

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")

Oct 2/15

Oct 2/15 M Starnino + D McKenna, for SkyGreece (SG)
L. Prophet, for Proposal Trustee (PT)
L. BURR, for Bank of America (BoA), secured creditor & financier of plane
DR. G. In KACS, by phone, for Air Passenger Rights (Dr L)

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD OF THE APPLICANT
SKYGREECE AIRLINES S.A.

SG seeks an extension of both the general proposal stay under the BIA as well as the regulatory stay that I granted on Sept 8/15 - in each case to Nov 17/15. BoA, the main secured creditor, does not oppose the extension. The CTA does not oppose the regulatory stay extension. The airport authorities in TOR & Quebec, rep'd by the Osler firm, do not oppose; nor does the third party intermediary Hahn. Dr L does oppose. SG does not concede that he has standing at this hearing but was content to have his views articulated to the court. I agreed to hear his submissions, w/o conceding the standing issue.

Since the NDI was filed on Sept 3/15, SG has not been operating. It has assembled a restructuring team to work on a restructuring effort so that it can resume operations. Its efforts to develop a business plan going forward have been compromised somewhat by the amount of time it has had to spend

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in dealing w/ passengers (both to address the court's + DR L's concerns) + to stabilize the situation. However, there is evidence that it has been working on developing a proposal with a view to resuming operations (conversations w/ BOA to release the plane; w/ third parties re int. financing; w/ 3 parties to do charter flights on their behalf). SG has licenses (currently suspended) that it can reactivate once its current liquidity crisis is resolved.

There is no gN that SG has acted + is acting in good faith + w/ due diligence. I am satisfied that the criteria in 50.4(9)(b) + (c) of the BIA are also met. These are early stage proceedings. The PT ~~seems to support~~ supports the stay; the Secd creditor does not oppose it. One existing shareholder has already put up \$250K + is prepared to put in another \$250K in emergency funding. The efforts taken thus far indicate that SG is trying to secure financing to get itself back on track. (It has further, the alternative of immediate ^{a potential \$1.5 million source} bankruptcy would, at this stage, be worse to the creditors. I cannot see how they will be materially prejudiced by this 6 week ^{extended} extension.

I grant the stay under s. 50.4(9). I also grant the extension of the regulatory stay, for the same reasons that I gave on Sept 8. I do not propose to reduce the scope of the stay order, particularly in the absence of any request from the CRA to do so.

I also grant approval of the emergency DIP loan of ^{+ DIP change} \$250K (to be funded by SG's shareholder) pursuant to s. 50.6(1) of the BIA. This is a relatively modest amount + will enable the co. to pursue a restructuring. The DIP change will be subordinated to secured creditors. While it will rank ahead of unsecured creditors, I am requiring that any professional fees

first be paid from the initial \$250K (unsecured) put up by SG's shareholder. This will mitigate the effect of the DIP charge ranking ahead of the unsecureds. W/O the DIP financing, the stay will be meaningless. It will be used primarily to pay prof fees & employees (which is critical to obtain access to SG computer records in Greece). I am satisfied that the ~~criteria~~ factors in s. 50.6(5), which I have considered, support the DIP loan & DIP charge.

I also approve the various admin charges. In particular, the charge in favor of the D+O are appropriate given their exposure for employee claims, the modest amount involved (\$50K) and the inability to obtain adequate insurance at this time.

DR. J has raised the issue re privacy of customers' information being breached on the SG website. I am advised that the website has now been shut down. However, SG must work w/ DRJ to ensure that there are no remaining privacy issues.

I made no order WRT ~~untranslated~~ ^{audited} reports or revised passenger claim forms at this time (as I am not persuaded that they (the claim forms) are inadequate, particularly since the PT has been responding to customer OTB as signed by me.

Conway J.

queries re same & has received over 100 completed forms already.]