



INSOLVENCY CONSULTANTS & TRUSTEE IN BANKRUPTCY

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May 27, 2014

To the Creditors of Montair Aviation Inc.

Dear Sirs/Mesdames:

Re: In the Matter of the Amended Proposal of Montair Aviation Inc.

Please find attached the Amended Proposal of Montair Aviation Inc. (“Montair”)

The proposal has been amended to remove creditors related to Montair from being entitled to share in the distribution from the Cash Pool.

The specific amendments to the proposal are as follows:

1. Related Creditors has been added to the Definition section of the proposal; and
2. Related Creditors have been excluded in Section 1 of the proposal from being entitled to submit claims or share in the distribution of the Cash Pool.

By excluding the related creditor the distribution to the secured and unsecured creditors is expected to increase to approximately 5 cents per dollar of claim.

Please note that the Meeting of Creditors has not changed and is still scheduled for June 4, 2014 as outlined hereafter:

Meeting of Creditors

Date and Time: **Wednesday, June 4, 2014 at 2:00 p.m.**
 Place: 2nd Floor Boardroom
 Address: 230 - 830 West Pender Street, Vancouver, BC

Should you have any questions regarding the report or the terms of the Amended Proposal, please contact John McEown.

Yours very truly,

Boale, Wood & Company Ltd.

Trustee in the Proposal of
Montair Aviation Inc.

Per: John McEown, CA•CIRP

IN THE MATTER OF THE PROPOSAL OF
MONTAIR AVIATION INC.

OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA

AMENDED PROPOSAL TO CREDITORS

Montair Aviation Inc. ("**Montair**" or the "**Company**"), being insolvent, hereby submits the following Amended Proposal pursuant to the provisions of Part III Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3 as amended ("**BIA**").

All defined terms and expressions as used in this Amended Proposal appear in Section 2.0 below.

1.0 PURPOSE AND EFFECT OF PROPOSAL

1.1 General Intent of Amended Proposal

This Amended Proposal is designed to allow the Company to complete a transaction that, on completion, will result in Creditors recovering more than would be recovered in the event of an immediate liquidation and distribution of the Company's assets. The Company has determined that amounts owing to its Creditors significantly exceed the value of its assets and the Company has no future prospects unless a transaction can be completed. The alternative result is that no claim against the Company will be satisfied, even partially, on a liquidation of its assets.

The Amended Proposal, if approved by the Creditors, will allow the Company to capitalize on its status as a holder of the Certifications to raise additional funds for distribution to Creditors, in particular by pursuing a transaction under which investors in Canadian Mountains Aviation Development Group Ltd. ("**CMAD**") will subscribe for a majority of the Company's shares in exchange for postponing its claim and providing additional funds that will be used, in part, to make this Amended Proposal to Creditors.

The Certifications are non-transferable and cannot be used to generate cash flow unless a transaction is completed which results in a infusion of capital to the Company. Further, the Company cannot satisfy regulatory requirements to maintain the Certifications unless such a transaction is completed. CMAD has confirmed that it has no interest in pursuing a transaction with the Company unless the Company can be restructured and the terms of the Amended Proposal are approved by the Creditors and the Court.

1.2 Overview of Amended Proposal

The general outline of the Amended Proposal is as follows:

- (a) The Company has entered into binding Term Sheet (the “**Term Sheet**”) with CMAD which provides for, the acquisition by certain investors in CMAD of a significant equity stake in Montair, conditional on (among other things):
 - (i) approval from the Creditors and the Court of this Amended Proposal, and
 - (ii) payment by CMAD to the Trustee of a \$200,000 Cash Pool for distribution to Creditors pursuant to the terms of the Amended Proposal;
- (b) All proper fees and expenses of the Trustee will be paid from the Cash Pool;
- (c) Crown Claims will be paid in accordance with the requirements of the BIA;
- (d) Claims of Preferred Creditors, if any, will be paid from the Cash Pool;
- (e) Claims of Secured Creditors and Unsecured Creditors will be paid on a pro rata basis from the balance of the Cash Pool;
- (f) Related Creditors shall not be entitled to submit Claims or Share in the distribution of the Cash Pool to Creditors; and
- (g) CMAD will not share in the distribution of the Cash Pool to Creditors, and its Claims against the Company shall be postponed and converted into equity of Montair after the Effective Date.

1.3 Persons Affected

The Amended Proposal applies to every Creditor, whether or not the Creditor has proven a claim against the Company under the Amended Proposal for the purpose of receiving a payment under the Amended Proposal pursuant to the provisions of section 3.0.

2.0 INTERPRETATION

2.1 Definitions

In this Amended Proposal, the following terms are defined:

- (a) “**Affected Creditors**” means the holders of Crown Claims, the Secured Creditors, the Preferred Creditors and Unsecured Creditors, except for CMAD.
- (b) “**BIA**” means the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended from time to time.
- (c) “**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in British Columbia.

- (d) **“Cash Pool”** means a fund of \$200,000, to be held by the Trustee for distribution to the Creditors in accordance with the terms of this Amended Proposal.
- (e) **“Certifications”** means the non-transferable certifications issued or to be issued by certain regulatory bodies to Montair to operate a flight training school, including Montair’s Transport Canada Flight Training Unit Operating Certificate and any license by the Civil Aviation Authority of China Flight Standards Department that may be issued to or renewed in the name of Montair.
- (f) **“Claims”** means any indebtedness, liability, action, cause of action, suit, debt due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of the Company or their successors and assigns or their respective directors, to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, in any way, and whether in whole or in part, incurred or arising or relating to the period prior to or existing on the Claims Date, and including any claim arising from a breach or termination, occurring prior to the Effective Date, of any contract entered into prior to the Claims Date, together with all Claims in respect of the costs of remedying any environmental condition or damage affecting real property whether the condition or the damage occurred or existed before or after the Claims Date.
- (g) **“Claims Date”** means the date of the original Proposal, filed May 14, 2014.
- (h) **“CMAD”** means Canadian Mountains Aviation Development Group Ltd., a secured lender of the Company accounting for an aggregate of at least \$249,585 in secured debt as at the date hereof.
- (i) **“Company”** or **“Montair”** means Montair Aviation Inc.
- (j) **“Court”** means the Supreme Court of British Columbia, Judicial District of Vancouver.
- (k) **“Creditor”** means any person having a Claim.
- (l) **“Creditors’ Meeting”** means the meeting of Creditors called pursuant to the BIA for the purpose of considering and voting on the Amended Proposal.
- (m) **“Crown Claims”** means Claims of Her Majesty in Right of Canada or a province that are described in section 60(1.1) of the BIA.
- (n) **“Effective Date”** means the date on which the Order of the Court approving this Amended Proposal becomes final and may no longer be appealed.
- (o) **“Guarantors”** means Al Neufeld and Donna Neufeld to the extent one or both of them guaranteed payment of a Claim against Montair.
- (p) **“Inspectors”** means the inspectors appointed pursuant to Section 56 of the BIA.

- (q) **"Preferred Creditors"** means any Creditor entitled to receive payment of any amount owed to it in priority to other Unsecured Creditors as provided for in Section 136 of the BIA.
- (r) **"PPR"** means the British Columbia Personal Property Registry.
- (s) **"Amended Proposal"** means this proposal made pursuant to the provisions of Part III, Division I of the BIA, as filed on May 26, 2014, and as amended or supplemented from time to time.
- (t) **"Proven Claim"** means a Claim which has been accepted by the Trustee, or determined by subsequent Order of the Court, as to the proper amount owing to a Creditor under this Amended Proposal.
- (u) **"Related Creditors"** means Creditors who are related to Montair and are "related persons" as such term is defined in section 4(2) of the BIA, including, without limitation, Al Neufeld, Donna Neufeld, Flightline Holdings Inc., and Stellar Aviation Corp.
- (v) **"Released Parties"** means each and every present and former director of the Company, CMAD, investors in CMAD, each and every present and former director of CMAD, and each and every of their respective successors and assigns.
- (w) **"Secured Creditors"** means those Creditors holding perfected security interests against the assets of the Company.
- (x) **"Trustee"** means Boale Wood and Company Ltd., the Trustee acting under the Amended Proposal.
- (y) **"Unsecured Creditors"** means those creditors with Claims, except for those Claims that:
 - (i) have been finally and conclusively disallowed pursuant to the provisions of the BIA by the Trustee, or the Court (as may be applicable);
 - (ii) may be contingent or unliquidated and found by the Trustee, or the Court (as may be applicable) not to be provable;
 - (iii) are Crown Claims;
 - (iv) are Claims of Preferred Creditors; or
 - (v) are Claims of Secured Creditors.

2.2 Section References

In this Amended Proposal, a reference to a section, clause or paragraph shall, unless otherwise stated, refer to a section, clause or paragraph of the Amended Proposal.

2.3 Interpretation Not Affected By Headings

The division of the Amended Proposal into sections, clauses and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Amended Proposal.

2.4 Date For Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

3.0 PROPOSAL TO CREDITORS

3.1 Secured Claims

The Company estimates that the Claims of Secured Creditors will total approximately \$590,000, not including Crown Claims, and are secured by assets valued at one dollar (\$1).

Secured Creditors will receive funds from a Cash Pool of \$200,000 to be distributed on a pro rata basis among Secured and Unsecured Creditors on account of their respective Claims.

Based on the estimated amount of the Claims of Secured and Unsecured Creditors, each Secured Creditor will receive approximately \$0.055 per dollar of Claim, before payment of Trustee's fees and expenses, Crown Claims and Preferred Claims. If the amounts of Proven Claims are less or greater than estimated, the amount received per dollar of Claim by each Secured Creditor will be increased or reduced accordingly.

Payments to the Secured Creditors shall be without interest or penalty and subject to deduction of the five percent (5%) BIA Section 147 levy payable to the Superintendent of Bankruptcy.

3.2 Unsecured Claims

The Company estimates that the Claims of Unsecured Creditors will total approximately \$3,140,000.

Unsecured Creditors will receive funds from a Cash Pool of \$200,000 to be distributed on a pro rata basis among Secured and Unsecured Creditors on account of their respective Claims.

Based on the estimated amount of the Claims of Secured and Unsecured Creditors, each Unsecured Creditor will receive approximately \$0.055 per dollar of Claim, before payment of Trustee's fees and expenses, Crown Claims and Preferred Claims. If the amounts of Proven Claims are less or greater than estimated, the amount received per dollar of Claim by each Unsecured Creditor will be increased or reduced accordingly.

Payments to the Unsecured Creditors shall be without interest or penalty and subject to deduction of the five percent (5%) BIA Section 147 levy payable to the Superintendent of Bankruptcy.

3.3 Crown Claims

Not later than six months following the Court's approval of the Amended Proposal, the Company shall pay in full from the Cash Pool all Crown Claims, as required by section 60(1.1) of the BIA.

During the term of the Amended Proposal, the Company will remit all required income tax, employee source deductions, and GST/HST installments directly to Canada Revenue Agency and file the required GST returns on time, with payment of any balance due made on filing. Without limitation to the foregoing, during the term of the Amended Proposal, the Company shall pay all amounts required to be paid pursuant to section 60(1.2) of the BIA.

Montair is aware of outstanding Crown Claims which total approximately \$30,000.

3.4 Preferred Claims

The Claims of all Preferred Creditors, if any, shall be paid in full, without interest or penalty, and subject to the Superintendent of Bankruptcy's levy, from the Cash Pool in priority to all claims of the Secured and Unsecured Creditors.

Without limiting the foregoing, the Company shall pay from the Cash Pool immediately after the Effective Date, or sooner at its option, all amounts required to be paid to employees by section 60(1.3) of the BIA.

Montair is not aware of any outstanding Claims to Preferred Creditors.

3.5 Timing and Payment

Following the Effective date, and upon satisfaction of all conditions to this Amended Proposal, the following transactions, actions and events will be consummated:

- (a) CMAD shall pay the Cash Pool to the Trustee within 10 business days of the Effective Date; and
- (b) The Trustee shall make the payments from the Cash Pool to the Affected Creditors in accordance with this Amended Proposal as soon as reasonably practicable following receipt of the Cash Pool, less such reserves as the Trustee shall deem necessary or appropriate, and the balance shall be paid in such number of installments as the Trustee shall deem appropriate.

3.6 Effect of Payment

Upon the Trustee making the payments from the Cash Pool to the Affected Creditors in accordance with this Amended Proposal, the Company, its successors and assigns, and its directors shall be deemed to have satisfied in full the terms of the Amended Proposal and the Company shall be released from all claims, liabilities and obligations to all Affected Creditors.

3.7 Cancellation of Encumbrances

The Company shall be authorized and empowered to take such steps, and to execute such documents, as may be required to effect the expungement, removal or discharge of any and all encumbrances

against the Company, including but not limited to all charges in the Personal Property Registry of British Columbia registered against the Company except the charge registered by CMAD, upon satisfaction of the terms of the Amended Proposal as set out in Clause 3.6 above.

4.0 PROOF OF CLAIMS

4.1 Claims Process

In order to be eligible to vote at the Creditors' Meeting, each Creditor shall file a Proof of Claim with the Trustee in accordance with the applicable provisions of the BIA and thereafter the Trustee shall administer the claims in accordance with the provisions of section 135 of the BIA.

In order to receive a distribution from the Cash Pool, a Creditor must submit a Proof of Claim prior to the Effective Date.

4.2 Failure to File Proofs of Claim Prior to Distribution of the Cash Pool

Any Affected Creditor who does not file a Proof of Claim with the Trustee prior to the date the Trustee distributes the Cash Pool to the Affected Creditors in accordance with the Amended Proposal shall forever be barred from making a Claim in this Amended Proposal or sharing in any dividend hereunder, but the Company shall nevertheless be released from any claims, liabilities or obligations to such Creditor.

5.0 TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS

5.1 Boale Wood and Company Ltd., of Vancouver, British Columbia, shall be the Proposal Trustee acting under this Amended Proposal and shall have those powers granted to it by this Amended Proposal, the BIA and the Court.

5.2 The Trustee is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with the Amended Proposal or in connection with the business or liabilities of the Company.

5.3 The fees for the Trustee's services will be based on time spent by the Trustee and the various members of its staff at their respective billing rates plus any direct out of pocket expenses incurred. The Court will tax the Trustee's fees and disbursements. The Trustee will be entitled to take regular interim fees from time to time, subject to the taxation of its accounts in accordance with the BIA.

5.4 The Company shall pay, in priority to all amounts to be distributed to Creditors under the Amended Proposal, all amounts required to be paid by sub-section 60(1) of the Act. Without limiting the generality of the foregoing, the Trustee's fees, expenses and legal costs of the Trustee arising out of this Amended Proposal and under the Act shall be paid by the Company. If the Company is declared to be in default under the Amended Proposal, the Trustee's fees and expenses will rank first in priority in relation to the Preferred Creditors and the Unsecured Creditors.

5.5 The Trustee shall be indemnified in full by the Company for all personal liability arising from fulfilling any duties or exercising any powers or duties conferred upon them by this Amended Proposal or under the BIA, except for any wilful misconduct or gross negligence.

6.0 INSPECTORS

At the Creditors' Meeting, the Affected Creditors will be entitled to appoint one or more, but not exceeding five, Inspectors, whose powers shall be as follows:

- (a) advising the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee;
- (b) advising the Trustee concerning any dispute that may arise as to the validity of the Claims of Affected Creditors under this Amended Proposal;
- (c) exercising all powers given to the Inspectors of a bankrupt estate appointed pursuant to the provisions of the BIA; and
- (d) altering or extending the time for payments to be made pursuant to this Amended Proposal, but not the total amount paid.

7.0 RELEASE

7.1 Release of Directors

Upon the Effective Date, the Released Parties shall be released and discharged by all Affected Creditors from all Claims which any Affected Creditor may have or have been entitled to assert against any of the Released Parties for which they would be by law liable in their capacity as directors for the payment of such Claims, provided that this provision shall not release or discharge any of the Released Parties from any Claims that are set out in section 50(14) of the BIA.

7.2 Release of Guarantors

Before and after the Effective Date, the Company intends to enter into separate agreements with Affected Creditors who vote in favour of the Amended Proposal to release the Guarantors from all Claims which such Affected Creditor may have or have been entitled to assert against either or both of the Guarantors for which one or both Guarantor would be by law liable as a guarantor for the payment of such Claims by the Company. The Affected Creditors who vote in favour of the Amended Proposal acknowledge the expectation of the Company and the Guarantors of the intended effect of this Clause 7.2 and agree to enter into such agreements.

8.0 CONSENTS, WAIVERS AND AGREEMENTS

8.1 On the Effective Date, all Affected Creditors shall be deemed to have consented and agreed to all of the provisions of the Amended Proposal in its entirety. Each Affected Creditor will be deemed to

have waived any default by the Company in any provision, express or implied or in any agreement existing between the Affected Creditor and the Company that occurred on or prior to the Effective Date, except such agreements contemplated by Clause 7.2 hereof. Each Affected Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of the Amended Proposal, the provisions of the Amended Proposal take precedence and priority and the provisions of any such agreement are amended accordingly; provided however that, to the extent there is any conflict between the provisions of any agreement contemplated by Clause 7.2 hereof and the provisions of the Amended Proposal, the provisions of such agreements take precedence and priority with respect to any Claims against the Guarantors.

8.2 All contracts, agreements and licences in the name of the Company, including but not limited to the Certifications, continue in good standing notwithstanding the filing of the Amended Proposal and the insolvency of the Company.

8.3 In consideration for CMAD paying the Cash Pool available for distribution to the Affected Creditors, on the Effective Date, all Affected Creditors shall be deemed to have waived their rights to challenge the security of CMAD.

9.0 **MISCELLANEOUS**

9.1 Paramountcy

From and after the Effective Date, any conflict between the covenants, warranties, representations, terms, conditions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Company, lease or other agreement, whether written or oral, and any and all amendments or supplements thereto existing between any third party and the Company as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Amended Proposal, which shall take precedence and priority.

9.2 Preferences and Transfers at Undervalue

Sections 95 to 101 inclusive of the BIA do not apply to the Amended Proposal.

9.3 Binding Effect

The provisions of the Amended Proposal will be binding on the Affected Creditors, the Company, and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns, on the Effective Date.

9.4 Annulment of Amended Proposal

If the Amended Proposal is annulled by an Order of the Court, all payments on account of Claims made pursuant to the terms of the Amended Proposal will reduce the Claims of the Affected Creditors.

9.5 Modification of Amended Proposal

The Company reserves the right to file any modification of or amendment to the Amended Proposal by way of supplementary proposal or proposals lodged with the Trustee at any time prior to the conducting of votes upon the Amended Proposal by the Creditors at the Creditors' Meetings convened by the Company for that purpose, in which case any such supplementary proposal or proposals shall, for all purposes, be and be deemed to be a part of and incorporated into the Amended Proposal.

9.6 Adjournment of Creditors' Meeting

The Company may in consultation with the Trustee adjourn the Creditors' Meeting upon such terms as are considered appropriate by the Company upon notice to Creditors for the purposes of considering any modification of or amendment to the Amended Proposal contemplated in Clause 9.4.

9.7 Conditions on Amended Proposal Implementation

The implementation of the Amended Proposal by the Company shall be conditional upon:

- (a) all applicable judicial consents, Orders and approvals required or desirable for the completion of the transactions contemplated by this Amended Proposal or any aspect thereof having first been obtained or received; and
- (b) the sanction and approval of the Amended Proposal by the Court in accordance with the provisions of the BIA.

9.8 Report of the Trustee

The report of the Trustee shall be filed after the filing of the Amended Proposal and will be provided to Creditors with the Amended Proposal.

9.9 Completion of the Trustee's Duties

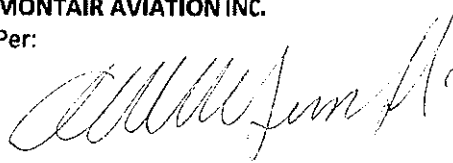
Upon the Trustee making the final distribution to the Creditors pursuant to section 3.6, the terms of this Amended Proposal shall be deemed to be fully performed and the Trustee shall provide a certificate to the Company and to the Official Receiver pursuant to Section 65.3 of the BIA and the Trustee shall be entitled to be discharged.

The Company hereby makes this Amended Proposal to its Creditors as evidenced by its execution hereof below.

Dated at Vancouver, British Columbia, this 26th day of May, 2014.

MONTAIR AVIATION INC.

Per:

A handwritten signature in black ink, appearing to read "Al Neufeld", written over a horizontal line.

Al Neufeld, Director