

InselAir rescue plan

A white InselAir aircraft is parked on a tarmac under a blue sky with light clouds. The aircraft features the InselAir logo, which consists of a stylized rainbow-colored wave followed by the text 'InselAir' in blue. The aircraft is a narrow-body jet with a blue tail and engine nacelles. The background shows a clear blue sky and a flat, open landscape.

InselAir Committee

April, 2017

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- **Based on the NDA with InseIAir, this presentation will non disclose all data and information obtained but will give a fair view on the findings and recommendations by the InseIAir Committee.**

Status InselAir – finance

Status InselAir based on a quick scan performed by the InselAir Committee in November, advising government:

- InselAir is in urgent need of cash, the overall financial situation is poor and not likely to improve on short period;
- Backlogs in accounting and reporting;
- Large losses in 2016 and ongoing due to the substantial reduction of the Venezuela flights;
- The introduction of new routes takes time to yield;
- Repatriation of a 100 million US\$ is blocked due to the economic and monetary problems in Venezuela;
- The cost reduction plan set in place will not yield enough.

Status InselAir – operations

The financial challenges led to operational problems:

- On time performance from Curaçao was way down (less than 40%) during Aug-October 2016. InselAir is facing crew problems and only 8 of the 14 leased planes are airworthy due to postponement of maintenance;
- Concerns regarding availability of sufficient airworthy aircrafts if the cash problems persists;
- Code share agreement with KLM is frozen, interline agreement was restored on December 4, 2016.

The Venezuela claim

Outstanding amounts:

- Curaçao: 800M Bolivar - value USD 67M - book value USD 49M (ANG 88M)
- Aruba: 348M Bolivar - value USD 29M - book value USD 26M (AFL 46M)
- InselAir received the funds for the sale of tickets in Bolivars in Venezuela:
 - as of 2014 no permission from Government Venezuela to exchange in USD and transfer to Curaçao, awaiting the approval of Public Credit of Venezuela
 - exchange rate: 12 Bolivar to 1 versus today's exchange rate
- Investment of the outstanding amounts, is under investigation

Request InseIAir

- InseIAir is negotiating with third parties to sell the Venezuela claim to a financial institution in the US against a discount.
- InseIAir is negotiating with potential strategic partners that will invest in the company.
- Original request of InseIAir:
 - Bridge finance till either the proposed Strategic Partnership will be signed or the cash flow from Venezuela comes in.
 - Financial support of USD 15M from Curaçao Government.
 - Extension for not paying wage tax/social premium.

Government's point of departure

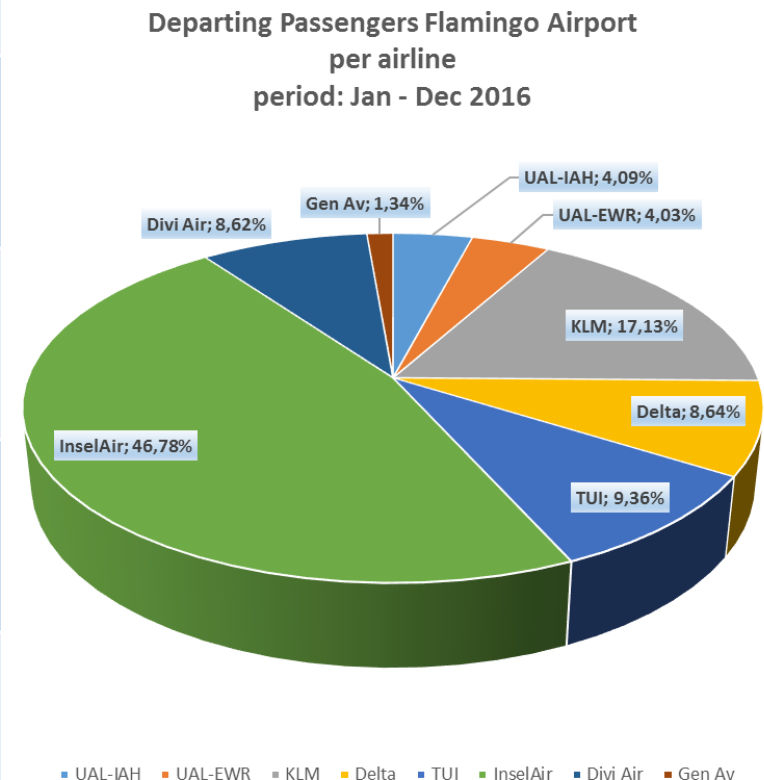
- Government is not in the business of saving private companies
- Government's main concern is to maintain the connectivity between the islands for socio economic reasons without interruption. Either through InselAir or another vehicle.
- If the operations of InselAir stall abruptly, there will be no direct flight connections between Curaçao and Aruba (-100%) and no connection between Curaçao and SXM (-100%); SXM is a hub for SAB and EUX. The flight connections to Bonaire will drop by 80%;
- The commercial, freight, social, judicial, and other governmental activities (including urgent flights for medical purposes) between the islands will suffer a big blow. Many jobs will be lost, highly qualified personnel will leave the island, the economy may contract.

Economic impact InselAir on Curaçao

Indicator	
Employment (direct, indirect and induced)	1800 – 2800
GDP	3% - 5%
Tourists arrivals	25% - 33%
Personnel costs (per year)	ANG 33,4M
PFC (airport tax, per year)	ANG 12M
Departures	7.252
Other income CAP (per year)	5.145.648
Total number of visitors brought in between 2007 - 2016	944.046
Stay-over visitors (2007 - 2016)	795.374
Day trippers (2007 - 2016)	148.672
Average market share (per year)	18,87%
Visitor nights (per year)	625.653
Room nights (625.653/2) (per year)	312.821
Income hotels (room nights * ADR) (\$ 55.057.464) (per year)	99.103.435

Economic impact InselAir on Bonaire

Indicator	
Market share of tourists	20%
Carrier capacity	80%
PFC (airport tax)	USD 1.091.981,14 (23%)
Departing passengers	80.145 (p/y)
Flights 2017	37 (p/w)
2015	50 (p/w)
Seat capacity 2017	2.050 (p/w)
2015	2.500 (p/w)
Movements 2017	74 ($\pm 50\%$ of total, p/w)
2015	100 ($\pm 60\%$ of total, p/w)
Medical reasons BON – CUR	720 (p/y Col) 14 (p/d)
BON – AUA	14 (p/d)



Recommendations InseAir Committee

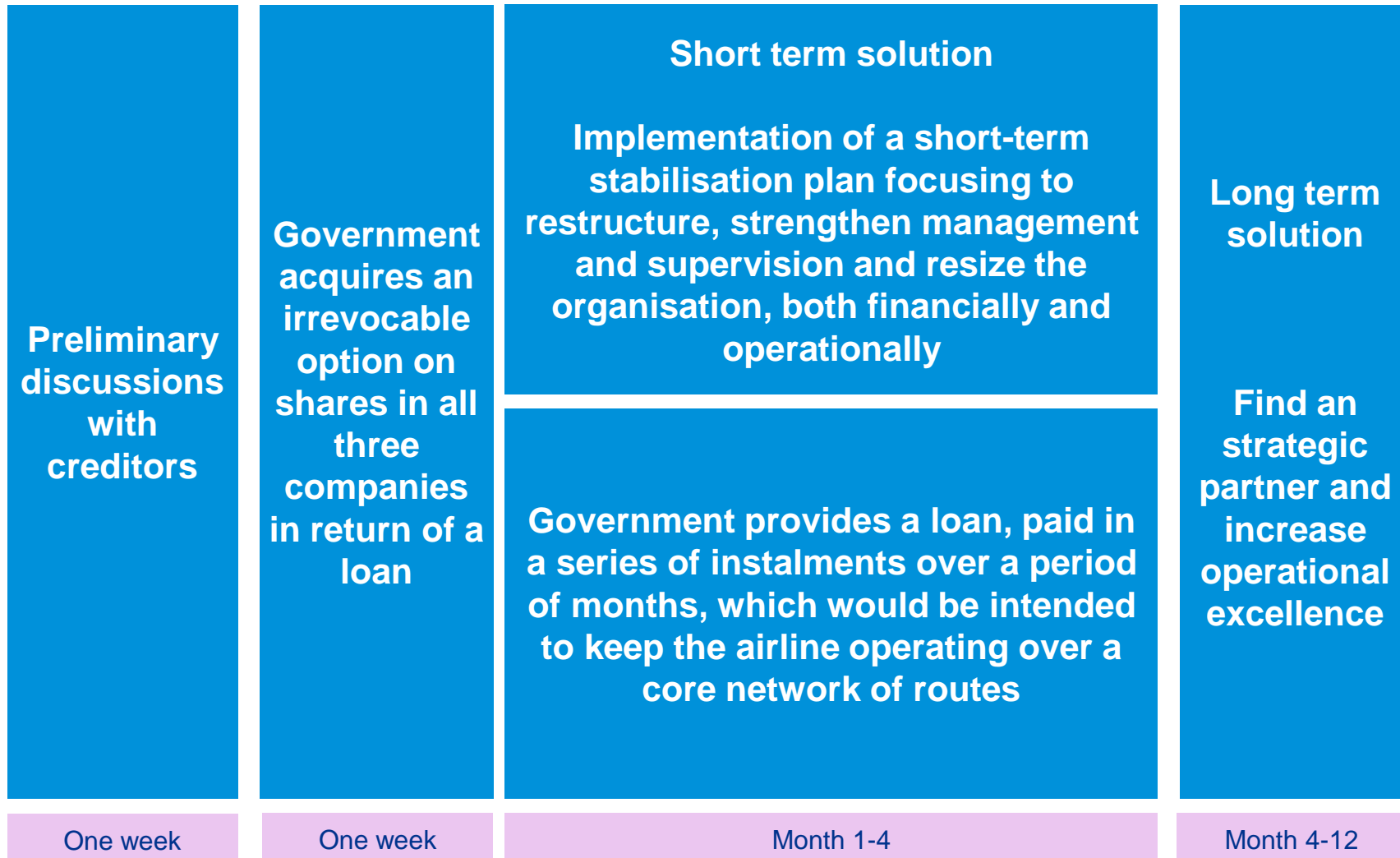
Are there possible short term solutions to maintain uninterrupted connectivity, preferably without financial exposure by government?

- There is only one small alternative for InseAir. This company will not be able to cover the rest of the market if InseAir collapses;
- If other carriers want to extend their operations to cover the interisland flights, it will take months to get the right aircraft composition and mobilize a (additional) crew to service these routes;
- It will take months for these companies to prepare the applications for the necessary permits;
- If it's only for a short period, these companies will not be interested;
- Based on the bilateral agreements, the requirements for landing rights are complicated.

Recommendations InseIAir Committee

- In the short term, the committee sees no other possibility to maintain an uninterrupted connectivity than through InseIAir.
- Therefore the committee proposes a solution with limited financial exposure while having control of the company (next slide)

Recommendations InseAir Committee



Recommendations InseAir Committee

Long term:

- The need to guarantee uninterrupted connectivity between the islands should be a shared responsibility of all Kingdom partners. The committee proposes to discuss the possibilities between all governments;
- Create common policies, taking into consideration market size, strategic regional connections (Suriname, Colombia), and connectivity demand;
- Review policy and legal framework (local ownership and control) in order to make it possible for short term temporary solutions in case of an impending interruption.

LOAN, SHARE PLEDGE AND USUFRUCT AGREEMENT



Parties

- The Loan and Share Pledge and Usufruct Agreement was signed on January 27th.
- Parties:
 - Government (“Lender”) on the one side and on the other side:
 - InselAir, consisting of the operating companies:
 1. Insel Air International B.V. (“Insel Air Curaçao”, the “Borrower”);
 2. Insel Air Aruba N.V. (“Insel Air Aruba”);
 3. Best Value Great Care N.V. (the “Lease Company”);
 - The shareholders.

The loan

- a preliminary sum of ANG 33 million to cover operational losses;
- disbursed in tranches in accordance with the Stabilization Plan;
- The Stabilization Plan can propose a new amount for the loan to be considered to the sole discretion of government;
- Each tranche will be disbursed after evidence that, according to the Committee, progress is made, the Stabilization Plan is well executed and the other terms of the Loan Agreement are met;
- The Loan has a term of 5 years and can be renegotiated if it facilitates the selection of a Strategic partner based on the Business Plan;
- Prepayment is possible at any time without premium or penalty.

Security on the loan

1. a First Priority Pledge by the Original Shareholders to the Government on (51%) of the shares in InselAir;
2. a right of Usufruct on (51%) of their shares in InselAir (Government will obtain all rights with respect to these Shares, including the voting rights for no additional consideration);
3. a First Priority Right of Pledge on the Venezuela Claim;
4. a disclosed pledge on any sale proceeds of the Venezuela Claim.

In the event any such First Priority Right of Pledge is not possible, a second or further priority right of pledge, as evidenced by the Security Documents.

Security on the loan

- The Original Shareholders have the right to have the pledge and Usufruct on the Government Shares released, provided the Loan has been repaid in full, including interest and costs.
- Such right of release can only be exercised if it can be demonstrated that InselAir is in full compliance with all applicable conditions and stipulations as set out by the competent Aviation Authorities in both Curaçao and Aruba.
- The Government have at any time, the right to assign/transfer all/part of its rights or obligations to any person and will send a notification to InselAir. InselAir shall have the right to object to such transfer, which objection shall not be made unreasonably.

Other agreed conditions

- Both government as the original Shareholders shall each appoint two Supervisory Board Members who jointly will appoint a fifth member of the Supervisory Board, who shall be the President of the Supervisory Board.
- Government has the right to appoint (and dismiss) The Executive Chairman of the Managing Board.
- Government has the right to appoint the CFO.

The corporate structure

- The Executive Chairman of the Managing Board (Chairman)
- The Chief Executive Officer
- The Chief Financial Officer

- The Chairman:
 - a. Chairman of the meetings of the Managing Board;
 - b. Decisive vote in meetings of the Managing Board;
 - c. Sole authority to represent InselAir towards third parties;
 - d. Delegates technical and operational issues to the CEO;
 - e. All administrative and support departments reports to the Chairman

The stabilization plan

- Stabilization plan: a short term recovery plan of InselAir operations, as to be determined and prepared by the Managing Board of InselAir as approved by the Supervisory Board, and as amended from time to time, to be approved by the Committee
- Should be ready by February 28, 2017, was delivered February 23, 2017
- Should establish the total amount of the Loan and other facilities to be provided by the Government to InselAir.

The business plan

- Business Plan: the plan, as prepared by the Managing Board of InseAir, and to be approved by the Supervisory Board, summarizing InseAir's operational and financial objectives for the next three years including InseAir's strategies and policies.
- The Business Plan is important to attract a potential Strategic Partner and the Business Plan will include
 - (i) the profile of such Strategic Partner,
 - (ii) the terms and conditions for such Strategic Partnership,
 - (iii) the process of the Strategic Partnership and
 - (iv) the responsible team to execute this Strategic Partnership process.
- The plan should be ready within 3 months after signing.

The InseAir committee

- A committee appointed by government and currently chaired by Etienne Ys (former prime minister Netherlands Antilles), to monitor the execution of this agreement on behalf of government.

Latest developments since 27 January 2017

- 4 planes were grounded by Aruban Civil Aviation Authority
- US and NL civil servants were prohibited to fly
- Grounding resulted in high wet lease costs and hotel costs and lower income
- Stabilisation plan was delivered ahead of schedule and predicts break-even in May
- InselAir International requested suspension of payment

Payments made

Tranche	Datum	Bedrag in ANG	Bedrag in USD
1	29-Dec-16	3,000,000	1,666,667
2	25-Jan-17	5,600,000	3,111,111
3	15-Feb-17	3,420,000	1,900,000
4	23-Feb-17	7,200,000	4,000,000
5	23-Mar-17	6,480,000	3,600,000
Total		<u>25,700,000</u>	<u>14,277,778</u>

LETTER OF INTENT



Parties

- The Letter of Intent was signed on 23 March 2017.
- Parties:
 - Government (“Lender”), as a witness
 - Insel Air International B.V. (“Insel Air Curaçao”)
 - Synergy Aerospace Corporation

Agreement

- To explore in good faith the possibilities to establish a strategic partnership that secures:
 - Continuity and profitability
 - Debt settlement agreement
- No preference to structures
- Negotiate a heads of agreement within two weeks
- The government will continue to provide financial support
- Synergy Aerospace is willing to provide assistance and material resources

HEADS OF AGREEMENT



Parties

- The Heads of Agreement is in draft.
- Parties:
 - Government (“Lender”)
 - Insel Air International B.V. (“Insel Air Curaçao”)
 - Synergy Aerospace Corporation

Agreement

- Synergy Aerospace is willing to buy all shares of InseAir
- InseAir has to be restructured into a debt-free company, subject to a Debt Settlement Agreement
- Purchase price of the shares will benefit the creditors
- Synergy and the group companies will not develop competing activities
- Synergy is willing to advisory and aviation related services
- The SPA will be signed within 4 weeks after the signing of the HoA

Q&A