

CANADA
Province of Ontario

ESTATE NO: 31-2032828
COURT FILE NO.: 31-2032828

**IN THE MATTER OF THE PROPOSAL OF
SKYGREECE AIRLINES, S.A., AN INSOLVENT PERSON,
PURSUANT TO SECTION 50.4(1) OF THE BANKRUPTCY
AND INSOLVENCY ACT**

FIRST REPORT OF THE TRUSTEE ON PROPOSAL

SEPTEMBER 28, 2015

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INTRODUCTION

1. This report (“**Report**”) has been prepared by Ernst & Young Inc. (“**EYI**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with a Notice of Intention to Make a Proposal (“**NOI**”) filed by SkyGreece Airlines, S.A. (“**SkyGreece**” or the “**Company**”) on September 3, 2015 under Part III, Division I of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. The affidavit of Brooks Pickering, Chief Restructuring Officer of the Company, sworn September 4, 2015 (the “**Pickering Affidavit**”) and filed in support of a motion brought by the Company returnable September 8, 2015, describes, inter alia, the Company’s background, the Company’s financial situation and the reasons for the commencement of these proceedings. The Proposal Trustee makes reference to the Pickering Affidavit in this Report where appropriate.
3. The principal purpose of these restructuring proceedings is to create a stabilized environment to enable the Company to pursue a restructuring of its financial position, business and operations by completing a proposal under the *BIA* (“**BIA Proposal**”),

PURPOSE

4. The purposes of this Report are to:

- a) report on the Company's cash flow projection for the period from September 7, 2015 to December 6, 2015 (the "**Cash Flow Projection**") and the Company's need for an emergency debtor-in-possession financing facility between the Company and Ken Stathakis (the "**DIP Lender**") in the maximum principal amount of U.S.\$250,000 ("**DIP Loan**"), as well as a charge in favour of the DIP Lender ("**DIP Charge**") over the Company's assets, properties and undertakings (collectively, the "**Property**") to secure repayment of the amounts borrowed by the Company under the DIP Loan;
- b) Discuss the rationale for the following proposed charges over the Property to secure professional fees and disbursements in relation to these proceedings:
 - i. a trustee charge of \$100,000 in favour of the Proposal Trustee and its counsel, Gowlings LLP ("**Gowlings**"), and any other professionals whose services may be retained by the Proposal Trustee (the "**Trustee Charge**"); and
 - ii. an advisors' charge of \$150,000 in favour of the Company's Canadian counsel, Paliare Roland Rosenberg Rothstein LLP ("**Paliare**"), the Company's counsel in Greece and the United States, the Chief Restructuring Officer and any professionals who may be retained by the Company in respect of these restructuring proceedings (the "**Advisor Charge**")
- c) Discuss the rationale for a charge over the Property in the amount of \$80,000 in favour of the Company's directors and officers for certain exposure that may arise as a director and officer after the filing of the NOI ("**D&O Charge**");
- d) Comment on the status of proceedings taken by the Canadian Transportation Agency ("**CTA**") and the Company's request for an extension of the September 8, 2015 stay order (the "**CTA Stay Order**") issued by the Honourable Madam Justice Conway from September 28, 2015 to November 17, 2015;
- e) Update the Court on the activities of the Proposal Trustee to date, including its dealings with passenger inquiries;

- f) Discuss the Company's request for an extension of the stay of proceedings under the NOI from October 3, 2015 to November 17, 2015; and
- g) Recommend that this Court make an order approving:
 - i. the DIP Loan and the DIP Charge;
 - ii. the Trustee Charge;
 - iii. the Advisor Charge;
 - iv. the D&O Charge;
 - v. the Company's request for an extension of the CTA Stay Order to November 17, 2015; and
 - vi. the Company's request for an extension of the time required to file its proposal to November 17, 2015.

TERMS OF REFERENCE

- 5. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information prepared by the Company, discussions with employees of the Company and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, and even if the assumptions materialize, the variations could be significant.
- 6. The Proposal Trustee also references its report on the Company's Cash Flow Projection and underlying assumptions and notes that its review and commentary thereon was performed in accordance with the requirements set out in the Canadian Association of Insolvency and

Restructuring Professionals' Standards of Professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement).

7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
8. The Proposal Trustee will make a copy of this Report available on the Proposal Trustee's website at www.ey.com/ca/skygreece.

BACKGROUND

9. SkyGreece was founded in 2013 and is an international airline, based out of Greece, which offers air travel between Athens, Toronto, Montreal, Budapest, Zagreb, and New York.
10. On August 27, 2015, SkyGreece announced its decision to temporarily suspend flights owing to financial difficulties. SkyGreece's financial difficulties arose in 2015 as a direct consequence of the broader Greece financial crisis and the inability of SkyGreece to access and maintain sufficient levels of financing to continue its operations.
11. At the time it suspended its operations, SkyGreece expected that it would begin a restructuring process and attempt to source new financing in order to resume its operations.
12. The Company's major assets consist of:
 - a) A Boeing 767 airplane, financed by Bank of America (the "**Bank**"). The airplane has been seized by the Bank and is being stored at Toronto Pearson International Airport;
 - b) various license and other rights, which may not have any liquidation value; and
 - c) accounts receivable from its intermediary payments processor and others which are subject to as yet undetermined set off rights.
13. The Company's Cash Flow Projection and related assumptions for the period from September 7, 2015 to December 6, 2015, together with management's report on the cash-flow statement as required by Section 50.4(2) (c) of the *BIA*, are provided in Appendix "A".

14. The Cash Flow Projection reflects that the Company is projecting a DIP Loan of approximately \$1 million through the period ending December 6, 2015.
15. Based on the Proposal Trustee's review of the Cash Flow Projection, there are no material assumptions which seem unreasonable in these circumstances. The Proposal Trustee's report on the cash-flow statement as required by Section 50.4(2) (b) of the *BIA* is attached as Appendix "B".

DIP LOAN

16. SkyGreece's liquidity is precariously low relative to its disbursement obligations. Absent additional financing, the Company does not have the ability to continue to fund its operations, nor the costs of these proceedings. The Proposal Trustee understands that while the Company is working towards obtaining its required financing, it has, in the interim, arranged an emergency DIP Loan, as further discussed below.
17. The DIP Lender has agreed to provide the emergency DIP Loan to the Company pursuant to the terms of a commitment letter ("**DIP Commitment Letter**"), a copy of which is attached as Exhibit "M" to the Affidavit of Brooks Pickering sworn September 28, 2015. The significant terms of the DIP Commitment Letter are as follows:
 - a) Maximum amount of the DIP Loan: U.S.\$250,000;
 - b) Interest: 12% per annum;
 - c) Term: The amount will be repaid with interest on the earlier of: the bankruptcy of the Company; the commencement of proceedings by the Company pursuant to the Companies' Creditors Arrangement Act (Canada); immediately upon an order of the court approving a Proposal by the Company becoming final; and immediately upon the sale of the Company's Boeing 767 airplane;
 - d) Security: The loan shall be secured by a court ordered charge over The Property, and ranking in priority to the claims of any unsecured creditors, but subordinate to the Trustee charge, the Advisor Charge and the D&O charge;

- e) Use of Funds: The funds shall be used only to fund professional fees, payment of arrears owing to employees, the hardship fund described below, and such other immediate and pressing restructuring expenses as are contemplated by the Cash Flow Projection or are approved by the DIP Lender;
- f) Hardship Fund: Ten percent (10%) of the overall DIP Loan shall be used to create a hardship fund to be used, in the discretion of the Company, subject to approval by the Proposal Trustee, to provide financial assistance to passengers (if any) who are stranded and who are otherwise unable to return home; and
- g) Advances: The DIP Lender will make advances not to exceed the DIP Loan at any time to the Company. The Company will be required to provide advance notice to the DIP Lender.

DIP LOAN RECOMMENDATION

18. The Proposal Trustee has considered the factors set out in Section 50.6(5) of the *BIA* with respect to the granting of a court order for interim financing and a charge related thereto. The Proposal Trustee respectfully recommends that the Court make the order sought by the Company for the following reasons:
- a) The Company has no access to funds from its operations. The Company will have virtually no prospect of making a viable proposal if it does not obtain financing;
 - b) The terms of the DIP Loan, including the fees set out therein, appear to be reasonable in the circumstances based on the inherent risk in these proceedings and consistent with the terms of debtor-in-possession financing facilities in similar proceedings;
 - c) The DIP Loan enhances the prospect of the Company successfully completing its restructuring;
 - d) No creditor of the Company appears to be materially prejudiced by the DIP Loan; and
 - e) In the Proposal Trustee's view, the restructuring process is likely to fail without funding under the DIP Loan, to the material detriment of its stakeholders.

TRUSTEE CHARGE

19. The Company is seeking the Trustee Charge in the amount of \$100,000 in respect of the fees and expenses of the Proposal Trustee and its counsel, Gowlings, and any other professionals whose services may be retained by the Proposal Trustee in these proceedings (the “**Trustee Group**”). A Trustee Charge is common in restructuring proceedings and is, in the Proposal Trustee’s view, appropriate in the present case due to the Company’s lack of liquidity. The Trustee Group requires the benefit of this charge to secure payment of their fees and expenses.

ADVISOR CHARGE

20. The Company is seeking the Advisor Charge in the amount of \$150,000 in respect of the fees and expenses of its counsel, Paliare, and any professionals that the Company may retain in these proceedings (the “**Advisor Group**”). An Advisor Charge is common in restructuring proceedings and is, in the Proposal Trustee’s view, appropriate in the present case due to the Company’s lack of liquidity. It is unlikely that the Advisor Group will continue to participate in these proceedings unless their fees and expenses are secured by way of the proposed Advisor Charge.

D&O CHARGE

21. The Company is seeking the D&O Charge in the amount of \$80,000 for any liabilities the directors and officers may incur from and after the commencement of the restructuring proceedings.
22. The proposed charge provides a contingency in the event that certain obligations arise during the restructuring proceedings or insufficient funds are advanced under the DIP Loan. The D&O Charge would only be available to the Directors and Officers in the event that any insurance policy that the company may obtain does not provide coverage.
23. The D&O Charge is proposed to rank behind the Trustee Charge and the Advisor Charge.
24. The Proposal Trustee is of the view the D&O Charge is reasonable in these circumstances.

CANADIAN TRANSPORTATION AGENCY

25. Since suspending its operations, a number of flights have been cancelled by SkyGreece to date. As a result of the cancellation of flights, SkyGreece has been overwhelmed by regulatory proceedings.
26. In particular, on August 28, 2015, Dr. Gabor Lukacs commenced an application, on behalf of his organization Air Passenger Rights, at the CTA. In his application, Dr. Lukacs sought to have SkyGreece post security of \$8.7 million in order to compensate for passenger claims, and to arrange and pay for new transportation for passengers whose flights were cancelled.
27. At the request of Dr. Lukacs, SkyGreece was directed by the CTA to respond to Dr. Lukacs' request for an expedited process by August 31, 2015. At the time, the CTA advised that, in the event that the request for expedited process was granted, SkyGreece would be required to respond to the merits of Dr. Lukacs' application by 5:00 p.m. on September 2, 2015.
28. As a result of the CTA's order, SkyGreece took immediate steps to retain and instruct counsel. On August 31, 2015, SkyGreece's lawyers delivered to the CTA SkyGreece's response with respect to the request for an expedited process.
29. In the midst of responding to Dr. Lukacs' request for an expedited process, Dr. Lukacs also served a further request on SkyGreece for extensive document and information production, for which he sought production by September 2, 2015.
30. On September 1, 2015, having reviewed the materials filed by the parties, the CTA denied Dr. Lukacs' request for expedited process. Specifically, the CTA accepted SkyGreece's submission that the issues raised in Dr. Lukacs' application were complex and that SkyGreece would require sufficient time to respond to the merits of the application in a careful and a comprehensive way. As a result, SkyGreece was granted until September 21, 2015, to provide its response.
31. Following its order on September 1, 2015, the CTA issued an order on September 2, 2015, in a second application requiring that SkyGreece "show cause" as to why the CTA should not issue an adverse ruling against SkyGreece, requiring them to take immediate corrective measures to properly apply its international tariff for all passengers affected by

schedule irregularities, including: i) Informing passengers of their options and providing them with a copy of the tariff; ii) Implementing forthwith the options chosen by passengers; iii) Establishing a 1-800 help line where passengers can be directed to a person who can accept and address their claim; and iv) Updating its website to fully explain the measure put in place to address the situation.

32. The CTA also required SkyGreece to report to them, within 5 business days, on the evolution of its situation and the measures taken by SkyGreece to comply with its international tariff.
33. In response to these various regulatory requests, on September 3, 2015, SkyGreece filed the NOI and SkyGreece's lawyers forwarded a copy to the CTA, in which the CTA was advised that, as a consequence of the Notice of Intention being filed, the "show cause" proceeding was stayed under section 69(1) of the *BIA*.
34. Following receipt of SkyGreece's NOI, the CTA advised SkyGreece's lawyers, that it took the position that the *BIA* stay did not apply to its "investigation" under section 69.6 of the *BIA*.
35. By email dated September 3, 2015, the CTA was further advised that SkyGreece disagreed with the CTA's interpretation of the *BIA* and, if required, counsel would recommend that SkyGreece apply for additional relief under section 69.6(3).
36. SkyGreece continued to be served with materials regarding the CTA proceedings, notwithstanding having expressed the position that the proceedings were stayed. In particular, Dr. Lukacs provided submissions on implications of the *BIA* stay. The CTA also issued decisions regarding Dr. Lukacs' standing and his allegations of a breach of procedural fairness, in which the CTA specifically issued in the decision that the CTA proceedings are not stayed by application of 69(1) of the *BIA*.
37. On September 4, 2015, SkyGreece brought a motion, returnable September 8, 2015 seeking an order:
 - a) pursuant to section 69.6(4) of the *BIA* declaring that the stay of proceedings provided by section 69(1) of the *BIA* applies to the proceedings against

SkyGreece commenced at the CTA as a result of its suspension of flights on or after August 27, 2015; and

- b) applying the stay under section 69(1) of the *BIA*, nunc pro tunc, pursuant to section 69.6(3) of the *BIA* to any and all proceedings against SkyGreece commenced at the CTA as a result of its suspension of flights on or after August 27, 2015.
38. The Honourable Madam Justice Conway heard the motion and issued her endorsement, a copy of which is attached hereto as Appendix “C”. Counsel for SkyGreece and counsel for the CTA worked on the wording of an order to reflect her Honour’s endorsement. The Court order was issued on September 21, 2015, a copy of which is attached as Appendix “D”.
39. The Court ordered that Dr. Lukacs’ request for an adjournment of the motion was denied and that all actions, suits and proceedings taken by or before the CTA are stayed under section 69.6(3) of the *BIA* on the following terms:
- i. The stay is in effect only until September 28, 2015. The parties are to return to court on that day regardless of whether SkyGreece is seeking a continuation of the stay;
 - ii. The stay only applies to actions, suits and proceedings taken by and before the CTA that arise from SkyGreece’s suspension of operations on August 27, 2015; and pursuant to subsection 72(1) of the Canada Transportation Act, the Agency shall suspend a scheduled international licence where the Agency determines that, in respect of the service for which the licence was issued, the licensee ceases to meet any of the requirements of subparagraphs 69(1)(a)(i) to (iii);
 - iii. SkyGreece and the Proposal Trustee shall do everything reasonably in their power to identify and quantify passengers’ claims in the insolvency process;
 - iv. SkyGreece shall respond to requests for information by the CTA, notwithstanding the stay;
 - v. SkyGreece and the Proposal Trustee shall prioritize identifying any stranded passengers (if any). SkyGreece shall assist passengers with non-monetary logistical and information requests promptly;

- vi. A copy of this endorsement shall be sent via email to the CTA's counsel and Dr. Lukacs;
 - vii. All materials updating this court as to the situation and restructuring efforts shall be delivered by no later than noon on September 24, 2015;
 - viii. The Section 69.6(4) Motion is withdrawn by SkyGreece without prejudice and the court makes no determination as to whether the CTA's own motion investigations are or are not subject to the automatic stay in section 69(1) of the *BIA*; and
 - ix. Without conceding his standing, Dr. Lukacs may participate by telephone on September 28, 2015. Any materials that he wishes to deliver may be done via email to the Commercial List office or to SkyGreece's counsel who has undertaken to file them with the Commercial List office.
40. As indicated above, the CTA Stay Order was only in effect until September 28, 2015 and the parties were to return on that day to update the Court on the status of the proceedings. Materials updating the Court on the restructuring efforts were to be delivered by September 24, 2015. Given that the Company required additional time to, among other things, document the DIP Loan, as discussed above, the parties attended before the Honourable Justice Conway on September 24, 2015 to update the Court and request a brief extension. As a result of that attendance, the Honourable Justice Conway issued an endorsement directing the Company's counsel to address alleged privacy issues relating to SkyGreece's passengers raised by Dr. Lukacs and extending:
- a) the time to deliver materials until September 28, 2015;
 - b) the return of the motion until October 2, 2015; and
 - c) the CTA Stay Order from September 28, 2015 to October 2, 2015.
41. Notwithstanding the Order of Justice Conway dated September 8, 2015 staying the CTA in accordance with its terms, on September 21, 2015 the Proposal Trustee became aware that the CTA had issued a suspension of SkyGreece's licence to operate a scheduled international air service pursuant to the *Canada Transportation Act*.

42. Since SkyGreece is not currently operating flights, the Proposal Trustee is of the view that the licence suspension is not critical in the short term. Of course, if SkyGreece is to successfully restructure its business and affairs and resume operations as a licensed international carrier in Canada, it will need to address the suspension and obtain reinstatement of its licence.
43. As the Proposal Trustee understands the situation, the suspension of SkyGreece's licence by CTA has occurred because SkyGreece is no longer eligible to maintain its required insurance coverage. The Proposal Trustee is hopeful that if a proposal can be made to creditors and financing obtained, SkyGreece should be able to reinstate its insurance coverage and consequently its CTA licence.

PROPOSAL TRUSTEE'S ACTIVITIES

44. Since the filing of the NOI, the Proposal Trustee has taken the following actions, *inter alia*, in connection with its obligations as Proposal Trustee:
 - a) Dealt with creditor inquiries relating to SkyGreece's non-payment of liabilities incurred prior to the NOI;
 - b) Established a website, hotline and email in order to receive inquiries from and respond and provide information to affected passengers. To date, the Proposal Trustee has received and responded to approximately 330 inquiries from passengers;
 - c) Created a customized claim form to be used by passengers and posted a copy on its website to facilitate the filing of claims;
 - d) Reviewed and assisted the Company with the issuance of Press Releases;
 - e) Held discussions with the Company regarding the payment of ongoing disbursements to ensure that they relate to the post-NOI period;
 - f) Posted the NOI, notices to creditors, claim information and other court documents on the Proposal Trustee's website: www.ey.com/ca/skygreece;
 - g) Provided the Superintendent of Bankruptcy with the Company's Cash Flow Projection, together with the Proposal Trustee and Insolvent Person's Reports, within ten days of the filing of the NOI in accordance with the *BIA*;

- h) Sent notice to all known affected creditors including approximately 3,500 passengers within 5 days of the filing of the NOI and prepared an affidavit of mailing;
 - i) Accepted and reviewed over 100 proofs of claim filed by the Company's creditors, including passengers;
 - j) Participated in telephone calls with numerous creditors and passengers regarding the proposal process; and
 - k) Held numerous calls with management on an ongoing basis to review operations and assist in stabilizing the business post-NOI.
45. The Proposal Trustee has been contacted by Osler Hoskin Harcourt LLP ("**Osler**") acting as solicitors for the Greater Toronto Airport Authority ("**GTAA**") and Aeroports de Montreal. On behalf of their airport authority clients, Osler has asserted claims against SkyGreece for unpaid terminal and landing services and related fees and for unremitted airport improvement fees. On behalf of the GTAA, Osler appears to have caused a statement of claim to be issued in respect of these claims on September 1, 2015.
46. Counsel to the Proposal Trustee has advised Osler that the claims asserted on behalf of the airport authorities are currently stayed under the applicable provisions of the *BIA*. With respect to the claims of the airport authorities to the airport improvement fees alone, the Proposal Trustee understands that the authorities assert that SkyGreece was obliged to hold amounts collected from passengers on account of these fees in trust. The Proposal Trustee is not aware of any trust arrangements having been set up by SkyGreece for airport improvement fee collections. The Proposal Trustee is, however, aware that certain customer payments, which could include amounts on account of the airport improvement fees, are currently being held by third party payment processors or agents and counsel for the Proposal Trustee has advised counsel to the airport authorities of this situation.

COMPANY'S REQUEST FOR AN EXTENSION

47. The Company is seeking an extension from October 3, 2015 to November 17, 2015 to file its proposal. The Company is doing so at this time to provide it with the time required to obtain

additional financing and to formulate a proposal that would be beneficial for all stakeholders. The Company is also requesting that the stay granted in the CTA Stay Order be extended to November 17, 2015.

48. The Proposal Trustee supports the Company's rationale as detailed above and has also considered the following:
- a) the Company is acting in good faith and with due diligence; and
 - b) the extension should not adversely affect or prejudice creditors since the Company, with the assistance of the emergency DIP Loan, is projected to have sufficient funds to pay post-filing services and supplies in the short-term.

CONCLUSION AND RECOMMENDATION

49. Based on the foregoing, the Proposal Trustee respectfully recommends that this Court make an order granting the relief detailed in paragraph 4 above.

**ERNST & YOUNG INC.,
The Trustee acting in re: the Proposal of
SkyGreece Airlines, S.A. and
not in its personal capacity**

Per:



Jeffrey D. Kerbel, CPA, CA, CIRP
Senior Vice-President

Appendix "A"

**Insolvent Person's Report on Cash-flow Statement
(Paragraphs 50(6) (c) and 50.4(2) (c))**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SKYGREECE AIRLINES, S.A., AN INSOLVENT PERSON**

The management of SkyGreece Airlines, S.A. has developed the assumptions and prepared the attached Statement of Projected Cash-Flow of the insolvent person for the period from September 7, 2015 through December 6, 2015.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions have been disclosed in Notes 2 to 11.

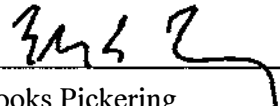
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of probable and hypothetical assumptions set out in Notes 2 to 11. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 13th day of September, 2015.

SkyGreece Airlines, S.A.

Per: _____


Brooks Pickering
Chief Restructuring Officer

IN THE MATTER OF THE PROPOSAL OF SKYGREECE AIRLINES, S.A.
 STATEMENT OF PROJECTED CASH FLOW
 FOR THE PERIOD SEPTEMBER 7, 2015 TO DECEMBER 6, 2015
 (Unaudited - see accompanying Form 29 - Report of the Trustee and Form 30 - Report of the Insolvent Person)

For the week ending Cdn (\$000's)	Notes #	September 13	September 20	September 27	October 4	October 11	October 18	October 25	November 1	November 8	November 15	November 22	November 29	December 6	Total
OPENING CASH BALANCE	4	-	-	115,150	56,650	64,000	30,300	162,075	72,075	357,700	321,500	527,275	438,775	401,020	-
CASH RECEIPTS															
A/R Collection	5	-	-	-	-	-	-	-	322,500	-	322,500	-	322,500	-	967,500
Total Cash Receipts		-	-	-	-	-	-	-	322,500	-	322,500	-	322,500	-	967,500
CASH DISBURSEMENTS															
Payroll & Employee Benefits	6	-	(46,150)	-	(48,950)	-	(48,025)	-	(105,675)	-	(48,025)	-	(221,555)	-	(518,380)
Utilities	7	-	-	(6,200)	-	-	-	(6,200)	-	-	-	(6,200)	-	-	(18,600)
Professional Fees	8	-	(72,500)	(30,000)	(177,500)	(17,500)	(50,000)	(17,500)	(160,000)	(15,000)	(47,500)	(15,000)	(117,500)	(15,000)	(735,000)
Office, General & Administration	9	-	(16,200)	(22,300)	(16,200)	(16,200)	(20,200)	(26,300)	(21,200)	(21,200)	(21,200)	(27,300)	(21,200)	(21,200)	(250,700)
Other	10	-	-	-	-	-	-	(40,000)	-	-	-	(40,000)	-	-	(80,000)
Total Cash Disbursements		-	(134,850)	(58,500)	(242,650)	(33,700)	(118,225)	(90,000)	(286,875)	(36,200)	(116,725)	(88,500)	(360,255)	(36,200)	(1,602,680)
Operating Cash Inflow (Outflow)		-	(134,850)	(58,500)	(242,650)	(33,700)	(118,225)	(90,000)	35,625	(36,200)	205,775	(88,500)	(37,755)	(36,200)	(635,180)
ENDING CASH BALANCE BEFORE DIP		-	(134,850)	56,650	(186,000)	30,300	(87,925)	72,075	107,700	321,500	527,275	438,775	401,020	364,820	(635,180)
DIP Interest and Fees	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Drawings	11	-	250,000	-	250,000	-	250,000	-	250,000	-	-	-	-	-	1,000,000
ENDING CASH BALANCE		-	115,150	56,650	64,000	30,300	162,075	72,075	357,700	321,500	527,275	438,775	401,020	364,820	364,820

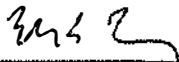
DIP Facility	September 13	September 20	September 27	October 4	October 11	October 18	October 25	November 1	November 8	November 15	November 22	November 29	December 6
Opening Balance	-	-	250,000	250,000	500,000	500,000	750,000	750,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
DIP Drawings / (Repayments)	-	250,000	-	250,000	-	250,000	-	250,000	-	-	-	-	-
Ending Balance	-	250,000	250,000	500,000	500,000	750,000	750,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

This statement of Projected Cash Flow of SkyGreece Airlines, S.A., is prepared in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the report by SkyGreece Airlines, S.A. and the Trustee's Report on the Statement of Projected Cash Flow together with the notes attached hereto.

Dated this _____ day of September, 2015

SkyGreece Airlines, S.A.

Per:



Brooks Pickering, Chief Restructuring Officer

ERNST & YOUNG INC.
 the Trustee acting in re: the Proposal of
 SkyGreece Airlines, S.A.

Per:

 Jeffrey Kerbel, CPA, CA, CIRP

**IN THE MATTER OF THE PROPOSAL OF
SKYGREECE AIRLINES, S.A., AN INSOLVENT PERSON
(THE "COMPANY")**

NOTES TO PROJECTED CASH FLOW STATEMENT

1. The cash-flow statement is to be read in conjunction with the attached Form 29 – Trustee's Report on Cash-flow Statement and Form 30 – Report on Cash flow Statement by the Person Making the Proposal.

The projection has been prepared solely for the purpose of determining the ability of the Company to fund the business activities of the Company as set out herein.

Readers are cautioned that it may not be appropriate for their purposes.

2. The cash-flow statement is presented on a weekly basis from September 7, 2015 to December 6, 2015 (the "Projection Period") and represents management's best estimates of the results of operations during the Period.
3. The projection is presented in Canadian Dollars. Projected receipts and disbursements denominated in foreign currency transactions are converted to Canadian dollars using the exchange rate as at September 11, 2015.
4. There is no opening cash on hand.
5. Trade A/R Collections represent primarily anticipated receipts for charter services the Company is presently discussing with two potential customers. The charter service rates projected are in line with the Company's 2014 business and industry standards.

Trade A/R Collections do not reflect any prior passenger ticket sales, which are expected to be offset against charge-backs for consumer refunds by various financial institutions.

6. Payroll and Employee Benefits relate to the Company's estimated salaries and benefits for its staff going forward.
7. Utilities are projected based on the run rate of utility costs in recent months.
8. Professional Fees includes the estimated fees and disbursements of the Company's legal advisors, the Proposal Trustee and its legal counsel and other consultant fees specifically related to the restructuring effort and are management's best estimate of fees, which will be incurred during the Projection Period.
9. Office, general & administration include primarily rent, travel and accommodation costs, employee training, regular corporate legal and professional fees and other general supplies.

10. Other payments represent primarily the Company's aviation insurance expenses.
11. DIP drawings represent the Company's drawing on its Debtor in Possession ("DIP") facility in order for it to fund its on-going operations. The Company is currently in discussions with a DIP lender and expects to enter into an agreement shortly. Interest payments on the DIP facility are based on a rate of 4.5% per annum and will be payable on September 15, 2016.

SkyGreece Airlines, S.A.,

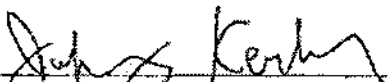
ERNST & YOUNG INC., Trustee

Per:



Brooks Pickering
Chief Restructuring Officer

Per:



Jeffrey D. Kerbel, CPA, CA, CFP
Senior Vice-President

Appendix "B"

Trustee's Report on Cash-flow Statement
(Paragraphs 50(6) (b) and 50.4(2) (b))
SKYGREECE AIRLINES, S.A., AN INSOLVENT PERSON

The attached Statement of Projected Cash Flow of SkyGreece Airlines, S.A., for the period from September 7, 2015 through December 6, 2015, has been prepared by the management of the insolvent person for the purpose described in Note 1 using probable and hypothetical assumptions set out in Notes 2 to 11.

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

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

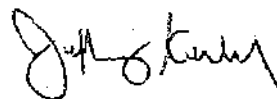
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 13th day of September, 2015.

ERNST & YOUNG INC.
Trustee



Per: _____
Jeffrey Kerbel CPA, CA, CIRP
Senior Vice-President

Appendix "C"

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SKYGREECE AIRLINES S.A., AN INSOLVENT PERSON, PURSUANT TO SECTION 50.4(1) THE BANKRUPTCY AND INSOLVENCY ACT ("BIA")

Sept 8/15 M. Starnino & Debra McKenna, for App. C. Pophod, for proposal and Tel ERY Dr. Dukacs for Air Passenger Rights

Skygreece seeks a stay of the regulatory proceedings brought by the Canadian Transportation Agency (CTA) - in particular, the show cause proceeding dated Sept 2/15 (Case No 15-03972) requiring Skygreece to take various corrective measures in connection with its suspension of operations on Aug 27/15.

The CTA takes no position on this motion subject to the 2 reservations set out in Mr Dolly's letter of Sept 7/15 (w/rt by Skygreece to include passengers in the insolvency process & arrangements re s. 69 automatically staying CTA's own motion investigations).

Dr Dukacs is head of a consumer air passenger rights group - "Air Passenger Rights". The CTA has denied him standing in the investigation proceedings. Skygreece/ERY did not object to Dr D's participation today by telephone & I heard submissions from him, although I do not concede that he has standing before this court.

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD

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Lawyers for the Applicant

I denied DR's request for an adjt quien the exigencies of the situation, as further explained below.

Skyquest has filed a NO1 to make a proposal under s. 50.4(1) of the BIA. It is currently not flying. It has no money except for \$250,000 that has recently been funded from a TP source. It is trying to put together a restructuring proposal that will address claims of all of its stakeholders, including passenger claims. SG seeks a stay pursuant to s 69.6(3) of the BIA with respect to the CTA's proceedings. I am satisfied that notice has been adequately provided under the circumstances (in particular, DR has received notice & is in effect acting for affected passengers). s. 69(3) provides that regulatory proceedings may be stayed if

(a) a viable proposal could not be made in respect of the insolvent person if that subsection [69.6(2)] were to apply.

Given the dire financial circumstances of the company, expending resources on the regulatory proceedings will, in my view, undermine its ability to focus on seeking new financing and making a proposal. The flurry of intense proceedings over the last two weeks will undoubtedly continue w/o a stay & will undoubtedly drain what few resources the company has - or may obtain - to make a proposal to all stakeholders.

(b) it is not contrary to the public interest that the regulatory body be affected by the stay provided by section 69 or 69.1.

I agree w/ counsel for SG & CVY that there is no prejudice to the public interest from the stay & indeed the stay will enhance the public interest, for the following reasons:

1. SG is not flying. There are no ongoing flights being booked or passengers in the air. There is no new activity to be regulated.
2. SG has minimal funds. Forcing ~~do~~ it to continue to respond to regulatory proceedings will dissipate these funds, ~~and~~ will not result in proper compensation to passengers. The best bet for all stakeholders, including passengers, is to pursue an orderly proposal process & to enable the company to seek financing for such purposes.
3. The proposal trustee (E+4) will be seeking to identify all potential claimants, including passengers, & will act as an appropriate conduit for questions about compensation & requests for information.

I am granting a stay of the CTA's actions, suits & proceedings, on the following terms:

1. The stay is in effect only until Sept 28/15. The parties are to return to court on that day, regardless of whether SG is seeking a continuation of the stay. (I note that the court will have a more comprehensive picture at that time of SG's best restructuring efforts).
2. The stay only applies to the CTA's actions, suits & proceedings that arise from SG's suspension of operations on Aug 27/15.
3. SG/E+4 shall do everything reasonably

Any questions or other correspondence in regard to this matter should refer to Case No. 15-03972 and be filed through the Agency's Secretariat e-mail address: secretariat@otc-cta.gc.ca.

BY THE AGENCY:

(signed)

Scott Streiner
Member

in their power to identify & quantify passengers' claims in the insolvency process.

4. SG shall respond to requests for information by the CTA, notwithstanding the stay.

5. SG/E+Y shall prioritize identifying any stranded passengers (if any). SG shall assist ^{passengers} with ^(non monetary) logistics & info requests promptly.

6. A copy of this endorsement shall be sent today via email to CTA's counsel & DR J.

7. All materials updating this court as to the situation & restructuring effort shall be delivered by no later than noon on Sept 24/15.

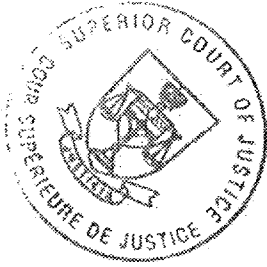
8. I make no determination of whether the CTA's ^{own motion} investigations are or are not subject to the automatic stay in s. 69 of the BIA.

9. Mr L may participate by telephone on Sept 28th (w/o conceding his standing). AM materials to be delivered by him.

he wishes to determine may be done via
email to the CL Office or to SG's counsel
who ~~has~~ has undertaken to file them
with the CL Office.

Conway J

Appendix “D”



Court File No. 31-2032828

**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF SKYGREECE AIRLINES S.A., AN INSOLVENT
PERSON, PURSUANT TO SECTION 50.4(1) THE
BANKRUPTCY AND INSOLVENCY ACT ("BIA")**

JUSTICE CONWAY

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)
)
)

TUESDAY, THE 8th

DAY OF SEPTEMBER, 2015

ORDER

THIS MOTION made by the Applicant, SkyGreece Airlines S.A., for an order pursuant to section 69.6(4) of the *BIA* declaring that the stay of proceedings provided by section 69(1) of the *BIA* applies to proceedings against SkyGreece commenced at the Canadian Transportation Agency as a result of its suspension of flights on or after September 27, 2015, bearing Case Nos. 15-03972 and 15-03912 ("69.6(4) Motion") and for an order applying the stay under 69(1) of the *BIA* pursuant to section 69.6(3) of the *BIA* to any and all proceedings against SkyGreece commenced at the Canadian Transportation Agency a result of its suspension of flights on or after August 27, 2015, including Case Nos. 15-03972 and 15-03912, was heard this day at 330 University Avenue, Toronto, Ontario, M5G 1E6.

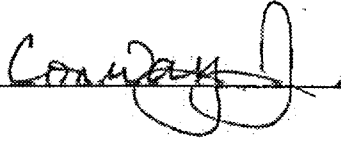
ON READING the Applicant's Motion Record, Factum and Brief of Authorities, the letter submissions received on behalf of the Canadian Transportation Agency and Dr. Gabor Lukacs (without conceding his standing before this Court), and on hearing the submissions of SkyGreece, Ernst & Young Inc. as Proposal Trustee for SkyGreece ("Proposal Trustee"), and Dr. Lukacs, who participated by way of telephone conference,

1. **THIS COURT ORDERS THAT** the time for service and filing of the Applicant's Motion Record, Factum and Brief of Authorities is hereby abridged and validated so that the motion is properly returnable today. The court dispenses with further service thereof.
2. **THIS COURT FURTHER ORDERS THAT** Dr. Lukacs' request for an adjournment of the motion is denied.
3. **THIS COURT FURTHER ORDERS THAT** actions, suits and proceedings taken by or before the Canadian Transportation Agency are stayed under section 69.6(3) of the *BIA* on the following terms:
 - (i) The stay is in effect only until September 28, 2015. The parties are to return to court on that day regardless of whether SkyGreece is seeking a continuation of the stay.
 - (ii) The stay only applies to actions, suits and proceedings taken by and before the Canadian Transportation Agency that arise from SkyGreece's suspension of operations on August 27, 2015, provided that this stay shall not restrict the Agency from suspending a scheduled international licence

where the Agency determines that, in respect of the service for which the licence was issued, the licensee ceases to meet any of the requirements of subparagraphs 69(1)(a)(i) to (iii).

- (iii) SkyGreece and the Proposal Trustee shall do everything reasonably in their power to identify and quantify passengers' claims in the insolvency process.
- (iv) SkyGreece shall respond to requests for information by the Canadian Transportation Agency, notwithstanding the stay.
- (v) SkyGreece and the Proposal Trustee shall prioritize identifying any stranded passengers (if any). SkyGreece shall assist passengers with non-monetary logistics and information requests promptly.
- (vi) A copy of this endorsement shall be sent today via email to the Canadian Transportation Agency's counsel and Dr. Lukacs.
- (vii) All materials updating this court as to the situation and restructuring efforts shall be delivered by no later than noon on September 24, 2015.
- (viii) The Section 69.6(4) Motion is withdrawn by SkyGreece without prejudice and this court makes no determination as to whether the Canadian Transportation Agency's own motion investigations are or are not subject to the automatic stay in section 69(1) of the *BIA*.
- (ix) Without conceding his standing, Dr. Lukacs may participate by telephone on September 28, 2015. Any materials that he wishes to deliver may be done via

email to the Commercial List office or to SkyGreece's counsel who has undertaken to file them with the Commercial List office.

A handwritten signature in cursive script, appearing to read "Conway", is written over a horizontal line. The signature is centered on the page.

Court File No. 31-2032828

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SKYGREECE AIRLINES S.A., AN
INSOLVENT PERSON, PURSUANT TO SECTION 50.4(1) THE BANKRUPTCY AND INSOLVENCY ACT ("BIA")

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
TORONTO

ORDER

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