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**COURT** COURT OF QUEEN'S BENCH OF ALBERTA

**JUDICIAL CENTRE** CALGARY

**DOCUMENT** THIRD REPORT OF THE TRUSTEE IN THE MATTER OF  
THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
ASPEN AIR CORPORATION AND ASPEN AIR U.S. CORP

DATED SEPTEMBER 27, 2018

**ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT**

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## **SCHEDULES**

- Schedule 1                      Statement of Projected Cash Flow for Aspen Air Corporation and Aspen Air U.S. Corp. for the Eleven Week Period from September 23, 2018 to December 8, 2018.
- Schedule 2                      Report on the Cash Flow Statement by the Person Making the Proposal and Trustee's Report on the Cash Flow Statement for Aspen Air Corporation and Aspen Air U.S. Corp.

# Introduction and Notice to Reader

## Introduction

1. On June 6, 2018 (the "Filing Date"), Aspen Air Corporation ("Aspen") and Aspen Air U.S. Corp. ("Aspen U.S." collectively the "Aspen Companies" or the "Applicants") each filed a Notice of Intention to Make a Proposal (the "NOI(s)") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act, RSC 1985, c B-3* (the "BIA"). Deloitte Restructuring Inc. ("Deloitte") consented to act as Trustee under the NOIs (the "Trustee"). Information on these proceedings can be accessed on Deloitte's website at [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca) under the link entitled "Aspen Companies".
2. On June 14, 2018, Statements of Projected Cash Flow for the Thirteen Week Period Ended September 1, 2018 were filed for Aspen, Aspen U.S., and on a consolidated basis for the Aspen Companies. On August 10, 2018, a Statement of Projected Cash Flow for the Thirteen Week Period Ended November 3, 2018 was filed on a consolidated basis for the Aspen Companies. On September 27, 2018, a further Statement of Projected Cash Flow for the Eleven Week Period Ended December 8, 2018 was filed on a consolidated basis for the Aspen Companies (the "Cash Flow Forecast"). Attached hereto as "Schedule 1" is the Cash Flow Forecast. Attached hereto as "Schedule 2" are the Report on the Cash Flow Statement by the Person Making the Proposal and the Trustee's Report on the Cash Flow Statement for Aspen Air Corporation and Aspen Air U.S. Corp.
3. The Aspen Companies were granted an initial 30-day stay of proceedings pursuant to Section 69(1) of the BIA (the "Initial Stay"). The Aspen Companies are required to file a proposal within the Initial Stay or within any further extension of that period granted by the Court of Queen's Bench of Alberta (the "Court"). On June 26, 2018, the Court granted an Order (the "June 26 Order") extending the Initial Stay to August 20, 2018 (the "First Extension"). On August 15, 2018, the Court granted an Order (the "August 15 Order") extending the Stay to October 4, 2018 (the "Second Extension").
4. The first report of the Trustee (the "First Report") dated June 25, 2018 was filed in support of the relief sought by the Aspen Companies (as further described herein) at the hearing on June 26, 2018 (the "June 26 Hearing"), at which time the June 26 Order was granted. The second report of the Trustee (the "Second Report"), as well as the supplement to the second report of the Trustee (the "Second Supplement") dated August 10, 2018 and August 13, 2018 respectively were filed in

support of the relief sought by the Aspen Companies at the hearing on August 15, 2018 (the “August 15 Hearing”), at which time the August 15 Order was granted.

5. This report is the third report of the Trustee (the “Third Report” or “this report”). The Third Report is being filed to provide the Court with an update on the NOI proceedings and in support of the relief sought by the Aspen Companies at an application scheduled for October 3, 2018 (the “October 3 Hearing”) as further described herein.

#### Notice to Reader

6. In preparing this report, the Trustee has relied on unaudited financial information, the books and records of the Applicants and discussions with the Applicants’ employees, interested parties, and stakeholders.
7. The financial information of the Aspen Companies has not been audited, reviewed or otherwise verified by the Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Applicants. Additionally, none of the Trustee’s procedures were intended to disclose defalcations or other irregularities. If the Trustee were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Trustee’s attention. Accordingly, the Trustee does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
8. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
9. Capitalized terms not defined in this report have the meaning given to them in the First Report, Second Report, Second Supplement or the SISP (as defined below).
10. All amounts included herein are in Canadian dollars unless otherwise stated.

# Background

## Court Proceedings

11. At the June 26 Hearing, the Court granted an Order approving the following relief:

- 11.1. Approval of the First Extension;
- 11.2. Allowing the NOI proceedings and any subsequent proceedings undertaken pursuant to the BIA to be administered on a consolidated basis;
- 11.3. Authorizing the Applicants to seek foreign recognition of the NOI proceedings as a foreign main proceeding under Chapter 15 of the United States Bankruptcy Code (the “Bankruptcy Code”);
- 11.4. Approving a Sale and Investor Solicitation Process (the “SISP”);
- 11.5. Approving a charge in the amount of \$150,000 as security for the reasonable professional fees and disbursements of the Trustee, the Trustee’s legal counsel, and the Aspen Companies’ U.S. and Canadian legal counsel (the “Administration Charge”), which forms a first charge over all assets, rights, undertakings and properties of the Applicants of every nature and kind whatsoever, and wherever situated including all proceeds thereof (the “Property”);
- 11.6. Approving the Aspen Companies borrowing by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable to fund its operations during the NOI proceedings provided that the outstanding principal amount does not exceed \$250,000 or such greater amount as the Court may subsequently authorize (the “DIP Loan”);
- 11.7. Approving a charge on the Property as security for the DIP Loan together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise but subordinate only to the Administration Charge (the “DIP Charge”);
- 11.8. Approving a charge in the amount of \$150,000 as security to indemnify the directors and officers of the Aspen Companies against obligations and liabilities that they may incur in those capacities after the Filing Date, provided that such obligations were not incurred as a result of the directors’ or officers’ gross negligence or wilful misconduct (the “D&O Charge”). The D&O Charge forms a third charge over the Property, ranking behind the Administration Charge and the DIP Charge; and

- 11.9. Approving the designation of selected suppliers as critical to the Applicants' ongoing operations (the "Critical Suppliers") and approving payment to the Critical Suppliers of up to \$250,000 due for the period prior to the Filing Date (the "Critical Supplier Payments").
12. On August 1, 2018, the United States Bankruptcy Court for the District of Montana granted an Order (the "Recognition Order") approving the following further relief:
  - 12.1. Recognizing the NOI proceedings as foreign main proceedings;
  - 12.2. Confirming that all provisions of the Bankruptcy Code apply in this Chapter 15 case;
  - 12.3. Recognizing the specific provisions of the June 26 Order save and except that none of the Administration Charge, the DIP Charge and the D&O Charge will be in priority to a claim by Yellowstone County Treasurer for unpaid property taxes (the "Tax Claim");
  - 12.4. Authorizing and empowering the Aspen Companies and Deloitte, as the Foreign Representative, to take all actions necessary to implement the Recognition Order; and
  - 12.5. Confirming that the Aspen Companies and the Foreign Representative are entitled to certain protections contained in the Bankruptcy Code and subject to other provisions of the Bankruptcy Code.
13. At the August 15 Hearing, the Court granted the following relief:
  - 13.1. Approval of the Second Extension;
  - 13.2. Assigning to Invico Diversified Income Fund Limited Partnership ("Invico") of the CF Security upon the repayment of the CF Loans;
  - 13.3. Approval of the Invico Loan Agreement; and
  - 13.4. Approval of the Invico DIP Agreement and the replacement of CF Capital with Invico as interim lender pursuant to the Initial Order.
14. The Third Report is being filed in support of the following relief being sought by the Applicants at the October 4 Hearing:
  - 14.1. Approval of a 45 day extension of the Stay from October 4, 2018 to November 19, 2018 (the "Third Extension"); and
  - 14.2. Approval of an increase in the DIP Loan and DIP Charge from \$250,000 to \$750,000.

# Restructuring Efforts

## SISP

16. The Applicants continue to implement the Amended SISP (SISP previously approved in the June 26 Order with certain revised dates), with Whitehorn Merchant Capital Inc. (“Whitehorn”) acting as third party advisor. An outline of the key dates is described further below:

Phase/ Event	Estimated Timing	Description of Activities
<b>Publication Notice</b>	August 14, 2018	Notice of the SISP will be published in the Globe and Mail and other agreed upon publications
<b>Phase I</b>	To last for a period of four weeks following the publication notice	Solicitation of non-binding indications of interest (“IOI’s) to invest in the Companies or to purchase the Companies’ assets
<b>Phase I Bid Deadline</b>	September 14, 2018 (extended to September 18 as described below)	IOIs must be submitted by the specified deadline
<b>Assessment of IOIs</b>	As promptly as practical after the Phase I bid deadline	IOIs will be considered in regard to the requirements of the SISP and qualified bidders will be advanced to Phase II
<b>Phase II</b>	To last for a period of no longer than 4 weeks following the Phase I bid deadline	Qualified bidders will conduct due diligence and prepare final bids/ proposals specifying the structure of the proposed transaction
<b>Phase II Bid Deadline</b>	October 12, 2018 (estimated)	Final bids/ proposals must be submitted by the required deadline
<b>Evaluation and selection of successful bid</b>	As promptly as practical after the Phase II bid deadline	Terms of all final bids/ proposals will be clarified. The Companies will elect a final bid/ proposal and the terms of the agreement will be negotiated Court approval will be sought
<b>Closing of any successful bid/ proposal</b>	As agreed	To occur on the agreed upon date subject to Court approval of a BIA Proposal or an asset purchase agreement

17. The Phase I Bid Deadline was extended from September 14, 2018 to September 18, 2018 to accommodate a Qualified Phase I Bidder's late entry into the process. All Qualified Phase I Bidders were notified of the extension and did not object.
18. With the Phase I Bid Deadline now passed, the results of Phase I are as follows:
  - 18.1 A notice of the SISP was published in the Globe and Mail on August 14, 2018;
  - 18.2 54 prospective purchasers were contacted and provided a teaser document;
  - 18.3 Five non-disclosure agreements were signed, allowing prospective purchasers access to a data room, discussions with company management and in certain instances site visits; and
  - 18.4 Multiple non-binding indications of interest ("IOI's") have been received.
19. As of the date of this report, the Applicants, with the assistance of Whitehorn and the Proposal Trustee continue to work to qualify bidders to Phase II of the Amended SISP. As there is at least one Qualified Phase II Bidder, the SISP will proceed into Phase II with a Phase II Bid Deadline of October 12, 2018.

# Cash Flow Forecast

**Aspen Companies**  
**Statement of Projected Cash Flow**  
**For the eleven week period ending December 8, 2018**

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<b>Receipts</b>	
Account receivables	\$ 1,696,250
Rental Receipts	-
GST collected	750
<b>Total Receipts</b>	<b>1,697,000</b>
<b>Disbursements</b>	
Salaries and wages	(556,250)
Employee benefits	(68,975)
Vehicle and equipment leases	(251,844)
Fuel	(82,500)
Utilities	(429,509)
Water	(15,000)
Repair & Maintenance	(409,375)
Rent	(18,188)
IT services	(21,109)
Office expenses	(35,225)
Insurance	(87,822)
DIP loan fees	(14,583)
Professional fees	(419,500)
Contingency	(64,625)
<b>Total Disbursements</b>	<b>(2,474,504)</b>
<b>Net Cash Flow</b>	<b>\$ (777,504)</b>
<b>Bank Balance</b>	
Beginning Cash Balance	\$ 130,668
DIP Loan	750,000
Transfers US/CDN Bank Account	-
Net Cash Flow	(777,504)
<b>Ending Bank Balance</b>	<b>\$ 103,164</b>

20. As noted above, attached as "Schedule 1" is the Applicants' Cash Flow Forecast for the period September 23, 2018 to December 8, 2018 (the "Forecast Period"). The consolidated Cash Flow Forecast includes receipts of approximately \$1.7 million, which is comprised almost entirely of account receivables collections. As previously reported, the Aspen Companies have indicated that, where they supply liquid air products, they would be considered a critical supplier for most of their customers, who are subject to long-term supply contracts. As such, the Aspen Companies' have not yet and do not expect a significant deterioration in accounts receivable collections as a result of the NOI proceedings.

21. The Cash Flow Forecast includes disbursements of approximately \$2.5 million. The most significant disbursements are summarized below:
- 21.1 Salaries and wages of approximately \$556,300, including Canada Revenue Agency employee payroll source deductions;
  - 21.2 Employee benefits of approximately \$69,000, which are payable to Great-West Life Assurance Company and Blue Shield of Montana;
  - 21.3 Vehicle and equipment leases of approximately \$251,800;
  - 21.4 Fuel expenditures of approximately \$82,500;
  - 21.5 Utilities of approximately \$429,500 for electricity, which is required in the specialized gas separation process used by the Aspen Companies to produce nitrogen, oxygen and argon;
  - 21.6 Repair and maintenance of approximately \$409,400, primarily related to the Plant Repair (as further described below);
  - 21.7 Insurance premiums of approximately 87,800;
  - 21.8 Professional fees of approximately \$419,500 payable to the Trustee, the Trustee's Canadian and U.S. legal counsel, and the Aspen Companies' legal counsel; and
  - 21.9 Contingency of approximately \$64,600.
22. Management has noted utility costs are subject to seasonal changes in spot prices. Management is anticipating lower utility costs over the Forecast Period, as previous years have shown a reduction in costs after the summer months.
23. As previously reported, approximately \$150,000 in costs was forecast for a maintenance shut-down to complete a required repair at one of the plants (the "Plant Repair"). The Plant Repair has been continually delayed due to cash flow restraints throughout the NOI proceedings. In order to address further repair requirements as a result of this delay, Management has revised the scope of repair and costs to complete to approximately \$362,500. An increase to the DIP Loan (as described below) will allow Management to perform the plant repair within the Forecast Period. Undertaking the Plant Repair will allow the Aspen Companies to, among other things, complete overdue regular maintenance to the plant and to repair a crack in the cold box. Continuing to delay the Plant Shut-Down increases the risk of a significant failure. If such a failure were to occur it could result in a lengthy forced shut down of the plant.

#### Increase to the DIP Loan and DIP Charge

24. Due to the necessity to complete the Plant Repair as soon as possible, as well as the desire to have some additional liquidity in the event that energy and/or other costs are slightly higher than forecasted, Management has entered into discussions with the current DIP lender to increase the amount of the DIP Loan.
25. The Trustee has been advised that on September 27, 2018 the Company reached an agreement with Invico to increase the DIP Loan and corresponding DIP Charge from \$250,000 to \$750,000

(the "Revised DIP Loan" and "Revised DIP Charge"). Although the Trustee has not reviewed the revised agreement, which we understand will be formalized prior to Court on October 3, 2018, we have been provided written confirmation from Invico that the Revised DIP Loan will be on the exact same terms as the original DIP loan. The amount of the Revised DIP Loan and Revised DIP Charge appear reasonable based on (among other things):

25.1 the projected receipts and disbursements reflected in the cash flow (particularly in light of Plant Repair and potential energy pricing fluctuations);

25.2 the required Plant Repair; and

25.3 the fact that the Plant Repair will likely enhance the value of the underlying assets of the Companies.

26. The Trustee is of the view that the factors enumerated in Section 50.6(5) of the BIA support the approval of the Revised DIP Loan on the same terms as the original DIP loan.

#### Forecast Period Summary

27. The Aspen Companies had an opening cash balance of approximately \$130,700 consisting of cash held in bank accounts with ATB in Canada and Wells Fargo in the U.S. The Aspen Companies are projected to have a net cash outflow of approximately \$777,500 over the Forecast Period, and DIP loan proceeds of approximately \$750,000. Based on its opening bank balance, the net cash outflow, and the currently authorized DIP loan proceeds, the Aspen Companies have sufficient liquidity to sustain their ongoing operations throughout the Forecast Period.

# Cash Flow Variance Analysis

28. The following is the cash flow variance analysis for the Aspen Companies (the "Variance Analysis") for the period from August 5, 2018 until September 22, 2018 (the "Variance Period"). The Variance Analysis is based on the statement of projected cash flows filed by the Applicants on August 10, 2018:

<b>Aspen Companies</b>						
<b>Variance Analysis</b>						
<b>For the seven week period ending September 22, 2018</b>						
	<b>Total Forecast</b>		<b>Total Actual</b>		<b>Variance % Variance</b>	
<b>Receipts</b>						
Account receivables	\$	1,295,394	\$	1,153,612	\$	(141,782) (11%)
Rental Receipts		-		3,150		3,150 100%
GST collected		6,120		169		(5,951) (97%)
<b>Total Receipts</b>		<b>1,301,514</b>		<b>1,156,930</b>		<b>(144,583) (11%)</b>
<b>Disbursements</b>						
Salaries and wages		(315,238)		(343,457)		(28,220) (9%)
Employee benefits		(41,749)		(47,006)		(5,257) (13%)
Vehicle and equipment leases		(139,555)		(134,527)		5,027 4%
Fuel		(35,000)		(56,147)		(21,147) (60%)
Utilities		(448,125)		(455,916)		(7,791) (2%)
Water		(13,750)		(20,354)		(6,604) (48%)
Repair & Maintenance		(40,625)		(60,295)		(19,670) (48%)
Rent		(7,625)		(9,728)		(2,103) (28%)
IT services		(14,208)		(14,929)		(721) (5%)
Office expenses		(14,693)		(25,307)		(10,614) (72%)
Insurance		(52,242)		(42,057)		10,185 19%
DIP Loan Fees		-		-		- 0%
Professional fees		(277,500)		(131,453)		146,047 53%
Contingency		(61,250)		(31,926)		29,324 48%
<b>Total Disbursements</b>		<b>(1,461,558)</b>		<b>(1,373,101)</b>		<b>88,457 6%</b>
<b>Net Cash Flow</b>	<b>\$</b>	<b>(160,044)</b>	<b>\$</b>	<b>(216,171)</b>	<b>\$</b>	<b>(56,127) (35%)</b>
<b>Bank Balance</b>						
Beginning Cash Balance	\$	209,151	\$	209,151	\$	- 0%
DIP Loan		-		-		- 0%
Transfers US/CAN Bank Account		125,000		137,688		12,688 10%
Net Cash Flow		(160,044)		(216,171)		(56,127) (35%)
<b>Ending Bank Balance</b>	<b>\$</b>	<b>174,107</b>	<b>\$</b>	<b>130,668</b>	<b>\$</b>	<b>(43,439) (25%)</b>

29. The following permanent variances over \$10,000 are not anticipated to impact the Aspen Companies go-forward operations or ability to restructure:
- 29.1 A permanent negative variance of approximately \$85,000 included in accounts receivable related to a customer setting off approximately \$55,000 against pre-filing amounts, which is being pursued by legal counsel and approximately \$30,000 in bad debt expense relating to the insolvency of a customer;
  - 29.2 A permanent negative variance of approximately \$28,200 for salaries and wages as a result of an error in one pay period during the preparation of the statement of cash flows;
  - 29.3 A permanent negative variance of approximately \$21,100 for fuel as a result of increased usage of vehicles. Management has stated they anticipate this to translate to increased account receivables collections in the future;
  - 29.4 A permanent negative variance of approximately \$19,700 for repairs and maintenance as a result of a large unplanned and require repair on plant equipment; and
  - 29.5 A permanent positive variance of approximately \$29,300 for contingency as a result of fewer contingency items arising than were originally forecast.
30. The Aspen Companies provided the Trustee with a representation letter dated September 28, 2018, which states, among other things, that the Applicants have made available to the Trustee all financial records and other relevant information, that the assumptions used in developing the Cash Flow Forecast are still valid, and that they are acting in good faith and with due diligence in developing a proposal and are not aware of any reason that they would not be able to make a viable proposal.

# Recommendation and Conclusion

31. Based on the Trustee's review of the Aspen Companies' operations and restructuring efforts to date, the Trustee is of the view that pursuant to Section 50.4(9) of the BIA:

31.1 The Aspen Companies appear to be acting in good faith and with due diligence;

31.2 The Aspen Companies are cooperating with the Trustee and appear to be making efforts to present a viable proposal to their secured and unsecured creditors;

31.3 The Aspen Companies require the increase to the DIP Loan to sustain operations;

31.4 The Aspen Companies require the extension to continue the Amended SISF; and

31.5 The Trustee is of the view that the Aspen Companies' creditors will not be materially prejudiced by the Extension.

32. The Third Report has been prepared to provide the Court with an update on the Aspen Companies' NOI proceedings, to report on the Cash Flow Forecast and the Variance Analysis, and in support of the Extension, Revised DIP Loan and Revised DIP Charge.

**DELOITTE RESTRUCTURING INC.,**  
in its capacity as Trustee under the proposal of  
Aspen Air Corporation and Aspen Air U.S. Corp.  
and not in its personal or corporate capacity



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Ryan Adlington, CA, CPA, CIRP  
Senior Vice-President

# Schedule 1

Aspen Air Corporation ("Aspen") and Aspen Air U.S. Corp. ("Aspen US", collectively the "Aspen Companies")  
Statement of Projected Cash Flow  
For the eleven week period ending December 8, 2018

Assumed FX Rate: 0.80

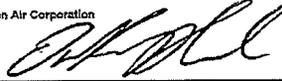
	Week ended:											Total	Notes	
	29-Sep-18	8-Oct-18	19-Oct-18	20-Oct-18	27-Oct-18	3-Nov-18	10-Nov-18	17-Nov-18	24-Nov-18	1-Dec-18	8-Dec-18			
<b>Receipts</b>														
Account receivables	\$ 156,250	\$ 118,750	\$ 156,250	\$ 163,750	\$ 193,750	\$ 118,750	\$ 156,250	\$ 156,250	\$ 201,250	\$ 118,750	\$ 156,250	\$ 1,696,250	1	
Rental Receipts	-	-	-	-	-	-	-	-	-	-	-	-		
GST collected	-	-	-	375	-	-	-	-	375	-	-	750	2	
<b>Total Receipts</b>	<b>156,250</b>	<b>118,750</b>	<b>156,250</b>	<b>164,125</b>	<b>193,750</b>	<b>118,750</b>	<b>156,250</b>	<b>156,250</b>	<b>201,625</b>	<b>118,750</b>	<b>156,250</b>	<b>1,697,000</b>		
<b>Disbursements</b>														
Salaries and wages	(111,250)	-	(111,250)	-	-	(111,250)	-	(111,250)	-	(111,250)	-	(556,250)	3	
Employee benefits	-	(4,500)	(4,175)	(21,875)	(1,688)	(4,500)	(4,175)	-	(23,563)	(4,500)	-	(88,875)	4	
Vehicle and equipment leases	(65,408)	(8,000)	-	-	(65,519)	(13,200)	-	-	-	(7,719)	-	(251,844)	5	
Fuel	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(82,500)	6	
Utilities	(18,125)	(55,134)	-	(171,875)	(18,125)	(625)	-	(15,625)	(149,375)	(625)	-	(429,500)	7	
Water	-	-	-	(8,125)	-	-	-	-	(8,875)	-	-	(15,000)	8	
Repair & Maintenance	(34,375)	(9,375)	(9,375)	(9,375)	(9,375)	(9,375)	(9,375)	(9,375)	(9,375)	(9,375)	(50,000)	(409,375)	9	
Rent	(6,063)	(6,063)	-	-	-	(6,063)	-	-	-	(6,063)	-	(18,188)	10	
IT services	(6,220)	(1,088)	-	-	(5,813)	-	(1,068)	-	(5,813)	-	(1,088)	(21,109)	11	
Office expenses	(2,350)	(2,788)	(3,100)	(4,975)	(2,475)	(2,788)	(3,100)	(2,788)	(4,975)	(2,788)	(3,100)	(35,225)	12	
Insurance	(5,274)	(389)	(22,631)	-	(6,274)	(389)	(22,631)	-	(6,274)	-	(23,000)	(87,622)	13	
DIP loan fees	(5,000)	-	-	-	(3,333)	-	-	-	-	(5,250)	-	(14,583)	14	
Professional fees	(69,500)	(50,000)	(35,000)	(10,000)	(97,500)	(10,000)	(10,000)	(10,000)	(107,500)	(18,000)	(10,000)	(419,500)	15	
Contingency	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(84,625)		
<b>Total Disbursements</b>	<b>(352,875)</b>	<b>(149,603)</b>	<b>(199,494)</b>	<b>(239,600)</b>	<b>(223,477)</b>	<b>(255,919)</b>	<b>(148,119)</b>	<b>(246,788)</b>	<b>(320,875)</b>	<b>(286,694)</b>	<b>(100,563)</b>	<b>(2,474,504)</b>		
<b>Net Cash Flow</b>	<b>\$ (196,625)</b>	<b>\$ (30,853)</b>	<b>\$ (43,744)</b>	<b>\$ (75,475)</b>	<b>\$ (29,727)</b>	<b>\$ (137,169)</b>	<b>\$ 8,131</b>	<b>\$ (90,538)</b>	<b>\$ (119,250)</b>	<b>\$ (117,944)</b>	<b>\$ 55,688</b>	<b>\$ (777,504)</b>		
<b>Bank Balance</b>														
Beginning Cash Balance	\$ 130,668	\$ 84,043	\$ 53,190	\$ 109,446	\$ 33,971	\$ 154,245	\$ 67,076	\$ 75,207	\$ 134,670	\$ 165,420	\$ 47,478	\$ 130,668	16	
DIP Loan	150,000	-	100,000	-	150,000	50,000	-	150,000	160,000	-	-	750,000	14	
Transfers US/CDN Bank Account	-	-	-	-	-	-	-	-	-	-	-	-	17	
Net Cash Flow	(196,625)	(30,853)	(43,744)	(75,475)	(29,727)	(137,169)	8,131	(90,538)	(119,250)	(117,944)	55,688	(777,504)		
<b>Ending Bank Balance</b>	<b>\$ 84,043</b>	<b>\$ 53,190</b>	<b>\$ 109,446</b>	<b>\$ 33,971</b>	<b>\$ 154,245</b>	<b>\$ 67,076</b>	<b>\$ 75,207</b>	<b>\$ 134,670</b>	<b>\$ 165,420</b>	<b>\$ 47,478</b>	<b>\$ 103,164</b>	<b>\$ 103,164</b>		

Prepared as at the 9th day of August, 2018

**Purpose:**

This Estimated Cash Flow Statement (the "Aspen Companies' Cash Flow") has been prepared by the Aspen Companies' management pursuant to section 50.4(2) of the Bankruptcy and Insolvency Act. It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes. In addition the Cash Flow has been prepared based on assumptions regarding future events; therefore, actual results may vary from the estimates presented herein and these variances may be material.

Aspen Air Corporation



Per: Onkar Dhaliwal, President & CEO

Deloitte Restructuring Inc. in their capacity as Trustee under the proposal of Aspen Air Corporation and not in their personal capacity



Aspen Air Corporation ("Aspen") and Aspen Air U.S. Corp. ("Aspen US", collectively the "Aspen Companies")  
Statement of Projected Cash Flow  
For the eleven week period ending December 8, 2018

Notes & Assumptions - General:

1. Unless otherwise stated, amounts are based on historical data and management estimates.
2. Attached as "Schedule 1" is the Statement of Projected Cash Flow for Aspen Air Corporation.
3. Attached as "Schedule 2" is the Statement of Projected Cash Flow for Aspen Air U.S. Corp.
4. All amounts include applicable GST.
5. As the Aspen Companies are in the process of developing their Proposals pursuant to the BIA (the "BIA Proposals"), the Aspen Companies' Cash Flow does not include any payments to creditors pursuant to the BIA Proposals.
6. The Consolidated Cash Flow assumes an exchange rate of \$1.00 USD = \$0.80 CAD and amounts are in Canadian dollars.

Notes & Assumptions - Specific:

1. Represents the collection of accounts receivable, which are subject to 30 to 60 day payment terms.
2. Includes GST collected on accounts receivable for Aspen Air Corporation.
3. Includes salaries and wages for 23 employees.
4. Includes benefits payable to Great-West Life Assurance Company and Blue Shield.
5. Includes payments due for leased vehicles and equipment. Aspen Air Corporation is currently reviewing its go-forward vehicle and equipment needs.
6. Includes anticipated fuel payments based on historical weekly averages.
7. Includes payments for electricity for Aspen Air U.S. Corp. plant located at 1524 Lockwood Road in Billings, Montana.
8. Includes utility payments for the plant located at 1524 Lockwood Road in Billings, Montana.
9. A plant maintenance shut-down to repair a crack in the cold box of plant #1 will be performed in late Q4 of 2018. This amount includes repair costs estimated at \$362,500.
10. Monthly rent of \$4,500 is payable for the premises located at 200, 10500 48th street SE in Calgary, Alberta. In addition, monthly rent of \$1,500 is payable for land and storage space.
11. Includes payments for IT services required for operations.
12. Includes miscellaneous office expenditures.
13. Includes monthly payments for insurance policies held by the Aspen Companies.
14. Aspen has arranged a \$750,000 loan related to the restructuring, which has 2% entrance and exit fees and 10% monthly interest. An increase in the loan to \$750,000 has been agreed to with the lender, and is subject to Court approval.
15. Includes professional fees to be paid to Aspen's legal counsel, to the proposal Trustee and to the proposal Trustee's legal counsel.
16. Includes cash held in financial institutions.
17. Aspen Air Corporation and Aspen Air U.S. Corp. are operated on a consolidated basis with funds being transferred between the respective bank accounts as needed.

# Schedule 2

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-2386434  
Estate No. 25-2386434

FORM 30  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Aspen Air U.S. Corp.  
of the City of Calgary, in the Province of Alberta

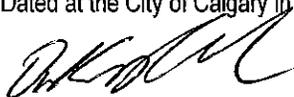
I, Aspen Air U.S. Corp., have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 27th day of September, 2018, consisting of the statement of projected cash flow for the eleven week period ending December 8, 2018.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, 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 are disclosed in the notes attached.

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 the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 27th day of September, 2018.



Aspen Air U.S. Corp.  
Debtor

Dukor Dinalwal, President & CEO  
Name and title of signing officer

\_\_\_\_\_  
Name and title of signing officer

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-2386427  
Estate No. 25-2386427

FORM 30  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Aspen Air Corporation  
of the City of Calgary, in the Province of Alberta

I, Aspen Air Corporation, have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 27th day of September, 2018, consisting of the statement of projected cash flow for the eleven week period ending December 8, 2018.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, 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 are disclosed in the notes attached.

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 the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 27th day of September, 2018.



Aspen Air Corporation  
Debtor

*Oskar Dvalund, President & CEO*  
Name and title of signing officer

\_\_\_\_\_  
Name and title of signing officer

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-2386427  
Estate No. 25-2386427

FORM 29  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of  
Aspen Air Corporation  
of the City of Calgary, in the Province of Alberta

The attached statement of projected cash flow of Aspen Air Corporation, as of the 27th day of September 2018, consisting of the statement of projected cash flow for the eleven week period ending December 8, 2018, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  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 or  the insolvent person for the probable assumptions and 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 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 the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 27th day of September

2018. Deloitte Restructuring Inc. - Licensed Insolvency Trustee



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700 Bankers Court, 850 - 2nd Street SW  
Calgary AB T2P 0R8  
Phone: (403) 267-1899 Fax: (403) 718-3681

District of: Alberta  
Division No. 02 - Calgary  
Court No. 25-2386434  
Estate No. 25-2386434

FORM 29  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of  
Aspen Air U.S. Corp.  
of the City of Calgary, in the Province of Alberta

The attached statement of projected cash flow of Aspen Air U.S. Corp., as of the 27th day of September 2018, consisting of the statement of projected cash flow for the eleven week period ending December 8, 2018, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  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 or  the insolvent person for the probable assumptions and 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 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 the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 27th day of September

2018. Deloitte Restructuring Inc. - Licensed Insolvency Trustee

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