

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

SUPERIOR COURT  
(Commercial Division)  
(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*,  
R.S.C. 1985, c. C-36)

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No: 500-11-042345-120

IN THE MATTER OF THE PROPOSED PLAN OF  
COMPROMISE AND ARRANGEMENT OF:

AVEOS FLEET PERFORMANCE INC./  
AVEOS PERFORMANCE AÉRONAUTIQUE INC.

And

AERO TECHNICAL US, INC.

Insolvent Debtors/Petitioners

and

FTI CONSULTING CANADA INC.

Monitor

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**ADDENDUM TO THE EIGHTH REPORT OF THE CHIEF RESTRUCTURING OFFICER TO THE COURT**

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**I. INTRODUCTION**

1. On March 19, 2012, Aveos Fleet Performance Inc. ("Aveos") and Aero Technical US, Inc. ("Aero US" and, together with Aveos, the "Company" or the "Petitioners") filed a petition under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA"). An initial order (as subsequently amended and restated, the "Initial Order") was made by the Honourable Mr. Justice Schragger of the Superior Court of Quebec (Commercial Division) (the "Court"), granting, inter alia, a stay of proceedings against the Petitioners (subsequently extended until October 25, 2012 and hereinafter referred to as the "Stay Period"), and appointing FTI Consulting Canada Inc. as monitor of the Petitioners (the "Monitor"). The proceedings commenced by the Petitioners under the CCAA will be referred to herein as the "CCAA Proceedings".
2. On March 20, 2012, an Order for the Appointment of a Chief Restructuring Officer (the "CRO Order") was made by the Court, appointing Mr. Jonathan Solursh as chief restructuring officer of the Petitioners (collectively, with R.e.I. Group Inc. ("R.e.I."), the "CRO").
3. The CRO filed his Eighth Report to the Court on October 19, 2012 (the "Eighth Report").

4. The purpose of this Addendum to the Eighth Report is to inform the Court of recent events in the potential transaction regarding the Engine Maintenance Centre ("EMC") described at paragraph 9 of the Eighth Report.

## II. UPDATE REGARDING THE STATUS OF THE EMC

5. Pursuant to the Divestiture Process ("DP") the Court approved a Liquidation Services Agreement ("LSA") with Maynards Industries Ltd. ("Maynards") in respect of the machinery, equipment and tooling located at the EMC. Maynard's has advertised and planned an auction sale to be held on October 24<sup>th</sup> and 25<sup>th</sup>, 2012.
6. As previously reported, notwithstanding the LSA, the CRO and Aveos have continued to pursue opportunities with respect to a potential en bloc sale of the EMC. As a result of these efforts a party (the "Potential Purchaser") has been working with Aveos and the CRO on a potential transaction that would lead to an en bloc acquisition of the EMC.
7. The Potential Purchaser has completed its initial due diligence on the EMC and developed a variety of plans, one of which would see an acquisition and restart of the EMC business in its current location. Other options include purchasing all or some of the assets and relocating them to another location outside of Canada. The Potential Purchaser is considering all its options at this time.
8. The Potential Purchaser's initial due diligence has included working with Aveos to develop the fundamental framework for a restart of the EMC in its current location. For this plan to come to fruition the Potential Purchaser and Aveos would need to come to terms on various business matters in the near term.
9. In order to assist the Potential Purchaser, the CRO has been involved in discussions with Maynards with respect to the purchase of certain tooling and equipment and possible postponement of the scheduled auction sale. The CRO has also facilitated discussions with both the International Association of Machinists and Aerospace Workers and the Province of Quebec.
10. There are numerous details still to be settled in connection with a potential transaction. Accordingly, while it is still premature to speculate as to the ultimate outcome, it appears that, in principle, the various stakeholders are all working to a common goal of an EMC restart.
11. Accordingly, the CRO and the Potential Purchaser have requested that Maynards postpone the previously scheduled auction sale to allow enough time for the Potential Purchaser to complete its due diligence and determine how it wishes to proceed. At this time Maynards has agreed to postpone the auction until December 15, 2012. If a definitive agreement has not been reached at that time, Maynards would re-advertise and proceed with a rescheduled auction sale pursuant to the LSA in early 2013. To the extent necessary, the CRO will negotiate and settle appropriate amendments to the LSA previously approved by the Court, subject to review by the Monitor and approval of the Secured Lenders.
12. In order to secure the postponement of the scheduled auction sale, the Potential Purchaser has given Maynards certain assurances and commitments for the purchase of some of the tooling

and equipment at the EMC. In addition, in the event that the Potential Purchaser proceeds with an en-bloc transaction for the EMC, the Potential Purchaser has come to terms on pricing with Maynards for the remaining tooling and equipment at the EMC.

13. The CRO is comfortable that the Potential Purchaser is a sophisticated party with the ability and wherewithal to complete the contemplated transaction in a short period of time.
14. The Agent for the Secured Lenders is supportive of this plan and recognizes the risks associated with delaying an auction as well as the additional costs that will need to be funded should the auction be delayed until early 2013.
15. The CRO is cautiously optimistic on the prospects of a transaction at this point in time but notes that there are many issues that still need to be worked out and this is by no means a fait accompli. However, the potential upside and other benefits associated with a potential transaction justify the risk and costs associated with the delay of the auction sale.

### III. CONCLUSION

16. The CRO presents this information to the Court by way of an update given the material nature of the potential transaction and the immediate impact of the postponement of the auction sale that was scheduled to be held on October 24 and 25, 2012.

October 23, 2012

Jonathan Solorsh  
Chief Restructuring Officer

No. 500-11-042345-120

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Monitor

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Roger P. Simard

File: 548731-001

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**ADDENDUM TO THE EIGHTH REPORT OF THE CHIEF  
RESTRUCTURING OFFICER TO THE COURT**

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**ORIGINAL**



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**Fraser Milner Casgrain LLP**  
1 Place Ville Marie, Suite 3900  
Montréal, QC, Canada H3B 4M7

TEL: 514 378 8800  
FAX: 514 866 2241

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