in the Notice and such other relevant information that the Company considers appropriate with Canada Newswire designating dissemination in Canada and major financial centres in the United States;
  - (d) prepare an initial summary (“**Teaser Letter**”) describing the Opportunity and inviting recipients to express their interest pursuant to the SISP; and
  - (e) prepare a form of non-disclosure agreement (“**NDA**”).
  
8. The Monitor will send the Teaser Letter and the form of NDA to all applicable Known Interested Parties by no later than **January 11, 2023** and to any other party who requests a copy of the Teaser Letter and NDA (“**Additional Interested Parties**”), or who is later identified by the Company or the Monitor as a Known Interested Party, as soon as reasonably practicable after such request or identification, as applicable.

9. The Monitor will have responsibility for managing all communication with Known Interested Parties or Additional Interested Parties. This shall include facilitating the delivery of all communications, providing the Teaser Letter, coordinating the execution of NDAs, and managing the process of answering enquiries.

## **PHASE I: NON-BINDING LETTERS OF INTENT**

### **Potential Bidders and Due Diligence Materials**

10. During Phase I of the SISP, the Company, in consultation with the Monitor, will solicit non-binding letters of intent from Known Interested Parties and Additional Interested Parties to acquire all or part of the Business or Assets of the Company or to invest or refinance the Company pursuant to the SISP.
11. Any Known Interested Parties or Additional Interested Parties who wish to participate in the SISP must provide to the Monitor:
  - (a) an NDA executed by it;
  - (b) a letter setting forth the identity of the party, the contact information for such party, full disclosure of the direct and indirect principals of the party, and an acknowledgement of the SISP terms provided for in this SISP Outline; and
  - (c) in consultation with the Company, such form of financial disclosure that allows the Monitor to make a reasonable determination as to the party's financial and other capabilities to complete a transaction.
12. If an Interested Party has: (i) delivered an executed NDA and letter referred to in paragraphs 11(a) and 11(b) above; and (ii) provided the Monitor with 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, then such party will be determined by the Monitor to be a "**Potential Bidder**".
13. The Monitor will provide each Potential Bidder with a copy of a confidential information memorandum (the "**CIM**") and access to a virtual data room (the "**VDR**") to provide additional information considered relevant to the Opportunity.
14. The Monitor shall afford each Potential Bidder access to applicable due diligence materials and information pertaining to the Business and Assets of the Company as the Company, in consultation with the Monitor, deems appropriate in its reasonable business judgment. The Monitor will designate one or more representatives to coordinate all reasonable requests for additional information and due diligence access from each Potential Bidder and the manner in which such requests must be communicated.
15. The Monitor or the Company shall not be obligated to provide any information relating to the Business or the Assets to any person other than to Potential Bidders. For greater certainty, selected due diligence materials may be withheld from certain Potential Bidders during Phase I of the SISP, if the Company (with the consent of the Monitor) determines such information to represent proprietary or sensitive competitive information related to

the Business and/or the Assets of the Company that should not be provided to a Potential Bidder.

16. Potential Bidders must rely solely on their own independent review, investigation, and/or inspection of all information and of the Business and/or Assets in connection with their participation in the SISP and any transaction they enter into with the Company. The Company, the Monitor, the CRO, and their respective directors, officers, agents and advisors make no representation or warranty whatsoever as to the information (including, without limitation, with respect to its accuracy or completeness): (i) contained in the CIM; (ii) provided through the due diligence process or otherwise made available pursuant to the SISP; or (iii) otherwise made available to a Potential Bidder except to the extent contemplated in any definitive documentation duly executed and delivered by the Successful Bidder (as defined below) and the Company and approved by the Court.
17. At any time during the SISP, the Company may, in its reasonable business judgment and with the approval of the Monitor, eliminate a Potential Bidder from the SISP, in which case such party will no longer be a Potential Bidder for the purposes of the SISP.

### **Phase I Bid Deadline**

18. A Potential Bidder that wishes to make an offer pursuant to the SISP must email a non-binding letter of intent (a “**Phase I Bid**”) to the Monitor so as to be received by the Monitor not later than 5:00 PM (Eastern Time) on February 3, 2023 (the “**Phase I Bid Deadline**”), with a copy to each of the persons specified in Schedule “A” hereto.

### **Qualified Phase I Bids**

19. A Phase I Bid will be considered a qualified bid only if (collectively, the “**Phase I Bid Criteria**”):
  - (a) it is submitted on or before the Phase I Bid Deadline in accordance with paragraph 18 herein;
  - (b) it contains an indication of whether the Phase I Bid is offering to:
    - (i) acquire all, substantially all or a portion of the Assets or Business (a “**Sale Proposal**”); or
    - (ii) make an investment in, restructure, reorganize or refinance the Company (an “**Investment Proposal**”);
  - (c) in the case of a Sale Proposal or an Investment Proposal, it identifies:
    - (i) the identity of the bidder and full disclosure of any entities and/or individuals that control the bidder, and/or the beneficial owner (if any) with the power, directly or indirectly, to direct the management and policies of the bidder;

- (ii) a specific indication and preliminary evidence of the sources of capital/financing for the transaction, the availability of such financing, steps necessary and timing to obtain such financing, and any related contingencies and financial information that would allow the Monitor to make a reasonable determination as to the bidder's financial capabilities to complete the transaction;
  - (iii) a detailed description of the bidder's experience and expertise in the aerospace industry (if any);
  - (iv) the specific due diligence the bidder will conduct during Phase II, if any;
  - (v) a description of all conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder or other internal approvals, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
  - (vi) a description of all conditions the Potential Bidder expects to include in its final and binding offer, including without limitation, any regulatory approvals and any form of agreement required from a government body, stakeholder, or other third party and an outline of the principal terms thereof;
  - (vii) a statement that the bidder expects to be able to complete a transaction pursuant to the SISP on or before the Closing Date Deadline (as defined herein);
  - (viii) any other terms or conditions that are material to the transaction; and
  - (ix) such other information as reasonably requested by the Monitor or Company.
- (d) in the case of a Sale Proposal, it is accompanied by a letter setting forth:
- (i) the purchase price (the "**Purchase Price**") in Canadian dollars, including details of any and all liabilities to be assumed by the bidder;
  - (ii) a description of the Assets or Business that are expected to be the subject of the transaction and any of the Assets that are expected to be excluded;
  - (iii) specific statements concerning the intended treatment of employees, suppliers, and customers;
  - (iv) the key terms and provisions to be included in any order of the Court approving the contemplated Sale Proposal; and
  - (v) an acknowledgement that any Sale Proposal is made on an "as-is, where-is" basis.

- (e) in the case of an Investment Proposal, it is accompanied by a letter setting forth:
  - (i) the aggregate amount of the equity and/or debt investment (the “**Investment Amount**”) to be made in the Company in Canadian dollars;
  - (ii) a description of how the bidder proposes to structure the proposed investment(s);
  - (iii) key assumptions supporting the valuation;
  - (iv) the key terms and provisions to be included in any order of the Court approving the contemplated Investment Proposal;
  - (v) the underlying assumptions regarding the pro forma capital structure (including the form and amount of anticipated equity and/or debt levels, debt service fees, interest or dividend rates, amortization, voting rights or other protective provisions (as applicable), redemption, prepayment or repayment attributes and any other material attributes of the investment); and
  - (vi) an acknowledgement that any Investment Proposal is made on an “as-is, where-is” basis.

### **Assessment of Phase I Bids**

- 20. Promptly after the Phase I Bid Deadline, the Company, in consultation with the Monitor:
  - (a) will review and assess the Phase I Bids to determine whether they are qualified (such qualified bids being the “**Qualified Phase I Bids**” and the bidder thereof, a “**Qualified Phase I Bidder**”); and
  - (b) may request clarification of the terms of the Phase I Bids.
- 21. The Company, with the approval of the Monitor, may waive compliance with any one or more of the Phase I Bid Criteria and deem a non-compliant bid to have met the Phase I Bid Criteria.
- 22. In assessing whether the Phase I Bids received are Qualified Phase I Bids, the Company, in consultation with the Monitor, will consider, among other things, the following:
  - (a) whether the bid meets the Phase I Bid Criteria;
  - (b) the form and amount of consideration being offered, including any Purchase Price/Investment Amount adjustments and/or any non-cash consideration;
  - (c) the demonstrated financial capability of the bidder to complete the proposed transaction;
  - (d) the bidder’s proposed conditions to the closing of the proposed transaction; and

- (e) the estimated time required to complete the proposed transaction and whether, in the Monitor's reasonable business judgment, the transaction is reasonably likely to close on or before the Closing Date Deadline.
23. 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.
  24. If the Company, with the consent of the Monitor, determines that it is not satisfied with the number/content of the Qualified Phase I Bids received, the Company may seek Court approval of an amendment to the SISP on notice to the service list in these proceedings.

## **PHASE II – FORMAL OFFERS AND SUCCESSFUL BIDDERS**

25. Following the Phase I Bid Deadline, the Company, 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 they consider 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.
26. Upon the determination by the Company, 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 (the "**Bid Process Letter**") 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.
27. Notwithstanding paragraphs 23, 25 and 26, at any time following the Phase I Bid Deadline, the Company, with the consent of the Monitor and in consultation with Caisse Desjardins Ontario Credit Union Inc., may determine, in its reasonable business 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.
28. Paragraphs 29 to 43 below and the procedure of Phase II are subject to paragraphs 23, 25, 26 and 27, any adjustments made to Phase II in accordance with the Bid Process Letter, and any further order of the Court regarding the SISP provided that the milestones and deadlines set out herein shall not be extended except in accordance with the terms of paragraphs 6 and 40 of this SISP Process.

### **Due Diligence**

29. During Phase II of the SISP, each Qualified Phase I Bidder will be granted further access to such due diligence materials and information as the Company, in its reasonable business judgment and in consultation with the Monitor, determines is appropriate and available. Due diligence access may include management presentations, access to further data, on-site inspections, and other matters which a Qualified Phase I Bidder may reasonably request and which the Company deems appropriate. The Company shall not be obligated to provide

any information relating to the Business or the Assets to any person other than to Qualified Phase I Bidders.

30. For greater certainty, selected due diligence materials may be withheld from certain Qualified Phase I Bidders during Phase II of the SISP, if the Company (with the consent of the Monitor) determines such information to represent proprietary or sensitive competitive information related to the Business and/or the Assets of the Company that should not be provided to a Qualified Phase I Bidder.

### **Phase II Bid Deadline and Phase II Bid Criteria**

31. Subject to any adjustments made to Phase II set out in the Bid Process Letter and any further Court order regarding the SISP, the conduct of Phase II shall proceed as set out herein.
32. Qualified Phase I Bidders that wish to make a formal binding Offer pursuant to the SISP (a “**Phase II Bid**”) must submit such offer by email so as to be received by the Monitor not later than 5:00 PM (Toronto Time) on **March 7, 2023** (the “**Phase II Bid Deadline**”), with a copy to each of the persons specified in Schedule “A” hereto. A party that submits a Phase II Bid prior to the Phase II Bid Deadline is considered a “**Phase II Bidder**”.
33. In order to be considered a “**Qualified Phase II Bid**”, a Phase II Bid shall (collectively, the “**Phase II Bid Criteria**”):
  - (a) comply with each of the requirements set forth in respect of Qualified Phase I Bids;
  - (b) include a duly authorized and executed, definitive transaction agreement, containing the detailed terms and conditions of the proposed transaction, including the Business or the Assets proposed to be acquired, the obligations and liabilities to be assumed/excluded, the detailed structure of the transaction, the Purchase Price or Investment Amount, and any other key economic terms expressed in Canadian dollars, together with all exhibits and schedules thereto, all applicable ancillary agreements with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements), and the proposed form of order(s) for the Court to consider in the motion to approve the transaction;
  - (c) be binding and irrevocable until the selection of the Selected Bidder (as defined below), provided that if the Phase II Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the closing of the transaction with the Successful Bidder, and (ii) 120 days from the Transaction Approval Hearing (as defined below), subject to further extensions as may be agreed to under the applicable transaction agreement(s);
  - (d) include a commitment to provide a non-refundable deposit in the form of a wire transfer to an account to be specified by the Monitor in the amount of not less than ten percent (10%) of the Transaction Amount upon the Qualified Phase II Bidder being selected as the Successful Bidder;



- (e) provide contact information (including an email address) for the bidder and disclose the identity of each entity (including its ultimate shareholders and/or sponsors) that is bidding for the Business and/or Assets or otherwise participating in the Phase II Bid and the complete terms of any such participation;
- (f) include written evidence of a firm, irrevocable commitment for financing or other evidence of an ability to complete the proposed transaction(s) comprising the Phase II Bid, so as to allow the Monitor to determine the bidder's financial and other capabilities to complete the proposed transaction;
- (g) include acknowledgments and representations of the bidder that: (i) it has had an opportunity to conduct any and all due diligence deemed necessary or desirable by the bidder regarding the Business and/or Assets, the Company, or otherwise, prior to making its bid; (ii) it has relied solely upon its own independent review, investigation and/or inspection of the Business and/or Assets (including, without limitation, any documents in connection therewith) in making its bid; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory, or otherwise, regarding the Business and/or Assets of the Company or the completeness of any information provided in connection therewith, except as expressly contemplated in any definitive documentation duly executed by the Successful Bidder and the Company and approved by the Court;
- (h) include written evidence, in form and substance reasonably satisfactory to the Monitor, of authorization and approval from the bidder's board of directors (or applicable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Phase II Bid;
- (i) specify that the transaction is not subject to further due diligence;
- (j) include a description of any regulatory or other third-party approvals required to complete the proposed transaction, and the time within which the bidder expects to receive such regulatory and/or third-party approvals, and those actions the bidder will take to ensure receipt of such approvals as promptly as possible;
- (k) include a description of any desired arrangements with respect to transition services that may be required from the Company in connection with the transaction, including funding for same;
- (l) not be subject to any conditions precedent except those that are customary in a transaction of that nature;
- (m) not be conditional upon approval by the Court of any bid protection, such as a break-up fee, termination fee, expense reimbursement or similar type of payment;
- (n) be received by the Phase II Bid Deadline; and
- (o) contemplate closing the transaction set out therein on or before the Closing Date Deadline.

### **Review of Phase II Bids**

34. Following the Phase II Bid Deadline, the Company (with the approval of the Monitor) will determine if each Phase II Bid delivered to the Monitor meets the Phase II Bid Criteria.
35. The Company, in consultation with the Monitor, may negotiate amended, modified, or varied terms with a Phase II Bidder, provided however that the Company is under no obligation to negotiate identical terms with, or extend identical terms to, each Phase II Bidder.
36. If a Phase II Bid meets the Phase II Bid Criteria, such Phase II Bid will be deemed to be a **“Qualified Phase II Bid”** and the bidder in respect of each such Qualified Phase II Bid shall be a **“Qualified Phase II Bidder”** in respect of the SISP.
37. The Company, with the approval of the Monitor, may waive compliance with any one or more of the Phase II Bid Criteria and deem a non-compliant bid to be a Qualified Phase II Bid.
38. The Company, in consultation with the Monitor, may aggregate separate bids from unaffiliated Qualified Phase II Bidders to create one **“Qualified Phase II Bid.”**
39. The Monitor shall notify each Qualified Phase II Bidder in writing that its bid constitutes a Qualified Phase II Bid within ten (10) business days of the expiration of the Phase II Bid Deadline or as such later time as the Monitor, in consultation with the Company, deems appropriate.
40. If no Qualified Phase II Bid is received by the Phase II Bid Deadline, then the Monitor may extend the Phase II Bid Deadline for up to two weeks, the Company may terminate the SISP, or the Company may seek Court approval of an amendment to the SISP.
41. If the Monitor, in consultation with the Company, is not satisfied with the number or terms of the Qualified Phase II Bids, the Company may seek Court approval of an amendment to the SISP.

### **Selection of Successful Bidders**

42. The Company, in consultation with the Monitor, will review and evaluate each Qualified Phase II Bid based upon several factors, including, without limitation, the transaction price and net value provided by such bid, the claims likely to be created by such bid in relation to other bids, the identity and circumstances of the Qualified Phase II Bidder, the ability of the Qualified Phase II Bidder to successfully complete such transaction, the proposed transaction documents, the effects of the bid on the stakeholders of the Company, factors affecting the speed and certainty of the transaction (including any approval or third party agreements), the assets included in and excluded from the bid, any related restructuring costs, and the likelihood and timing of closing the transaction.
43. After reviewing and evaluating the Qualified Phase II Bids in accordance with paragraph 42 above, the Company, with the approval of the Monitor, will identify the

highest or otherwise best bid (the “**Successful Bid**”) for any Assets or the Business in whole or part. The determination of any Successful Bid is subject to approval by the Court.

44. The Company shall have no obligation to select a Successful Bid, and it reserves the right, after consultation with the Monitor and Caisse Desjardins Ontario Credit Union Inc., to reject any or all Qualified Phase II Bids.

#### **Transaction Approval Motion Hearing**

45. At the hearing of the motion to approve any transaction with a Successful Bidder (the “**Transaction Approval Hearing**”), the Company shall seek, among other things, approval from the Court to complete any Successful Bid. All the Qualified Phase II Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Company on and as of the date of approval of the Successful Bid by the Court, and not prior.

#### **Closing the Successful Bid**

46. The Company and the Successful Bidder(s) shall take all reasonable steps to complete the transactions(s) contemplated by the Successful Bidder(s) as soon as possible after the Successful Bid(s) are approved by the Court (the “**Closing**”).

#### **Confidentiality and Access to Information**

47. No Known Interested Party, Additional Interested Party, Potential Bidder, Qualified Phase I Bidder, and Qualified Phase II Bidder shall be permitted to receive any confidential or competitive information that is not made generally available to all participants in the SISP.
48. No Known Interested Party, Additional Interested Party, Potential Bidder, Qualified Phase I Bidder, and Qualified Phase II Bidder shall be permitted to receive the details of any bids or Phase I/Phase II Bids submitted or the details or existence of any confidential discussions or correspondence among the Company, the Monitor, the CRO and any bidder in connection with the SISP, except to the extent the Company is seeking to aggregate separate bids from Qualified Phase II Bidders as described in paragraph 38 above.
49. The Company and the Monitor will consult with Hillmount Capital Inc., Caisse Desjardins Ontario Credit Union Inc., Community Development Corporation of Sault Ste. Marie & Area, the East Algoma Community Futures Development Corporation, the Nickel Basin Federal Development Corporation, and Northern Ontario Heritage Fund Corp., and may consult with any other parties with a material interest in the CCAA proceeding, regarding the status and developments relating to the SISP to the extent considered appropriate by the Monitor (subject to paragraph 47), provided that such parties shall enter into confidentiality arrangements satisfactory to the Company and the Monitor.
50. If it is determined by the Company, in consultation with the Monitor, that it would be worthwhile to facilitate a discussion between a Qualified Phase I Bidder or Qualified Phase II Bidder (as applicable, depending on the stage of the SISP) and a stakeholder or other third party as a consequence of a condition to closing or potential closing condition identified by such bidder, the Company, with the consent of the Monitor, may provide such bidder with the opportunity to meet with the relevant stakeholder or third party to discuss

such condition or potential condition, with a view to enabling such bidder to seek to satisfy the condition or assess whether the condition is not required or can be waived. Any such meetings or other form of communications will take place on terms and conditions considered appropriate by the Company, in consultation with the Monitor. The Monitor must be provided with the opportunity to be present at all such communications or meetings.

### **Supervision of the SISP**

51. Subject to any consultation rights and other similar rights provided for herein, the Monitor will conduct the SISP in the manner set out herein. All discussions or enquiries to the Company regarding the SISP shall be directed to the Monitor. Under no circumstances should a representative of the Company be contacted directly or indirectly in respect of the SISP, including diligence requests, without the prior written consent of the Monitor. Any such unauthorized contact or communication could result in exclusion from the SISP, in the Monitor's sole discretion.
52. The Company and its principals, employees and professional advisors shall cooperate fully with the Monitor and provide documents and information requested as part of the SISP to the Monitor in a prompt fashion.
53. Other than as specifically set forth in a definitive agreement between the Company and a Successful Bidder, the SISP does not, and will not be interpreted to, create any contractual or other legal relationship among the Company, the Monitor, and any Known Interested Party, Additional Interested Party, Qualified Phase I Bidder, Qualified Phase II Bidder, the Successful Bidder, or any other party.
54. None of the Company, the CRO or the Monitor shall be liable for any claim for a brokerage commission, finder's fee or like payment in respect of the completion of any of the transactions completed under the SISP. Any such claim shall be the sole liability of the bidder who completes a transaction under the SISP pursuant to which the claim is being made.
55. The Monitor (with the consent of the Company) may make any modification to the SISP that it considers appropriate in the circumstances and, where it considers such modification to be material, it will seek Court approval of such modification on notice to the service list in the CCAA proceeding. For greater certainty, any modifications that the Company makes to the SISP pursuant to, without limitation, paragraphs 6, 21, 27 and 37 above will not be considered "material".

### **General**

56. If a Successful Bidder(s) breaches its obligations under the terms of the SISP, its deposit shall be forfeited as liquidated damages and not as a penalty.
57. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with their participation in the SISP, including submission of any letter of intent or bid, due diligence activities, competition of a Successful Bid, preparation for

and attendance at the Transaction Approval Hearing and any negotiations or actions whether or not they lead to the consummation of a transaction.

58. All bidders (including Qualified Phase I Bidders and Qualified Phase II Bidders) shall be deemed to have consented to the exclusive jurisdiction of the Courts of the Province of Ontario and waived any right to a jury trial in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and Closing, as applicable.
59. For greater certainty, any approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approval required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.

# Appendix C



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

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

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**SECOND REPORT OF THE MONITOR, MNP LTD.**

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